



Time: 3 Hours

Number of questions: 3

Instruction: Answer all three questions

Number of pages: 04

Note: Any assumption should be stated clearly

Q.1

Mr. Bandara is the owner of a Hardware shop at Uhana from 1990. The profit & loss account prepared for the year of assessment 2008/2009 is given below.

Salaries & wages	2040000	Gross profit	8000000
EPF & ETF contribution	428000	profit on sale of	
Legal expenses	20000	lorry	250000
Bonus	126000	Insurance receipt	100000
Lease rent	250000	Interest on loan	300000
Transport	495000	Net Dividend	180000
Rates	18000	Lorry hiring income	120000
Electricity	56400		
Water	7800		
Telephone	29400		
Postage	2400		
Motor vehicle maintenance	652000		
Advertising	400000		
Bad debt and provision	45700		
Loss of stock	150000		
Depreciation	894000		
Building repairing	175000		
Interest	65000		
Donations	72400		
Insurance	136000		
Turnover Tax	620900		
Income Tax	70000		
Loss on sale of computer	15000		
Sundry expenses	12500		
Net profit	2168500		
	<u>8950000</u>		<u>8950000</u>

Notes: 1.**The movements of fixed assets are as follows:**

Cost	Balance as at 01.04.2008	Additions	Disposals	Balance as at 31.3.2009
Land & building	1,500,000	-	-	1,500,000
Motor vehicle	4,300,000	1,500,000	1000000	4,800,000
Furniture	120,000	-	-	120,000
Computer	240,000	-	80,000	160,000
Office equipment	220,000	-	-	220,000
	<u>6,380,000</u>	<u>1,500,000</u>	<u>1080,000</u>	<u>6,800,000</u>

Depreciation:

Building	500000	-	-	500,000
Motor vehicle	920,000	790,000	760000	950,000
Furniture	96,000	48,000	-	144,000
Computer	54000	12000	30000	36,000
Office equipment	88,000	44,000	-	132,000
	<u>1,658,000</u>	<u>894,000</u>	<u>790,000</u>	<u>1,762,000</u>

- (a) The lorry disposed during the year was purchased on 15th Feb. 2006.
- (b) Motor vehicle include a car cost at 900,000/=, that was used for business Traveling
- Lease rent paid to a van purchased under four year lease, monthly lease rent payable is Rs:24,000/= .
 - All other assets at the opening balance have been purchased at the beginning of the business
 - No provision have been made to turn over Tax payable at 1% on the total sale Rs:76,380,500/=
 - Donation made as follows:

Approved charity by goods	42,400
Donation made to a sports club at Bakkialla	5,000
Govt. cancer hospital	<u>25,000</u>
	<u>72,400</u>
 - Bad debt and provision made as follows:

General provision	20,000
Bad debt written off	<u>25,700</u>
	<u>45,700</u>

- 7 Part of the stock has been burnt by electrical short connection, he could recover only Rs: 100000/= as the insurance cover.
8. The life insurance premium paid 36,000/= for Mr.Bandara's life insurance policy is included in the insurance.
9. The building repairing expenditure includes Rs: 75000/= incurred for his own house.
10. The interest shown is the total of Rs: 30,000/= and Rs: 35,000/= paid to Bank of Ceylon in respect of business loan and housing loan obtained to construct the house.
The capital repayment for the building construction loan was 72,000/=.
11. Legal expenses was the payment to a lawyer for an appeal case on a late payment of ESC
12. He is also liable for ESC. (Assume that the quarterly turnover in each quarter exceeds the threshold)

Compute the Income tax payable for the Y/A 2008/2009.

(50 Marks)

Q.2

Mr. **Happu** carries out following activities in his business. The Turnover for the 1st quarter of the Y/A 2008/2009 is given below.

As a dealer for Nestle products	
Sale of Nestle product (as a dealer)	46,000,000/=
Agent for IOC	
Fuel (Petrol, Diesel & Ceresin oil)	50,000,000/=
Vehicle service income	400,000/=
Grocery	
Buying & selling of provisionary items	10,000,000/=
Vehicle sale	
Sale of motor vehicle	75,000,000/=
Estate income	

Sale of coconut from his estate

400,000/=

Assume that he has registered for ESC.

Calculate the ESC payable by Mr. Happu under the Economic Service Charge Act No. 13 of 2006, amended by (amendment) Act No. 15 of 2007

(25 marks)

Q.3

Write short notes

- (a) **Qualifying Payments** under the IRD Act No 10 of 2006
(5 marks)
- (b) Requirements of a "valid appeal".
(5 Marks)
- (c) Taxes are paid under "**Self Assessment basis**"
What is Self Assessment?
(5 marks)
- (d) Value Added Tax -VAT
(5 Marks)
- (e) **Tax on Partnership**
(5 Marks)

(5x4=25 Marks)