

	UNIVERSITY OF RUHUNA FACULTY OF MANAGEMENT AND FINANCE	No. of Pages : 02 No. of Questions : 04 Total Marks : 70
	ENT 3120- LEGAL ISSUES AND TAX PLANNING	Academic Year 2021/2022
BACHELOR OF BUSINESS ADMINISTRATION HONOURS DEGREE	Three Hours	
3000 LEVEL FIRST SEMESTER END EXAMINATION – AUGUST 2022		
<p>The Question Paper contains 04 questions. Answer all (04) questions. The answers to each part should be answered in <u>separate Books</u> and handed in separately.</p>		

PART ONE

1. (a) Explain the most common ethical issues in business. Give at least 10 examples. (10 marks)
- (b) What are the impacts of failure to recognize ethical issues in business? (05 marks)
- (Marks 15)

2. Discuss legal issues associated with the following. You are required to briefly explain the legal issues. Your answer should be supported with relevant legislation and decided cases, if any.
 - (a) Partnership in Sri Lanka.
 - (b) Selling goods.
 - (c) Recruitment and termination of an employee.
 - (d) Naming a new product or a service.
 - (e) Advertising.

(04 marks each)
(Total Marks 20)

PART TWO

3. (i) State five (05) principle functions of Taxation. (05 Marks)

- (ii) Mr. Sahabandu is running a business of buying and selling of toys. Extracts of Financial Statements of his business are given below for the year ended 31.03.2021.

Sale of Goods	3,525,000
Net Profit Before Tax	1,426,000

Net profit arrived after charging Administrative and Distribution expenses.

Administrative expenses include;

Depreciation	35,000
Provision for Gratuity	120,000
Salaries of staff	125,000
Personal telephone bills	25,000
Stationery and other expenses	50,000
Electricity bill of the business	75,000
Electricity bill of Mr.Sahabandu's house	25,000

Distribution expenses include;

Lunch for prime customers	20,000
Bad debts	85,000
Vehicle running expenses	65,000

Further, Rs. 160,000 was recorded as Profit from the disposal of motor vehicle under other income. However, this transaction resulted Rs. 80,000 balancing allowance when computing adjustment relating to the tax.

Bad debts include Rs. 65,000 as Provision for the year and Rs. 20,000 as bad debts written off during the year.

Gratuity of Rs. 50,000 paid during the year to a retired employee.

Capital allowance of Rs. 40,000 computed for the purpose of taxation during the year.

Compute the assessable income from the business of Mr. Sahabandu for the Y/A 2020/2021.

(15 Marks)

(Total 20 Marks)

4. (i) State three common practices practiced by taxpayers to manage their taxes. What is the recommended and ethical practice to manage tax? (04 Marks)
- (ii) State three differences between Tax Planning and Tax Avoidance. (03 Marks)
- (iii) What actions Commissioner General of Inland Revenue can take to recover unpaid taxes? (04 Marks)
- (iv) If a taxpayer received an assessment from the Inland Revenue Department, briefly explain the first step that the taxpayer can take in responding to that assessment. (04 Marks)

(Total 15 Marks)

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