



**UNIVERSITY OF RUHUNA**  
**FACULTY OF MANAGEMENT AND FINANCE**

No. of Pages : 05  
No. of Questions: 07  
Total Marks : 70

BACHELOR OF BUSINESS ADMINISTRATION HONOURS DEGREE

3000 LEVEL FIRST SEMESTER END EXAMINATION - AUG/SEP 2022

*Three Hours*

**ACC 31113 - Advanced Taxation and Corporate Law**

Academic Year 2021/2022

**Instructions**

- The Question Paper contains Seven (07) questions from Part 1 and Part 2.
- Answer only five (05) questions
- You are advised to answer Two (02) questions from Part 1 including question number 1 and any Three (03) questions from Part 2
- Calculators are permitted

**PART 1: Advanced Taxation**

**Question 01**

Polytech (Pvt) Ltd is a subsidiary company of Megatech PLC and engaged in manufacturing of high-tech equipment to the local market. Total turnover from the trade for the year ended 31<sup>st</sup> March 2021 is Rs. 458 million and the equity capital of the company as at 31<sup>st</sup> March 2021 is Rs. 10,000,000 (share capital + Reserves). The Income Statement for the financial year ended 31<sup>st</sup> March 2021 and other related details are as follows.

	Rs.	Rs.
Gross profit from Trade		55,250,000
Rent income		8,000,000
Dividend - gross		2,000,000
Profit from disposal of Motor Lorry		1,800,000
Interest from fixed deposits		1,800,000
<b>Less:</b>		
Administration Expenses	(21,500,000)	
Distribution Expenses	(6,450,000)	
Financial Expenses	(7,000,000)	(34,950,000)
<b>Net profit Before Tax</b>		<b>33,900,000</b>

01. Administration expenses include following expenses;  
Rs.

Provision for Depreciation	4,745,000
Donation	2,000,000
Entertainment expenses	180,000
Repairs and improvements	1,550,000

All other expenses are allowed for taxation purposes.

02. Distribution expenses include Rs. 850,000 provided for Bad and Doubtful Debts.

03. Financial expenses represent the interest paid on bank loan of Rs. 50,000,000 obtained in 2018/2019. Balance as at 31<sup>st</sup> March 2021 was Rs. 45,000,000.

04. The company has rented a part of its office building to another company. Currently, it does not need all the floor space but hopes to require it all in the near future

05. Details of Property, Plant and Equipment

**Cost**

Asset Type	Balance as at 01st April 2020 (Rs.)	Additions (Rs.)	Disposals (Rs.)	Balance as at 31st March 2021 (Rs.)
Building	15,000,000			15,000,000
Machinery	21,000,000	3,675,000		24,675,000
Computers	1,450,000	120,000		1,570,000
Equipment	500,000			500,000
Motor vehicles	6,650,000	8,400,000	(4,000,000)	11,050,000
Furniture	1,240,000	50,000		1,290,000

**Depreciation**

Asset Type	Balance as at 01st April 2020 (Rs.)	Depreciation for the year (Rs.)	Disposals (Rs.)	Balance as at 31st March 2021 (Rs.)
Building	6,750,000	750,000		7,500,000
Machinery	9,750,000	1,252,000		11,002,000
Computers	1,015,000	170,000		1,185,000
Equipment	300,000	100,000		400,000
Motor vehicles	3,542,000	2,337,000	(1,500,000)	4,379,000
Furniture	1,116,000	136,000		1,252,000

- A motor lorry was purchased in the year of assessment 2017/2018 which has been disposed during the year for Rs. 4,300,000. The value of accumulated depreciation in the motor vehicle depreciation account is Rs. 1,500,000.
- After disposing the above motor lorry, company purchased a new lorry for the value of Rs. 8,400,000.
- Assume all other assets as at 1st April 2020 were acquired/constructed during the year of assessment 2017/18

06. During the year, floor of the office building was renovated by placing floor tiles and erroneously the total cost of Rs. 1,550,000 has been included under the administration expenses, which should be capitalized.

07. Bad and Doubtful Debts, out of the Rs. 850,000 charged to the P & L, Rs. 250,000 was bad debts written off during the year. Balance represents the provision made during the year.

