



THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH
CMA JUNE, 2016 EXAMINATION
PROFESSIONAL LEVEL-II
SUBJECT : 204. TAXATION.

Time: Three hours

Full Marks: 100

- ❖ All questions are to be attempted.
- ❖ Show computations, where necessary.
- ❖ Answer must be brief, relevant, neat and clean.
- ❖ Start answering each question from a fresh sheet.

Q. No.1.

Determine the residential status of HSBC which is a Banking company in Bangladesh and whose:

- (a) Control and management of those affairs are situated wholly in Bangladesh.
- (b) Control and management of those affairs are situated partly in Bangladesh.
- (c) Control and management of those affairs are situated wholly outside of Bangladesh.

Determine the residential status of veronica Deliveries which is a Partnership firm and whose:

- (d) Control and management of those affairs are situated wholly in Bangladesh.
- (e) Control and management of those affairs are situated partly in Bangladesh.

[Marks: (5X4) = 20]

Q. No. 2.

The following are the income of Mr. Rahman for the year ended June 30, 2015. Compute his total income and tax liability.

(a) Salary Income:

- Basic salary – Tk. 25,000 p.m
- Bonus – 2 months basic salary
- House rent allowance – 40% of basic salary
- Medical allowance – Tk. 1,500 p.m
- Conveyance allowance – Tk. 2,000 p.m
- Concessional passage within Bangladesh – Tk. 150,000
- Subscription to RPF - 10% (Employer's contribution is the same). Interest accrued Tk. 96,000 on P.F balance calculated at 16% p.a.

(b) Interest Income (Gross):

- (i) From leasing company Tk. 1,247,502
- (ii) On bank savings account Tk. 53,790
- (iii) On fixed deposit Tk. 138,214

(c) Income from House Property:

Mr. Rahman has one residential house – one half of which is let out at a monthly rent of Tk. 2,000 and the other half-self-occupied.

Following expenditures were incurred by Mr. Rahman:

	Taka
Municipal tax	20,000
Repairs & maintenance	60,000
Insurance premium	12,000
Salary of Caretaker	30,000

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Q. No. 2.(cont'd.....)

(d) Income from Land:

Sale of paddy from land given on "Adhi" system – Tk. 125,000. Sale proceeds from trees of spontaneous growth in Mr. Rahman's land Tk. 20,000.

(e) Income from Business:

Share of profit from a partnership firm Tk. 75,000.

(f) Capital Gains:

(i) Profit on sale of shares of ABC Ltd. (A private ltd. Co.) Tk. 6,050,000.

(ii) Sale of shop (deed value Tk. 192,500, original cost Tk. 27,750 and tax deducted at source at the time of registration tk. 3,850 to be assessed U/s. 82C.

(iii) Profit on sale of shares of XYZ Ltd. Tk. 3,430,501 (A publicly listed Co.).

(g) Income from Other Source:

(i) Dividend (gross) Tk. 11,350

(ii) Income from shop rent Tk. 13,200

During the year Mr. Rahman made the following investments-

(i) Life insurance premium (policy value Tk. 500,000) Tk. 60,000

(ii) Investment in shares of a listed company Tk. 100,000

(iii) Donation to charitable institutions as approved by NBR Tk. 30,000

[Marks: 25]

Q. No. 3.

For the year ended on June 30, 2015, Cassiopeia Limited reports net profit of Tk. 11,932,000 with a turnover of Tk. 6,00,00,000. A close scrutiny of its books of accounts reveals the following facts:

- (1) Salaries and allowances of Managing Director includes perquisites amounting to TK. 5,00,000 and CFO was paid perquisites amounting to Tk. 3,00,000. Salaries also include Tk. 4,80,000 paid in cash to purchase manager.
- (2) Sundry expenses include Tk. 1,80,000 paid as salaries to three servants who are working at the residence of the Managing Director.
- (3) Repair and Operating expenses include payment of Tk. 45,000 to a Repair workshop. No VAT was deducted at source for such payment. Tk. 5,50,000 has been paid as commission to an agent for distribution and marketing of products. In making the payment, the provision of section 53E of Income Tax Ordinance 1984 has not been complied with.
- (4) Accounting depreciation charged to the account is Tk. 4,50,000 but tax depreciation amounts to Tk. 5,50,000.
- (5) During the year the company sold some of its supplies that remain unused for a long time in the storeroom. The company sold the supplies for a loss of Tk. 1,40,000 as the expiry period is very close and charged such loss against current year's profit.
- (6) The company incurred expenditure on foreign travels for holiday and recreation of the employees and their dependants to the extent of the amount equivalent to three months basic salary of Tk. 3,60,000; actual expenditure being Tk. 4,00,000 and that the travel was not oftener than once in two years.
- (7) The company spent Tk. 3,00,000 for establishing a hospital for the benefits of employees which provides medical services to employees without any charge.

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Q. No. 3.(cont'd.....)

- (8) There was an accident on the factory building, machinery of the building was destroyed and the company received compensation from the insurance company amounting to Tk. 6,00,000. The company sold the scrap and realized an amount of Tk. 50,000. The Machinery was purchased at a total cost of Tk. 10,00,000 and accumulated depreciation charged to date amounts to Tk. 2,50,000.
- (9) A sum of Tk. 1,20,000 written off in the past as bad debts and allowances previously, was recovered in the year.
- (10) The company sold a scientific instrument used for scientific research for Tk. 45,000. The instrument was purchased at a cost of TK. 1,00,000. The sale proceed was not recorded in the accounts.
- (11) The company distributed free sample to its customers which amounted to Tk. 5,50,000 against annual turnover during the year was Tk. 6,00,00,000.
- (12) The company sold an equipment for Tk. 5,50,000. It was purchased at a total cost of Tk. 5,00,000. Accumulated Depreciation of the equipment is Tk. 1,00,000. The company reported Tk. 1,50,000 as gain on sale of equipment in the credit side of profit and loss account.

Compute Total income and tax liability of the company for the concerned tax year.

[Marks: 20]

Q. No. 4.

- (a) What is a best judgment assessment? Under what cases a best judgment assessment has to be made?
- (b) Discuss the procedures for assessment of Deceased Person.
- (c) Discuss the procedures of input tax credit in respect of VAT on goods and services.
- (d) What is the difference between exemption and zero-rating?
- (e) What are the prohibited goods as per the Customs Act, 1969.

[Marks: (5X4) = 20]

Q. No. 5.

Write short notes on the following:

- (a) Presumptive VAT;
- (b) Input Tax;
- (c) Arm's length price;
- (d) Turnover Tax;
- (e) Perquisite.

[Marks: (5X3) = 15]

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