

INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN



March 2011 Extra Attempt Examinations

Friday, the 25th March 2011

**BUSINESS TAXATION (S-302)**

**STAGE – 3**

Time Allowed : 02 Hours 45 Minutes

Maximum Marks: 80

Roll No.:

- (i) Attempt all questions.
- (ii) Answers must be neat, relevant and brief.
- (iii) In marking the question paper, the examiners take into account clarity of exposition, logic of arguments, effective presentation, language and use of clear diagram/ chart, where appropriate.
- (iv) Read the instructions printed inside the top cover of answer script CAREFULLY before attempting the paper.
- (v) Use of non-programmable scientific calculators of any model is allowed.
- (vi) DO NOT write your Name, Reg. No. or Roll No. anywhere inside the answer script.
- (vii) Question No.1 – “Multiple Choice Question” printed separately, is an integral part of this question paper.
- (viii) **Question Paper must be returned to invigilator after finishing/ writing the exam.**

	<b>Marks</b>
<b>Q.2 (a)</b> Define the following terms under the Income Tax Ordinance, 2001:	
<b>(i)</b> Industrial undertaking	05
<b>(ii)</b> Electronic record	05
<b>(iii)</b> Intangible	05
<b>(b)</b> Discuss the various provisions of section 121 of the Income Tax Ordinance, 2001 in respect of ‘best judgment assessment’.	05
<b>Q.3 (a) (i)</b> Explain the Rule 14 of the Income Tax Rules, 2002 relating to the determination of persons as resident individuals.	05
<b>(ii)</b> Enumerate the rule 91 of the Income Tax Rules, 2002 in respect of an application for recognition of a provident fund.	07
<b>(b)</b> Define the following terms under the Income Tax Recovery Rules:	
<b>(i)</b> Officer	02
<b>(ii)</b> Execution	02
<b>Q.4 (a)</b> Define the following terms under the Sales Tax Act, 1990:	
<b>(i)</b> Manufacture or produce	03
<b>(ii)</b> Time of supply	03
<b>(iii)</b> Retail price	02
<b>(b)</b> ABC Limited purchased raw materials valuing Rs. 1,250,000 from the registered person. The company used the raw materials for manufacturing of both exempt and taxable supplies. During the tax period the company manufactured and supplied the following types of goods:	
	Rs.
Taxable supplies	1,750,000
Exempt supplies	350,000
Total value of supply	<u>2,100,000</u>

**Required:**

Compute the sales tax liability of ABC Limited.

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**Q.5** The following is the income statement of XYZ Limited for the year ended June 30, 2010:

	<u>Rs.</u>	<u>Rs.</u>
Sales		12,500,000
Less: Cost of sales		<u>(8,250,000)</u>
Gross profit		4,250,000
Less Expenses:		
Salaries & benefits - Staff	750,000	
Salaries & benefits - Directors	250,000	
Rent & rates	100,000	
Postage, telegrams telephone	50,000	
Travelling & conveyance	100,000	
Entertainment	250,000	
Advertisement	500,000	
Legal fee	120,000	
Audit fee	100,000	
Depreciation	350,000	
Amortization	100,000	
Research & development	250,000	
Income tax for the previous year	100,000	
Provision for tax for the current year	<u>250,000</u>	<u>(3,270,000)</u>
		980,000
Add Other income:		
i- Interest & dividend	250,000	
ii- Previously written-off bad debts recovered	100,000	
		<u>350,000</u>
Net profit		<u>1,330,000</u>

**Notes:**

- 1- Tax was not deducted and deposited in respect of salary of Rs.450,000.
- 2- Tax depreciation (other than on machinery purchased as mentioned under Note 4) and tax amortization amount to Rs.500,000 and Rs.50,000 respectively.
- 3- During the year, company imported a new machinery of which initial allowance works out to Rs.300,000.
- 4- Company also imported second-hand machinery costing Rs. 200,000 on August 1, 2009, which was erroneously included in research & development expenses. This purchase was financed by the company's bank at the rate of 18% per annum. On this machinery, depreciation is to be charged at the rate of 15% and it is entitled to initial allowance as well.
- 5- Company is a registered manufacturer under the Sales Tax Act, 1990 and over 90% of its sales during the year made to registered persons under the said Act.

**Required:**

Compute the taxable income and tax liability of the company. 20

- Q.6 (a) (i)** List down the responsibilities of warehouse keeper under section 116 of the Customs Act, 1969. 03
- (ii)** What are the owner's powers to deal with warehoused goods under section 94 of the Customs Act, 1969? 03
- (b)** Define the following terms under the Federal Excise Act, 2005:
- (i)** Conveyance 02
- (ii)** Duty due 02
- (iii)** Sale and purchase 02

**THE END**