

INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN



Spring (Summer) 2010 Examinations

Wednesday, the 19th May 2010

**BUSINESS TAXATION - (S-302)
STAGE – 3**

Time Allowed – 2 Hours 45 Minutes

Maximum Marks – 80

- (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.

		Marks
Q.2	(a) Define the following terms under the Income Tax Ordinance, 2001:	
	(i) Fee for technical services	02
	(ii) Employment	02
	(iii) Small company	02
	(b) Explain the section 113 of the Income Tax Ordinance, 2001 relating to ‘minimum tax on the income of certain persons’.	09
	(c) What does section 102 of the Income Tax Ordinance, 2001 say about ‘foreign source salary of resident individuals’?	03
	(d) List the methods that shall apply for the purposes of determining an arm’s length result under Rule 23(3) of the Income Tax Rules, 2002.	02
Q. 3	(a) As per Rule 10 of the Income Tax Rules, 2002:	
	(i) Define the term entertainment expenditure.	02
	(ii) What is the condition of admissibility of entertainment expenditure?	01
	(iii) What are the limitations on the deduction of entertainment expenditure?	05
	(b) (i) According to sub-section (1) of section 114 of the Income Tax Ordinance, 2001, name the persons who are required to furnish a ‘return of income’	06
	(ii) What is agricultural income as per the Income Tax Ordinance, 2001?	06
Q. 4	(a) Describe the procedure of clearance of goods for home consumption under the Customs Act, 1969.	05
	(b) Define the term invoice and its contents under the Federal Excise Act, 2005.	05

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- Q. 5** The Trading and Profit and Loss Account of M/s. Arshad Limited for the year ended on 30th June, 2009 is as under:

	<u>Rs.'000'</u>	<u>Rs.'000'</u>
Sales		2,300,000
Less cost of sales		<u>1,571,000</u>
Gross profit		729,000
Less expenses:		
Salaries and wages	170,000	
Office rent	55,000	
Telephone expense	39,500	
Traveling and conveyance	41,500	
Forwarding	61,000	
Entertainment	2,500	
Miscellaneous	9,000	
Office stationery	9,000	
Depreciation	58,000	
Income tax for last year	54,000	
Bad debts	9,000	
Doubtful debts	5,000	
Donations	900	
Liquidated damages	500	
Insurance	6,000	
Provision for taxation	<u>79,000</u>	<u>599,900</u>
Net Profit		<u>129,100</u>

Notes and additional information:

- (i) A sum of Rs.900,000 written off last year and allowed by the Income Tax Department, has been recovered and credited to bad debt reserve.
- (ii) Un-vouched and un-detailed expenses included in the entertainment amounted to Rs.350,000.
- (iii) Depreciation allowable as per the Income Tax Law is Rs.66,000,000.
- (iv) Salaries and wages include payment of Rs.250,000 without deducting tax at source.
- (v) Salary paid amounting to Rs.240,000 in cash.
- (vi) Donation amounting to Rs.500,000 paid to an approved institution as specified in Clause (61) of Part-I of Second Schedule.
- (vii) Donation amounting to Rs.400,000 paid to an approved institution but not specified in Clause (61) of Part-I of Second Schedule.
- (viii) Pre-paid insurance Rs.250,000.

Required:

Compute the taxable income and the tax liability of the company for the tax year 2009. 20

- Q. 6 (a)** Define the following under Sales Tax Act, 1990:

- (i) Distributor 02
- (ii) Documents 02

- (b)** What is meant by 'return' under the Sales Tax Act, 1990? List out different types of returns that sales tax department may require to file. 03

- (c)** Explain the provisions of Sales Tax Return under Section 26 of the Sales Tax Act, 1990. 03

THE END