



MID-WESTERN UNIVERSITY
EXAMINATIONS MANAGEMENT OFFICE
MAKE-UP EXAMINATION: 2018
BACHELOR OF BUSINESS STUDIES (BBS)
SEMESTER – VII

Subject: Taxation
Full Marks: 100

Course Code: ACC 475
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: VERY SHORT ANSWER QUESTIONS (10 X 2 = 20 MARKS)

Answer **ALL** questions.

- Q1. What is tax?
- Q2. Define Direct tax with suitable example.
- Q3. What do you mean by business income?
- Q4. Point out any five income included in investment income.
- Q5. Mr. Hari was appointed as a government officer on a pay scale of Rs 23,000-500-28,000 EB 1000-38,000 on Ist Shrawan 2065.
Required: calculate his annual salary.
- Q6. Mr. Sohan an auditor furnished the following details of his income during the year.
- Audit fee Rs 425,000 (after TDS)
 - Consultation fees Rs 170,000(after TDS)
 - Directors fee Rs 100,000
 - Accounting assistance fees Rs 200,000
 - Meeting fees Rs 42500 (Net)
 - Lottery win Rs 150,000 (Net)
 - Interest from saving deposit Rs 95,000 (Net)
- Required:** Assessable income from profession.
- Q7. XYZ Company provides the following details of its fixed assets under Block D.
- Beginning written down Value of assets is Rs 8,00,000.
 - New addition of assets:On Ist Marga of Rs 400,000
 - On 15th Baisakha of Rs 600,000
 - Disposed Value of assets of Rs 400,000
- Required:** Amount of depreciation to be charged in current year.
- Q8. Mr yadav is an employee of the government of Nepal. His salary of Rs 30,000 p.m. and other allowance of Rs 10,000. He is enjoying a car and accommodation facility given by office. Calculate his total taxable income.
- Q9. Following are the information of a dealer selling varieties of electronic equipments.
- Sales Four pieces of Samsung T.V. @ Rs 20,000 each.
 - Sales Three pieces of LG LED@ Rs 30,000 each.
 - Discount provided to customers @ 10% .
- Required:** VAT collected by the dealer from the customers.
- Q10. Mr. Nabin submitted the following details regarding investment.
- Royalty from natural resources Rs 2500,000
 - Interest from fixed deposit on Prabhu Bank Rs 55,000
 - Rent by letting house Rs 180,000
 - Rent by letting computer Rs 270,000 (Net)
 - Expenses Related to natural resource Rs 5,000
 - Interest from friends Rs 175,000
- Required:** Assessable income from investment.

SECTION B: SHORT ANSWER QUESTIONS (6 X 8 = 48 MARKS)

Answer any **SIX** questions.

- Q11. Mr. Gautam a Disabled person working in Nepal Telecom, furnished the following details of his income and expenses for the previous year.
- Net salary after deducting TDS and his contribution to P.F. Rs 300,000. Tax deducted at source was Rs 24,000 . His contribution to P.F. was 10% of salary and NTC also contributed equal amount .
 - Remote area allowance 25% of salary.
 - His LIP paid by the employer Rs 15,000 and annual insurance premium is Rs 25,000.
 - Scholarship provided by employer to his son equal 10% of salary.
 - Stationery bill of his daughter paid by office Rs 700 P.M.
 - Dashain allowance equal to one month salary.
 - Royalty income from natural resources Rs 60,000.
 - Travelling and daily allowance of Rs 20,000 for attending seminar in Nepalgunj.
 - Vehicle facility provided by employer but vehicle is used for office as well as personal use.

- Accommodation facility provided by employer with free of cost, but rent paid by the office of Rs 5,000 P. M.
- His office is in remote area C

Required:

- (a) Net (Assessable) income from employment (5)
 (b) Statement of total taxable income (2)
 (c) Tax liability (1)

Q12. Discuss about the importance of tax for the government. Also state the canon of tax with suitable example. (3+5)

Q13. Mr Ojha Disclosed his following income and expenditure for the previous year.

