

Mid-West University
Examinations Management Office
Surkhet, Nepal
Final Examination-2079
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** the questions:

1. State the meaning of canon of diversity with an appropriate example .
2. Miss Ritvi provided the following information regarding the employment income during the year.
Total taxable income from employment is Rs 8,00,000.
She claimed Rs 8,000 for medical tax credit and life insurance premium Rs 22,000.
She works in remote area class - B
 - a. Required : Tax payable by Mrs. Ritvi for the year.
3. Mr. Harish an auditor furnished the following details of his income during the year.

Consultation fees	Rs 425,000 (after TDS)
Auditors fee	Rs 350,000
Accounting assistance fees	Rs 225,000
Meeting allowance	Rs 42,500 (Net)
Lottery win	Rs 60,000 (Net)
Sale of old news paper	Rs 15,000
Interest from Nabil Bank	Rs 135,000 (Net)

 - a. Required: Assessable income from profession.
4. From the information given below, compute the cost of trading stock.

Opening stock	Rs 225,000
Purchase of material	Rs 15,00,000
Direct labour	Rs 3,00,000
Factory expenses	Rs 2,00,000
Closing stock	Rs 2,30,000

Opening stock is undervalued by 15% and closing stock is overvalued by 20%.
5. Point out any two rights of assessee.
6. From the following information of Mr. Birat Mainali calculate the allowable limit of foreign tax credit.

Taxable income from domestic investment	Rs 6,00,000.
Taxable income from foreign investment	Rs 2,00,000 (gross)
Tax paid to foreign government	Rs 50,000
7. Differentiate between capital receipt and revenue receipt.
8. The followings are the pieces of information of a dealer selling varieties of electronic equipments.
 - a. Sales four pieces of Sony T.V @ Rs 35,000 each
 - b. Sales Three pieces of LG Washing machine @ Rs 80,000
 - c. Discount provided to customer @10%.Required: The vat collected by the dealer from the customer.
9. Define jeopardy assessment of tax.
10. What is exercise duty?

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

Answer any **THREE** questions:

11. What is tax? Describe its types giving suitable examples.

[2+6]

12. Mr. Binod Thapa is appointed as an officer of Nepal Government on 1 Shrawan 2065 at a pay scale of Rs. 42,000-1,000-52,000-1,500-64,000. Besides salary he disclosed the following details regarding his incomes and expenditures.

- Dearness allowance Rs. 6,000 p.m.
- Leader allowance Rs 12% of Salary
- Meeting allowance Rs. 25,000
- Entertainment allowance Rs 2,000 p.m.
- The telephone bill Rs 2,500 p.m. is reimbursed by an employer which 40% was use for personal purpose.
- The medical expenses reimbursed by the office is Rs. 10, 000. (He claimed it for tax credit)
- The office has provided him a household servant whose salary was Rs. 18,000 p.m. (office has deducted Rs. 6,000 p.m. from his salary income.)
- The car and accommodation facilities are provided by the office.
- Uniform allowance is Rs. 10,000.
- The employer provided him a housing loan of Rs 30,00,000 at a concessional interest rate of 4% on Poush 1, previous year. The prevailing interest rate is 13%
- The life insurance premium paid by the employer is Rs 22,000.
- The donation to public school is Rs 15,000.
- He had spent Rs. 25,000 for tuition fees of his son.
- He works in remote area "Kha".
- The royalty income from natural resources is Rs 60,000.

Required: 1) Net Assessable Income from Employment

2) Statement of Taxable Income

3) Tax liability

[5+2+1=8]

13. (a) An individual running special industry furnished the following information regarding its assets under block-D .

- Beginning depreciation basis Rs 15,00,000
- Purchase during the year under same block:
 - On Chaitra Rs 8,00,000
 - On Jestha Rs 600,000
- Disposal value during the year Rs 150,000
- Actual repair and improvement cost Rs 50,000

Required:

(a) Closing WDV at the end of year.

[3]

(b) Opening depreciation basis value for next year.

[1]

13(b) An importer imported a mobile for Rs 10,000. The mobile passes on to the final consumer through a retailer. The importer and retailer incurred Rs 1,000 and Rs 1,500 for administration expenses respectively. Both charged 20% on selling price as profit.

Required : Cost price to consumer.

[4]

14. Mr. Khanal submitted the following details of her incomes and expenses for the previous year.

- The income from joint investment Rs 330,000
- The royalty collected by her sister Rs 22650 (net)
- The gifts received from debtors Rs 25,000
- The returns received from Mutual fund Rs 42,000(net)
- The compensation received relating to investment Rs 20,000
- The bad debts recovered Rs 20,000. (Only 60% of the amount of bad debts recovered was allowed by IRD)
- The interest received from saving account. Rs 85,000
- The dividend from a finance company Rs 35,000
- The sale of share of listed company (purchase price Rs 185,000) Rs 320,000
- The income from agriculture income Rs 15,000
- The rent received from machine letting let out Rs 90,000 (net)

- Windfall gain Rs 18,750 (net)

Expenses claimed for deduction.

