

Eastern University
Faculty of Commerce and Management

Third Year Second Semester Examination in Bachelor of Business Administration –
2012/2013 (August 2015)

MGT 3053 Advanced Taxation and Auditing (Taxation Part)

Proper

Answer all questions

Any assumption should be stated clearly

Time: 02 Hours

Pages – 04

01. Net profit before taxation after crediting and charging following other operating income and expenditure of LOLC Company Pvt for the year ended 31st March 2014 is Rs.

25,180,5000/=

Other operating income

Interest on treasury bills (Net)

Dividend received (Net)

Profit on sale of Delivery Van

Rs.

450,000

360,000

330,000

Expenditure

Provision for gratuity

Depreciation (Note 01)

Share issue expenses

Bad debts (Note 03)

Advertising expenses (Note 04)

Royalty paid

Foreign travel expenses (Note 05)

Donations (Note 06)

Entertainment

Income tax paid (Note 07)

Legal expenses (Note 08)

1,455,000

1,360,000

53,000

1,160,000

3,250,000

4,000,000

1,150,000

1,000,000

400,000

2,250,000

560,000

Note 01

Property, plant and equipment

Cost	01.04.2013	Additions	Disposals	31.03.2014
Lands	6,000,000			6,000,000
Buildings	11,500,000	2,800,000		14,300,000
Machinery	12,600,000	900,000		13,500,000
Motor Vehicles	6,600,000	2,000,000	500,000	8,100,000
Furniture and equipment	2,250,000	400,000		2,650,000
Lorry	-	1,000,000	-	1,000,000
	38,950,000	7,100,000	(500,000)	45,550,000
Less: Depreciation	8,500,000	1,360,000	180,000	9,680,000
	30,450,000			35,870,000

Depreciation allowances in respect of assets those were existing at the beginning of the year other than those described below have been claimed in full.

- i. New factory and factory manager's residence has been constructed during the year at a cost of Rs. 2,000,000 and Rs. 800,000 respectively.
- ii. A van purchased in 2010/2011 has been sold for Rs. 650,000 to replace with a new one. Additions to Motor Vehicles include car purchased for Rs. 1,300,000 for Managing Director and van referred to above.
- iii. Addition to Furniture and equipment includes the cost of a computer purchased during the year for Rs. 100,000.
- iv. A lorry has been taken on a finance lease during the year to pay in 48 installments of Rs. 30,000. During the year, the company has paid three installments as a down payment and another ten monthly installments.

Note 02

Provision for gratuity as at

01.04.2013	Rs. 465,00
01.04.2014	Rs. 600,00

Note 03

Bad debts	Rs.
Trade debtors	800,000
Advance paid to a material supplier	500,000
Recovery of a bad debt written off in 2011/2012	<u>(140,000)</u>
	<u>1,160,000</u>

Note 04

Advertising expenses include Rs. 800,000 incurred on staff vacancy advertised in local news paper

Note 05

Foreign travel expenses	Rs.
Participation in Maldives Trade Exhibition	550,000
Visit to Korea to buy new machinery	400,000
Air ticket to MD's daughter for medical treatment	<u>200,000</u>
	<u>1,150,000</u>

Note 06

	Rs.
Donations	
Money donations to president's fund	700,000
Cost of wall tiles donated to an approved charity	<u>300,000</u>
	<u>1,000,000</u>

Note 07

	Rs.
Income tax paid	
Self assessment tax installments paid for 2013/2014	1,500,000
Economic Service Charge paid for 2011/2012	<u>750,000</u>
	<u>2,250,000</u>

No provision has been made for income tax payable for the year of assessment 2013/2014.

Note 08

	Rs.
Legal expenses	
Defending cases filed in the labour tribunal	300,000
Tax appeal	<u>260,000</u>
	<u>560,000</u>

You are required to calculate the following for the year of assessment 2013/2014.

- i. Total statutory income.
- ii. Assessable income.
- iii. Taxable income.
- iv. Gross income tax liability.
- v. Balance tax payable.

(Total 45 Marks)