

Mid-West University  
**Examinations Management Office**  
Surkhet, Nepal  
Chance Examination-2078  
Master of Business Studies (MBS)  
Semester - IV

Subject: Taxation

Course Code: ACC 545

Full Marks: 60 Pass Marks: 30

Time: 3: 00 Hours

*You are required to answer in your own words as far as applicable. Figures in the margins indicate full marks.*

**SECTION A: CRITICAL THINKING QUESTIONS (10 X 1 = 10 MARKS)**

Answer **ALL** questions:

1. Differentiate between direct and indirect tax.
2. Mrs Yanki an employees of Nepal government earned Rs 40,320 per month. Besides this she is receiving residential and vehicle facility from the office. She has donated Rs 5,000 to a public school.  
**Required:** Total Taxable Income.
3. Describe the provision of donation under section 12 of IT Act 2058.
4. Mr. Bikash an auditor furnished the following details of his income during the year.
  - Audit fee Rs 425,000 (after TDS)
  - Directors fee 42,500
  - Consultation fees Rs 170,000(after TDS)
  - Accounting assistance fees Rs 200,000
  - Meeting fees Rs 27,000 (Net)
  - Lottery Rs 100,000 (Net)
  - Interest on fixed deposit Rs 95,000 (Net)**Required:** Assessable income from profession.
5. XYZ Company provides the following details of its fixed assets under Block D.
  - Beginning written down Value of assets is Rs 20,00,000.
  - New addition of assets: On Ist Magshir of Rs10,00,000
  - On Ist Baisakha of Rs 900,000
  - Disposed Value of assets of Rs 900,000
6. Surkhet Décor Company imported a 30 pieces of Television set at a unit price of Rs 25,000 (CIF Kolkata). The freight and insurance expenses from Kolkata to Birgunj was Rs 30,000. The prevailing rate of custom duty is 30%.  
**Required:** Custom duty.
7. Following are the information of a dealer selling varieties of electronic equipments.
  - Sales four pieces of Samsung T.V. @ Rs 30,000 each.
  - Sales three pieces of LG LED@ Rs 15,000 each.
  - Discount provided to customers @ 10% .**Required:** VAT collected by the dealer from the customers.
8. Mr. Arif submitted the following details regarding investment.
  - Royalty received Rs 467,500(net)
  - Interest from fixed deposit Rs 19,000(after TDS)
  - Rent by letting computer Rs 270,000 (Net)
  - Natural resource payment received Rs 150,000

- Expenses related to natural resource Rs 6,000

**Required:** Assessable income from investment.

9. What is Excise duty?

10. Mr. Ritesh was appointed as a government officer on a pay scale of Rs 25,000-500-30,000 EB 1,000-40,000 on Ist Shrawan 2066.

You are required to calculate his annual salary.

### SECTION B: SHORT ANSWER QUESTIONS (3 X 8 = 24 MARKS)

Answer any **THREE** questions:

11. Miss Muna individual appointed as a section officer of Nepal government has submitted the following particulars of her income and expenses of previous year.

- ❖ Net salary received after deducting his contribution to provident fund and income tax deducted at source Rs. 2,49,000.
- ❖ Tax deducted at source Rs. 21,000.
- ❖ Her contribution to provident fund Rs. 30,000.
- ❖ Employer contribution to provident fund Rs. 30,000.
- ❖ Dearness allowances 30% of salary.
- ❖ Meeting allowance Rs. 20,000.
- ❖ Medical expenses reimbursed by the office Rs. 15,000.
- ❖ Transportation facility provided by the office to go and come back from office in equal term to other employee.
- ❖ Advance salary received Rs. 80,000.
- ❖ Office provided a loan amount of Rs. 5,00,000 at a concessional interest rate of 10% p.a. Prevailing interest rate was 15% p.a. The loan taken push end.
- ❖ Her office is situated in remote area D.
- ❖ Life insurance Premium paid by employer Rs. 25,000.
- ❖ She donated to public college Rs.40,000.

**Required:**

- a. Assessable Income from Employment [5]
- b. Statement of Total Taxable Income [2]
- c. Tax payable amount of Miss Muna [1]

12. Mr Ojha disclosed his following income and expenditure for the previous year.

- ❖ Interest on private money lending activities Rs 200,000
- ❖ Natural resources payment received Rs 306,000 (after TDS)
- ❖ Interest from bank deposit Rs 110,000
- ❖ Dividend from domestic company Rs 115,000
- ❖ Royalty from writing articles Rs 15,000
- ❖ Royalty from book publication Rs 85,000 (after TDS)
- ❖ Compensation received Rs 50,000
- ❖ Money found laying in street Rs 7,500 (net)
- ❖ Disabled allowance from government Rs 10,000

He claimed following expenses for deduction :

- ❖ Interest collection charge Rs 2,000
- ❖ Natural resource Rs 1,000
- ❖ Royalty from writing articles Rs 100

❖ Dividend from domestic company	Rs 500
❖ Salary to assistant	Rs 35,000
❖ Life insurance premium	Rs 12,000
❖ Donation to tax exempt organization	Rs 15,000

**Required :**

- Net (Assessable) income from Investment [5]
- Statement of total taxable income [2]
- Tax liability [1]

13. A business firm imported following goods from foreign country and incurred transportation cost US \$ 2,500 up to Nepal's custom points.

