

**Eastern University**  
**Faculty of Commerce and Management**  
**Third Year Second Semester Examination in Bachelor of Commerce/ Bachelor of**  
**Commerce (Specialization in Accounting and Finance) - 2012 | 2013 (Aug 2015)**  
**DAF 3072 Advanced Taxation**

**Repeat / Re-Repeat**

Answer all questions

Time: 02 Hours

Any assumption should be stated clearly

Pages – 02

1. Sri, Rangan and Nathan are the partners of SRN enterprises and share profits and losses in the ratio of 2:2:1 respectively. Net profit of the partnership after charging following expenses and after crediting other income Rs. 1,400,000 for the year ended 31<sup>st</sup> March 2014.

	Rs.
Electricity	110,000
EPF & ETF	85,000
Bad debt written off	5,000
Advertising Expenses	180,000
Cash donation to approved charity	20,000
Partnership tax paid	65,000
Accounting depreciation	
– Furniture	137,000
– Lorry	533,000
Salary to partners	
– Sri	250,000
– Rangan	250,000
– Nathan	150,000
Interest on capital	
– Sri	200,000
– Nathan	100,000

Notes:

- Rs. 80,000 of advertisement expenses incurred for staff vacancy published.
- Accounting depreciation was charged for the following assets.  
Furniture purchased for Rs. 900,000 in 2007/2008.  
Lorry purchased for Rs. 2,200,000 in 2011/2012.
- Other income Rs. 220,000 (net) generated from interest on fixed deposits.

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

- i. Divisible profit of the partnership.
- ii. Partnership tax.
- iii. Distribution of Divisible profit among partners.

(45 marks)

02. "One Company's main sources of income are dividend and interest (on Bank deposit). It was liquidated on 30.10.2014. Shares of the company were sold before 31.10.2014. Bank deposit was updated after 31.10.2014 but before 31.03.2015."

### Questions

- i. Whether sale processed of shares is taxable? If taxable what would be the sale value?
- ii. Interest received from deposit is income or return of capital?

(25 marks)

03. a. State briefly the difference between an appeal and an objection according to the provisions of the Inland Revenue Act.  
(A candidate does not have to state all the conditions necessary to make a valid appeal under the Inland Revenue Act.)

b. Explain the benefits of the filing the return of income on or before the due date.

(20 marks)

04. a. What particulars should a valid "Tax Invoice" contain according to the provisions of the value added tax Act?

b. Does profit and income received by one spouse for services rented to a partnership of the other spouse is to be considered as the invoice of the other spouse?

(10 marks)