08. Break up of Donations;

	Rs.
Cash donation to Elders' home (Not an approved Charity)	500,000
Donation of medical equipment to the General Hospital	1,000,000
Cash donation to an approved charity	500,000

09. Company has incurred Rs.5, 000,000 trading loss for the year of assessment 2019/2020 and has brought it forward to this year

You are required to compute followings of Polytech (Pvt) Ltd for the year of assessment 2020/2021.

(A) Assessable income for the Year of Assessment 2020/2021

(16 marks)

(B) Taxable income for the Year of Assessment 2020/2021

(03 marks)

(C) Income tax payable by the company for the Year of Assessment 2020/2021.

(03 marks)

(Total 22 marks)

#### Question 02

(A) Briefly explain how Tax Planning helps to achieve strategic objectives of a Company.

(05 marks)

(B) How do you differentiate Tax Planning from Tax Avoidance?

(03 marks)

(C) Briefly explain the term "Purposive Tax Planning" with suitable examples.

(04 marks)

(Total 12 marks)

#### Question 03

(A) State the time period where a taxpayer should submit Return of Income and the amount of penalty needed to pay if the taxpayer has not filed it within the required period.

(04 marks)

(B) State the three (03) situations where tax assessment could be made.

(03 marks)

(C) Mr. Ananda is a registered taxpayer and has submitted his tax return for the Year of Assessment 2020/2021 on 29<sup>th</sup> September 2021. In March 2022, he has received an assessment from the Inland Revenue Department stating that he has reported his income incorrectly and need to pay additional tax on that. However, Mr. Ananda is confident that he has made the tax return correctly. Advice Mr. Ananda on the steps that he can take in handling this situation.

(05 marks)

(Total 12 marks)

## PART 2: Corporate Law

Answer only three (03) questions from Part 2

### Question 04

(A) Kamal, Nuwani and Kasun are acting as promoters in a newly formed bakery business which is not yet registered. They have entered into a contract on behalf of the company to purchase chocolate for the use of bakery items. Once the company was registered the contract was ratified. However, the chocolates were consumed before the money was paid. The business was making continuous losses and gone into liquidation. Kamal, Nuwani and Kasun as promoters of the bakery business were sued on the contract.

You are required to advise both Kamal, Nuwani and Kasun (the promoters) and the bakery business on their liability towards the contract with the support of relevant statutory provisions and decided cases, if any.

(05 marks)

(B) "Companies can decide on their name as they wish without any restrictions under the Company law".

Do you agree with this statement? Provide justifications for your answer with the support of relevant statutory provisions.

(04 marks)

(C) State three (03) instances where the court can lift the veil of incorporation.

(03 marks)

(Total 12 marks)

### Question 05

(A) One of Nimal's close friends have started his own business and he is inviting Nimal to be one of the directors in his company. Nimal has recently (less than a month) closed a court case with regards to a fraudulent act towards a bank associated with one of his credit cards.

You are required to advise Nimal on his suitability to be a director of his friend's company. Your advice may support related statutory provisions if any.

(03 marks)

(B) Briefly explain the appointment of Directors in a company during its incorporation and in the event of amalgamation with the support of relevant statutory provisions.  
(04 marks)

(C) Describe four (04) duties of Directors in a company providing case laws related to each duty if any.  
(05 marks)  
(Total 12 marks)

**Question 06**

(A) Ruwan along with few of his friends started a company which they have produced a motor cycle that can operate using solar power. They have applied for a patent for this product but the patent was not received even after one year of applying for the same. Few of the shareholders also withdrew from the company.

Advise Ruwan whether it is just and equitable to wind up the company. Justify your answer with related statutory provisions and case laws.

(03 marks)

(B) Briefly explain the steps involved in members voluntary winding up of companies.

(04 marks)

(C) Contrast between the modes of "Winding up by the Court" and "Winding up with the supervision of the court". You may support your answer with relevant statutory provisions if any.

(05 marks)

(Total 12 marks)

**Question 07**

Briefly explain any four (4) of the following with the support of relevant statutory provisions and decided cases if any.

- i. Offshore Company
- ii. Articles of Association
- iii. Shareholders
- iv. Preferential Shares
- v. Liquidator
- vi. Distribution
- vii. Floating charge
- viii. Promoter

(03 marks each)

(Total 12 marks)

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