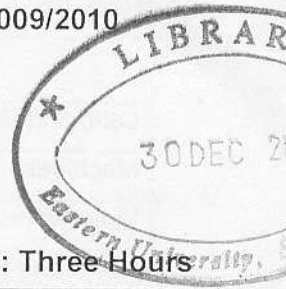


EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT
SPECIAL EXAMINATION IN BUSINESS ADMINISTRATION-2009/2010
(DECEMBER 2011)
(REPEAT)



DAF 3213 ADVANCED TAXATION

Answer All Questions

Time: Three Hours

01.

You are given the following information of AMB (Pvt.) Ltd for the Year ended 31st March 2010. (The nature of business of this company is importing, locally buying and selling of edible Oil in the local market)

Profit & loss A/C for the year ended 31st March 2010

		Gross profit	20,000,000
Salary wages	1,050,000	Add:	
EPF & ETF	157,500	Dividends received	50,000
Depreciations	2,460,000	Rental income	180,000
Repairs	200,000	Bad debts collected	24,000
Electricity	110,000	Profit on sale of lorry	175,000
Advertisement	600,000		
Training of Employees	300,500		
Foreign Traveling	1,000,000		
Lease rent	186,000		
Donation	550,000		
Insurance	776,000		
Transport Traveling	360,000		
Provision for gratuity	1,200,000		
Loss on sale of Machinery	75,000		
Research expenses	113,000		
Rates	80,000		
Legal expenses	140,000		
Entertainment	320,000		
Bad & doubtful debt	264,000		
Annuity paid for the year	80,000		
Telephone	65,000		
Penalty for income tax	22,000		
Value Added tax paid (VAT)	750,000		
Goods clearing charges	314,000		
BTT paid	450,000		
OD interest & Bank charges	332,000		
Management fees	1,300,000		
Proposed dividends	360,000		
Balance net profit	6,814,000		
	20,429,000		20,429,000

Notes 01.

	Balance 01.04.2009	Addition	Disposal	Balance 31.03.2010
Land & Building	8,500,000	-	-	8,500,000
Machinery	5,000,000	5,000,000	2,000,000	8,000,000
Motor vehicle	9,000,000	2,000,000	1,500,000	9,500,000
Computer H/ware	1,400,000	-	100,000	1,300,000
Furniture	250,000	300,000	-	550,000
Software	-	800,000	-	800,000
	22,150,000	8,100,000	3,600,000	28,650,000

Depreciation	Balance 01.04.2009	For the year	Removal	Balance 31.03.2010
Land & Buildings	300,000	100,000	-	400,000
Machinery	1,800,000	600,000	1100,000	1300,000
Motor vehicle	3,100,000	1150,000	900,000	3350,000
Computer H/ware	100,000	200,000	80,000	220,000
Furniture	30,000	70,000	-	100,000
Software	-	400,000	-	400,000
	5,718,000	2,460,000	1,280,000	2,550,000

*Land and building as at 01.04.2009 consists a building at a value of Rs.1,500,000/-

02. Part of the building (half portion) was given on rent to another business to be used as an office. Monthly rent received Rs. 18,000/-
03. A lorry and a packing machine which were purchased during the Year of Assessment 2001/2002 were sold during the Year of Assessment 2009/2010
04. Repair expenses includes Rs. 100,000/= was spent to the building which was given on rent for renovation and color washing.
05. Directors traveling (Personal) expenses of 54,000/- is included in Transport and Travelling.
06. A Delivery van has been taken on lease at a monthly lease rent of Rs. 25,000/- on 03.04.2010 and the whole rent payable in two years.
07. Total sales (both liable for VAT and exempt sale) Rs. 95,150,000/- This company pays BTT at 1% to the western Provincial council on its 75% of turnover (buying and selling of accessories at whole sale market in Pettah.)
08. Electricity was paid for the whole building

09. During the year two directors went to Malaysia with an idea to commence Import & Export business in the subsequent years
09. Donation
- Donation made to the Government 200,000/-
 - Goods worth of Rs. 350,000/- donated to the displaced people at Kilinochchi.
10. Insurance includes a personal life insurance premium of Rs. 360,000/- paid for the Managing Directors' Insurance Policy.
11. Legal Expenses
- Fees Rs. 75,000/- paid to a lawyer for the recovery of trade debts.
 - Balance Rs. 45,000/- paid for attending a case filed by the Department of Inland Revenue for non payment of VAT in time for the quarters ending 2009 December and 2010 March.
12. Details of Bad and doubtful debt of Rs. 264,000/-
- | | |
|---|----------------|
| ➤ General Provision | 100,000 |
| ➤ Specific Provision (for trade debts) | 40,000 |
| ➤ Bad debt written off of a trade debt for which provision has not been made previously | 8,000 |
| ➤ Staff loans written off | <u>116,000</u> |
| | <u>264,000</u> |



Note

This Company has been registered for ESC and the ESC Payable at 0.25% on its import, buying & selling. The relevant turnover for each quarter exceeds the threshold (7.5M/=)

Required:

Compute the Income tax payable by AMB (Pvt.) Ltd for the Year of assessment 2009/2010.

(75 Marks)

02. Briefly explain only two of the followings:

- i. Withholding Tax (WHT)
- ii. Taxes are paid under "Self Assessment basis" what is Self Assessment?
- iii. Economic Service Charge (ESC)

(25 Marks)