

**CMA JANUARY 2022 EXAMINATION
 INTERMEDIATE LEVEL II
 FUNDAMENTALS OF TAX, VAT & PUBLIC FINANCE MANAGEMENT**

Course Code	: LT234	Total Marks	: 100
Reading Time	: 15 minutes	Writing Time	: 180 minutes

Instructions to Candidates

- You **MUST NOT** write anything during the reading time.
- You should attempt ALL questions.
- Answers should be properly structured and relevant.
- Carefully read ALL the requirements and sub-questions before attempting a specific question.
- ALL answers must be written in the answer book.
- **AVOID WRITING/MARKING** on the question paper at any time which may cause disciplinary action.
- Start answering each question from a fresh sheet.
- Answers should be clearly numbered with the sub-question number.

Allowable Materials

- Writing Stationaries
- Non-programmable Calculator

Assessment Structure

			<i>Sub-question</i>	<i>Marks</i>	<i>Expected Time Required</i>
Section A	Question 1	Multiple Choice Questions	10	10	20 minutes
	Question 2	Modified True/False	5	5	10 minutes
	Question 3	Matching	5	5	10 minutes
Section B	Question 4	Essay/Computational/Case	3	20	32.50 minutes
	Question 5	Essay/Computational/Case	2	20	32.50 minutes
	Question 6	Essay/Computational/Case	-	20	32.50 minutes
	Question 7	Essay/Computational/Case	-	20	32.50 minutes
Revision					10 minutes
Total				100	180 minutes

RESTRICTED USE

This paper MUST NOT BE REMOVED from the examination venue

Do not turn the page until instructed

SECTION A [20 MARKS]

THERE ARE 3 (THREE) QUESTIONS IN THIS SECTION. ANSWER ALL THE QUESTIONS IN THE ANSWER SCRIPT FOLLOWING THE EXAMPLE PROVIDED FOR THE SPECIFIC QUESTION.

QUESTION 1

[10 × 1 = 10 MARKS]

There are ten (10) multiple-choice questions with five options. Pick the option that best explains the given question. Write your answer on the answer script [DO NOT PUT ANY MARK ON THE QUESTION PAPER]. Follow the example given below in providing your answer.

Example:

- (i) ICMA stands for the –
- (a) Institute of Cost Management Accounting of Bangladesh
 - (b) Institute of Cost and Management Accountants of Bangladesh
 - (c) Institute for Cost Managers and Accounting of Bangladesh
 - (d) Institute of Cost Management Accountants of Bangladesh
 - (e) Industrial Cost Management Accountants of Bangladesh

Answer: (i) (b)

- (i) The Ministry of Finance is responsible for government finance operations, except which of the following:
- (a) Annual budget preparation
 - (b) 5 year Plan
 - (c) Taxation and economic policy formulation
 - (d) Fiscal management
 - (e) Public debt management
- (ii) Which of the following is the task of Planning Commission?
- (a) Debt management
 - (b) Annual budget preparation
 - (c) Mobilizing external assistance
 - (d) Preparation of Annual Development Program
 - (e) Tax policy formulation
- (iii) In cases where the balance, whether credit or debit, exceeds Taka One Lakh but does not exceed Taka Five Lakh, at any time during a year, the rate of Excise Duty is
- (a) Nil
 - (b) Tk. 100 per year
 - (c) Tk. 250 per year
 - (d) Tk. 50 per year
 - (e) Tk. 150 per year
- (iv) Which one is not a “withholding entity” under Value Added Tax Act 2012
- (a) An individual;
 - (b) A public company;
 - (c) A non-government organization
 - (d) A government entity;
 - (e) A post-secondary educational institution;
- (v) Which of the following capital gain is tax exempted for an individual?
- (a) Gain arising from the sale of land.
 - (b) Gain arising from the sale of plant and machinery used for business.
 - (c) Gain arising from the sale of shares of publicly traded companies.
 - (d) Gain arising from sale of properties.
 - (e) None of these.

- (vi) Under which section, provisions regarding unexplained investments have been given?
 (a) 19
 (b) 20
 (c) 21
 (d) 22
 (e) 82
- (vii) Advance taxes are paid as per the following schedule:
 (a) 15th day of June, September, December and March
 (b) 15th day of July, October, January and April
 (c) 15th day of August, November, February and May
 (d) 15th day of September, December, March and June
 (e) 15th day of October, January, April and July
- (viii) The last date for the submission of return may be extended by the DCT for a period of -
 (a) 21 days
 (b) 1 month
 (c) 45 days
 (d) 2 months
 (e) 75 days
- (ix) Which of the following form is used for application regarding registration under the VAT Act?
 (a) Mushak 2.1
 (b) Mushak 62.1
 (c) Mushak 10
 (d) Mushak 11
 (e) Mushak 16
- (x) Gift tax is
 (a) Progressive
 (b) Regressive
 (c) Proportional
 (d) Degressive
 (e) None of above

QUESTION 2

[5 × 1 = 5 MARKS]

There are five (5) statements given under the question. Identify the statements as True or False. If the statement is false, rewrite the statement on the answer script to make it 'True'. Reasoning is NOT required. Follow the example given below in providing your answer.