Types of goods	Quantities	Price	Total cost (Rs)	Rate of custom duty
Refrigerators	20	US \$ 150	US \$ 3,000	30%
Washing machine	40	US \$ 250	US \$ 10,000	25%
Micro oven	50	US \$ 200	US \$ 10,000	30%
Gas heater	30	US \$ 150	US \$ 4,500	20%

From investigation of goods in custom from the view point of the custom authority found that the price of Micro oven is US \$ 250. In the same way the quantities of Washing machine was 45 pieces in the place of 40 pieces.

**Required:** Custom duty [8]

14. (a) Value added tax is imposed on added value at each level of sales. Comment briefly. [3]  
 (b) Mr. Mohan is a customer who purchased a computer from retailer. The purchase price before VAT is Rs.5,000. The computer imported by an importer. The importer charged 10% profit on sales. The retailer charged 20% on sales. The overhead cost incurred by both middle man Rs. 2,000 and Rs.1,000 respectively.

**Required:**

- Cost price of importer [4]
- Amount of VAT collected by Government [1]

15. Briefly describe rights and duties of a tax officer under Income Tax Act 2058. [3+5]

**SECTION C: LONG ANSWER QUESTIONS (2 X 13 = 26 MARKS)**

Answer any **TWO** questions:

16. What are the different sources of incomes that fall under Income Tax Act 2058? State the main Features of Income Tax Act 2058 and list out any five final withholding payments under Income Tax Act 2058. [3+6+4]  
 17. Following is the trading and Profit & Loss Account of a manufacturing company for the previous year.

Particulars	Rs	Particulars	Rs
To Opening stock	350,000	By Sales	22,00,000
To direct material	700,000	By Closing stock	400,000
To manufacturing expenses	300,000		
To Wages	50,000		
To gross profit	12,00,000		
	<b>26,00,000</b>		<b>26,00,000</b>
To Salaries	100,000	By Gross profit	<b>12,00,000</b>

To Pollution control cost	200,000	By bad debts recovered	40,000
To Donation	240,000	By Commission received	20,000
To Interest on loan	55,000	By Amount received for not producing one brand	125,000
To Depreciation	290,000	By House rent	75,000
To R & D	230,000	By Gain on sale of share net (not listed)	49,000
To General expenses	50,000	By Sale of news paper	1,000
To exchange loss	5,000		
Repairs expenses	115,000		
Legal expenses	20,000		
Net profit	605,000		
Total	19,10,000		19,10,000

**Additional Information:**

- Opening stock was overvalued by Rs 50,000 and closing stock was undervalued by Rs 40,000.
- Material purchased includes Rs 50,000 for purchase of computers.
- Wages include Rs 1,000 for transportation and installation cost of the computers.
- 40% of bad debt recovered was not allowed previously.
- Loss on disposal of share last year Rs 25,000 has not been adjusted yet.
- Legal expenses include Rs 10,000 incurred for protecting patent rights.
- Interest on loan was found excess by 10%.
- Opening WDV in respect of block A, B, C and D were Rs 600,000, Rs 300,000, Rs 150,000 and Rs 450,000. A Toyota pickup van costing Rs 660,000 was purchased on Ashwin.
- The industry is located in undeveloped area. It has been providing direct employment to 340 Nepalese workers.
- Repairs cost of : Block A Rs 45,000 Block B Rs 15,000 and Block D Rs 55,000
- 80% donation was given to Pashupati area development Trust and rest was given to a private school.

**Required:**

- Net (assessable) income from business [8]
- Statement of total taxable income [3]
- Total tax liability [2]

18. The following Receipt and payments account of an Auditor is given below:

Receipt	Rs	Payments	Rs
To Balance b/d	70,000	By office salaries	120,000
To Audit fee	650,000	By office expenses	90,000
To consultancy fees	250,000	By office rent	25,000
To commission relating to audit work	20,000	By car expenses	16,000
To interest on fixed deposit from NBL	20,000	By life insurance premium	17,000
Net			
To sale of furniture	50,000	By purchase of news paper	2,000
To gift and present from clients	210,000	By income tax paid in advance	5,000
To interest on govt. bond net	13,000	By donation to tax exempt organization	5,000
To dividend received net	18,000	By purchase of stationery	17,000
To sale of news paper	16,000	By travelling expenses	14,000
To directors fee net	17,000	By miscellaneous expenses	15,000
		By domestic expenses	5,000
		By pollution control cost	40,000
		By balance c/d	963,000
	13,34,000		13,34,000

Adjustments:

- Half of car expenses were paid for personal purpose.
- Office salaries include Rs 20,000 paid to domestic cook.
- 50% of donation was given to an organization which was not approved by IRD.
- Half of domestic expenses are spent for general expenses.
- Allowable depreciation of Rs 10,000 not shown in account.
- Gain on sale of non-professional assets of Rs 100,000 not shown in account.

**Required:**

- a. Net (assessable) income from profession
- b. Statement of total taxable income
- c. Total tax liability

[7]

[4]

[2]

**THE END**