•Interest on private money lending activities	Rs 150,000
•Natural resources payment received	Rs 306,000(after TDS)
•Interest from bank deposit	Rs 190,000
•Dividend from domestic company	Rs 95,000
•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 12,000

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 30,000
•Life insurance premium	Rs 15,000
•Donation to tax exempt organization	Rs 12,000

Required :

- (a) Net (Assessable) income from Investment (5)
 (b) Statement of total taxable income (2)
 (c) Tax liability (1)

Q14. The followings are the result of a company during the last 7 years:

Year	3	4	5	6	7
P/L Rs	(140,000)	50,000	(150,000)	300,000	500,000

Balance of unrecovered loss at the beginning of year 3 was Rs 30,000 which represents Rs 20,000 for year 1 and balance for year 2. Donation of Rs 200,000 given to Lumbini development trust was charged in the P/L A/C of the year three. The profit of year 6 was derived before deducting interest on bank loan of Rs 30,000. The company forgets to deduct R&D cost Rs 200,000 in year 7.

Required: taxable income of the company giving explanation wherever necessary. (8)

Q15. What is tax exempt amount? Give any six items of income that are exempted from tax. (8)

Q16. importer imported a refrigerator for Rs 20,000. VAT was on its imported. This product passes through three stage before reaching to the final consumer. Value added by each businessman on the cost price are as follows:

Importer 30%	Manufacturer 50%
Wholesaler 20%	Retailer 10%

Required: (a) VAT collected by the government (6)

(b) Cost price to the customer. (2)

Q17. Briefly describe rights and duties of a tax officer under income tax Act 2058. (3+5)

Q18. An special industry under company Act of Nepal provides the following details of its assets under diffent blocks as :

Block	WDV as on ist shrawan	Addition of assets	Purchase at	
A	40,00,000	Nil		
B	15,00,000	Nil		
C	30,00,000	A Mini bus	10,00,000	Ist chaitra
D	25,00,000	A machine	800,000	Ist magh

The company incurred Rs 500,000 as a cost of patent right for a period of 20 years and 5 month. There was no disposal of assets under any block during the income year.

Required: Allowable depreciation of the assets under difference blocks. (8)

SECTION C: LONG ANSWER QUESTIONS (2 X 16 = 32 MARKS)

Answer any **TWO** questions.

Q19. What are the different sources of incomes that fall under Income Tax Act 2058? State the main objective of Income Tax Act 2058 and list out any five final withholding payments under Income Tax Act 2058. (5+6+5)

Q20. Following is the trading and Profit & Loss Account of a company for the previous year is given below.

Particulars	Rs	Particulars	Rs
To Opening stock	450,000	By Sales	1,50,00,000
To direct material	15,80,000	By Interest on investment	1,50,000
To manufacturing expenses	10,00,000	By Exchange gain	100,000
To Wages	120,000	By Income received by accepting investment restrictions	285,000
To salary	25,00,000	By bad debts recovered	80,000
To legal Expenses	20,000		
To Miscellaneous expenses	85,000		
To transportation expenses	90,000		
To Bad debt	50,000		
To Interest on loan	100,000		
To Allowable Depreciation	50,000		
To stock insurance premium	4,000		
To provision for tax	130,000		
To Donation	13,00,000		
To rent	100,000		
TO Legal expenses	100,000		
Net profit	79,36,000		
Total	1,56,15,000		1,56,15,000

Additional Information:

- Opening stock was found undervalued by 10%
- Donation was given with pre-approved of IRD to protect an ancient heritage of Nepal.
- Legal expenses include Rs 6,000 incurred on disposal of a bank loan and Rs 5,000 to defend the title of business assets.
- Travelling expenses Rs 8,000 was omitted to record in above statement.

- Required:** (a) Net (assessable) income from business (10)
 (b) Statement of total taxable income (4)
 (c) Total tax liability (2)

Q21. The following Receipt and payments accounts 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 Net	20,000	By life insurance premium	17,000
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 was 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 approve by IRD.
- Half of domestic expenses is 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 (10)
 (b) Statement of total taxable income (4)
 (c) Total tax liability (2)

