

Eastern University, Sri Lanka
Faculty of Commerce and Management
Third Year Second Semester Examination in Bachelor of Business Administration
2011/2012 (August 2014)
(Proper/Repeat)
MGT 3053 Advanced Taxation and Auditing
(Taxation Part)

Answer all 04 questions

Time: 1 ½ Hours

Any assumption should be stated clearly

01. Two brothers Mahathir and Ganthibai are the partners of Mahathmaganthi & Co, a partnership carrying on the business of a Super market at Chenkalady.

The partnership agreement provided for the following:

- (1) The profits and losses are to be shared in the ratio of one is to one (1:1)
- (2) Mahathir is to receive a salary of Rs.10,000 per month.
- (3) The partners are to receive interest at 10 % per annum on their fixed Capital accounts. The Capital Accounts of the partners are Mahathir Rs.10,000,000 and Ganthibai Rs.7,500,000.
- (4) Any loans from the partners would receive interest at 12% per annum.

The Trading and Profit & Loss Account of Mahathmaganthi & Co for the year ended
31st March 2013

	Rs.		Rs.
Cost of sales	7,840,000	Sales	10,800,000
Gross Profit c/d	2,960,000		
	10,800,000		10,800,000
Salaries (staff)	420,000	Gross Profit b/f	2,960,000
Salaries (partners)	120,000	Discounts Received	12,000
EPF & ETF	63,000		
Electricity	54,000		
Rent	144,000		
Telephone	78,000		
Water	15,000		
Printing & Stationery	25,000		
NBT	98,000		
Bank-OD interest	9,000		
Interest on loan of Rs.600,000 From Mahathir)	60,000		
Charity & donations	45,000		
Bad debts written off (all allowable)	26,000		

Travelling	57,000		
Depreciation(Note 1)	53,000		
Interest on partners Capital	105,000		
Net Profit	1,600,000		
	2,972,000		2,972,000

Note 1

No Tax depreciation is available for the year of assessment 2012/2013 since this has been fully claimed previously.

You are required to compute:

- The divisible profit of Mahathmaganthi & Co for the year of assessment 2012/2013.
- The apportionment of the divisible profit between Mahathir and Ganthibai.
- The partnership tax payable by Mahathmaganthi & Co for the year of assessment 2012/2013.
- The apportionment of the partnership Tax between Mahathir and Ganthibai

(45 Marks)

02. You are required to compute the VAT liability of **XYZ Ltd.** (a VAT registered company) from the quarter ended 31.March 2014 from the following information.

The under mentioned "expenditure" and "sales" are stated at values excluding VAT when applicable. The VAT rate applicable at 12%

Expenditure	Rs.
Salaries and wages	560,000
Electricity	42,000
Telephone	38,000
Purchase of plant & machinery	1,280,000
Sales	
Supplies at normal rate	2,100,000
Exempt supplies	525,000

(25 Marks)

03. "The reasons for rejection of the return given by an Assessor (A/C) to an assessee (Taxpayer) should be **adequate and intelligible**. But general reasons (conclusions) are inadequate".

Explain the above statement by reference to statutory provisions & the decision by quoting any decided cases.

(15 Marks)

04. Write short answer for:

- I. **Threshold** and **rate** of NBT.
- II. **Advantages** in filing the IT return on or before the due date
- III. What you mean by "**Self Assessment**" (SA) system.

(15 Marks)