- The expenses incurred for joint investment is Rs 114,000. Mr. Panta was investing his partner who had 30% share in joint investment.
- The royalty and dividend collection charge was Rs 4,000 and 2,000 respectively.
- The medical expenses is Rs 20,000 (including Rs 5,000 for cosmetic surgery),
- The life insurance premium is Rs 24,000

Required: (a) The assessable income from investment. [6]

(b) Tax liability [2]

15. Golchha organization an authorized importer of Bajaj company of Japan, imported the following items in CIF to Culcutta port. The cost of transportation from Culcutta to Nepal custom point Birjung was US\$ 3,600 .

Commodities	Quantities	Unit price in US \$
Bajaj Discovery (150 cc)	60	800
Bajaj Pulsar (200 cc)	40	1000

The from investigation made by the custom officer found that the unit price of Bajaj discovery was \$ 850 and the quantity of Bajaj pulsar was 45 pieces. The prevailing rate of custom duty is 30% for motercycle.

Required: Compute the Custom Duty [8]

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

Answer any **TWO** questions:

16. What are the sources of incomes under the Income Tax Act 2058. Explain the relation of income tax act with other acts and laws and discuss the major features that fall under the Income Tax Act 2058. [3+4+6]

17. Given below is the trading and profit & loss account of Mr Sudip for the previous year.

Dr. **Trading and Profit & Loss Account** Cr.

Particular	Rs	Particular	Rs
To Opening Stock	45,000	By Sales	25,00,000
To Purchase	500,000	By Closing Stock	90,000
To Carriage	60,000		
To Wages	200,000		
To Gross Profit c/d	17,85,000		
	25,90,000		25,90,000
To Salary	250,000	By Gross Profit b/d	17,85,000
To Rent and taxes	180,000	By Rent from staff quarters	35,000
To Bad debts	20,000	By Interest from investment	60,000
To General Reserve	150,000	By Gain on sale of non business chargeable assets	90,000
To Pollution control cost	150,000	By Sundry income	30,000
To Office expenses	300,000		
To Repairs	40,000		
To Depreciation	70,000		
To Sundry expenses	140,000		
To Net Profit c/d	700,000		
	20,00,000		20,00,000

- The rent from staff quarter includes Rs 5,000 as refund of custom duty.
- The depreciation base of pool D assets was Rs 200,000 and cost of patent right was Rs 40,000 with life period of 5 years 5 month. charge depreciation as per rules.

- The general expenses include Rs. 5,000 paid to a lawyer for conducting income tax appeal.
- The office expenses include Rs 25,000 donation and Rs 10,000 medical expenses.
- The sundry expenses Rs. 15,000 included in telephone expenses.
- The opening stock was undervalued by 10% and closing stock was overvalued by 15%.

- Required:**
- a) The net (Assessable) income from business
 - b) The net (Assessable) income from investment
 - c) The statement of taxable income
 - d) Tax liabilities

[8+1+2+2=13]

18. The following receipts and payments of a professional medical superintendent is given below for the year.

Receipt	Rs.	Payments	Rs.
To Balance b/d	40,000	By Salary to staff	75,000
To Loan from bank	150,000	By Rent of the clinic	12,000
To Consultancy fees	250,000	By Household expenses	10,000
To Sale of medicine	50,000	By Cost of medicine	45,000
To Special commission	30,000	By Car expenses	15,000
To Gift from patients	7,500	By Car purchase on Aswin	250,000
To Dividend from NMB bank	38,000	By Surgical equipment	50,000
To House rent (after tds)	17,000	By Repairs expenses	8,500
To Sale of old medical journal	1,000	By Interest on bank loan	15,000
To Rent from machinery let-out	15,000	By Life insurance premium	5,000
To Fees received from training program (Net)	21,250	By Gift to sister	500
To Interest from saving deposit(Net)	9,400	By Repayment of loan	50,000
To Payment received from natural resource(after TDS)	38,250	By General expenses	18,000
To Gain on sale of securities	10,000	By Telephone expenses	25,000
To Visiting fees	130,000	By income tax paid	5,000
		By Royalty collection charge	2,500
		By Stationery purchase	1,500
		By Balance c/d	219,400
	807,400		807,400

Adjustments:

- The half of car expenses was paid for personal purpose.
- The salaries include Rs 15,000 paid to domestic cook.
- The depreciation on car is to be charged as per IT Act.
- The donation of Rs 10,000 was given to an organization which was approved by IRD.
- The half of household expenses is spent for office expenses.
- 30% of bank loan was used for his personal purpose.
- The income from lottery of Rs 11,250 (Net) not shown in above account.

- Required: (a) The net (assessable) income from profession
 (b) The statement of total taxable income
 (c) Total tax liability

[8]
 [3]
 [2]

THE END