



**Uva Wellassa University
Faculty of Management**

**Degree of Bachelor of Business Management and
Entrepreneurship**

Year 3 Semester II Examination – June/July 2009
EMG 332-2 Taxation

Section III

Answer **TWO** questions only

1. Mr. Herath is the owner of a Supermarket in Negombo. His net profit for the year ended 2006/2007 is Rs.800,000 and depreciations amounted Rs.200,000 for the year. Details about his assets as follows:

Asset	Acquired on	Cost Rs.
Equipments	2006/05/01	100,000
Computer	2005/01/01	50,000
Computer software	2005/04/30	20,000
Motor coach	2005/12/31	1,500,000
Furniture	2006/08/01	100,000
Delivery van	2006/01/01	800,000

Calculate net profit for taxation purpose

(10 marks)

2.

Details about Mr. Nimal's property as at 31/03/2005 as follows:

	Description	Place	Annual value Rs.
1	Residing place (construction completed in 2004)	Borella	200,000
2	Occupying his son (construction completed in 2005, 2000sq.ft.)	Nugegoda	300,000
3	Occupying a family member on behalf of the owner	Matara	50,000
4	Uses for business purpose	Dehiwela	75,000
5	Coconut estate	Kurunegala	100,000
6	Used as a holiday bungalow for Mr. Nimal and his family	Nuwara Eliya	100,000

Compute Mr. Nimal's NAV for 2006/2007 Y/A

(10 marks)

3. Following information is related to Mr. Gunapala's business undertaking.

- Net profit for the year ended 2007/2008 is Rs.300,000.



Provision for doubtful debts

	2007.04.01	B/B/F	40,000
	2008.03.31		60,000
2008.03.31	B/C/F	<u>100,000</u>	
		<u>100,000</u>	<u>100,000</u>

- Mr. Nimal a debtor for Rs.15,000 and he has passed away on 31/12/2007 and Mr. Gunapala decided to write off that amount.
- A debtor named Amal was decided as a potential bad debtor, his obligation was Rs.10,000.
- Namal was estimated as a clear doubtful debtor for his Rs.5,000 in 2006/2007 and Mr. Gunapala decided him as a bad debt in 2007/2008.
- A bad debtor for Rs.15,000 in 2007/2008 has paid Rs.10,000 for settle his debt on 01/03/2008.

Determine Mr. Gunapala's profit for taxation purposes.

(10 marks)

4. Write a note on

- Pay As You Earn (PAYE)
- Value Added Tax (VAT)

(10 marks)

5. The value of the leasing installments in the profit and loss account is Rs.1.38 million. The break down of that figure as follows.

Asset	Payable amount (as mentioned at the agreement)	Payments in 2005/2006
Lorry	40,000 * 20	400,000
Car	50,000 * 48	500,000
Tractor	25,000 * 36	200,000
Computer	10,000 * 12	90,000
Motor Cycle	5000 * 48	70,000
Air Conditioner	20,000 * 15	120,000
Total		1,380,000

Notes :

1. An executive officer uses the car for his travelling
2. Motor cycle is being used by a clerk for his official and private purposes
3. Air conditioner has fixed in sales manager's residence

Calculate allowable lease payment amount from the profit and loss account 2005/2006

(10 marks)

6. Mrs. Menik is a gem merchant in Ratnapura has a furnished house in Colombo-5, which she has rented out Rs.40,000p.m. The Colombo municipality has assessed the annual value as Rs.60,000. Mrs. Menik pays rates at 30% and bears cost of repairs. Mrs. Menik occupied for 3 months before she rented out the household. There were following expenses related to the household.

- a. brokerage Rs1200
- b. furniture maintenance Rs.8000

Calculate;

1. Profit from furnishing
2. Net Annual Value
3. Total income from letting

(10 marks)