Example:

(a) ICMAB stands for the Industrial Cost Management and Accounting of Bangladesh.

Answer:

(a) False. ICMAB stands for the Institute of Cost and Management Accountants of Bangladesh.

Note:

- You will not get any mark if you simply rewrite as ICMAB *does not* stand for the Industrial Cost Management Accountants of Bangladesh.
- If the statement is true, you need NOT to rewrite the statement rather only mention that the statement is *True*.

- (a) The Economic Relations Division (ERD) of the MOF plays a key role in the overall management of external aid including loans and grants.
- (b) Supplementary duty shall be imposed on the supply of goods or services that are zero-rated.
- (c) Any dividend income by an individual from a mutual fund or a unit fund is exempted from Tax up to Tk. 20,000.
- (d) Unabsorbed depreciation can be carried forward for next successive years.
- (e) Anti-dumping duty is imposed as per the Travel Tax 2003.

QUESTION 3**[5 × 1 = 5 MARKS]**

Match the items of column A with the most suitable items of column B. Match only one item of column A with one item of column B. Write your answer on the answer script. Follow the example given below in providing your answer.

Example:

Column A	Column B
1. ICMAB	(a) Professional accountancy body (b) University

Answer: 1 (a)

Column A	Column B
(1) Arm's length price	(a) Gross wealth exceeding Tk. 40 lakh.
(2) Public Procurement	(b) Tax Rebate.
(3) 20% TDS on Lottery Income	(c) Owns a motor car.
(4) Submission of return of income	(d) Minimum Tax
(5) Statement of Assets, Liabilities and Lifestyle	(e) Open Tender Method
	(f) Comparable uncontrolled price method
	(g) To defer the payment of customs duties

END OF SECTION A

SECTION B [80 MARKS]

THERE ARE 4 (FOUR) QUESTIONS IN THIS SECTION. ANSWER ALL THE QUESTIONS IN THE ANSWER SCRIPT. SHOW ALL RELEVANT COMPUTATION.

QUESTION 4

[15 + 5 = 20 MARKS]

(a) Mr. Aminur Rahman works as General Manager of Pubali Bank Limited. On July 2020 his basic salary was Tk. 1,20,000 per month. During the income year 2020-2021 he received the following benefits:

- (i) Medical allowance Tk. 15,000 per month.
- (ii) Two festival bonuses each equivalent to one month's basic salary.
- (iii) Contributes 10% of basic salary to a Contributory provident fund which is not recognized.
- (iv) House rent allowance of TK. 50,000 per month
- (v) A full time car by the employer.
- (vi) Entertainment allowance Tk. 8,000 per month.
- (vii) Travel allowance of Tk. 45,000 during the year for official tour.
- (viii) He is also given 0.10% net commission on net profit (Net Profit Tk. 40,00,00,000).
- (ix) Leave encashment Tk. 80,000.

Mr. Rahman has a flat in Dhanmondi. He lets out the flat at a monthly rent of Tk. 60,000. The municipal value of the flat is Tk. 6,80,000. Expenses incurred in the income year 2020-2021 for that house were:

- (a) Repair expense Tk. 120,000;
- (b) Salary of caretaker Tk. 36,000;
- (c) City corporation tax Tk. 40,000;
- (d) Fire insurance premium Tk. 35,000;
- (e) Interest on DBH loan Tk. 80,000; and
- (f) Installation of electricity line Tk. 20,000.

During the year Mr. Rahman paid instalment of loan to Delta-Brac Housing (DBH) Tk. 320,000 (including interest of Tk 80,000) against a house building loan of Tk. 20,00,000. According to the agreement the owner bears the water and gas bill of the tenant which amounted to Tk. 20,000 for the year.

Mr Rahman received the following interest on securities during the year:

- (i) Interest on tax-exempt government securities Tk. 30,000;
- (ii) Value of 15% taxable government securities Tk. 300,000;
- (iii) Tk. 10,000 as interest on 10% debentures;
- (iv) Discount on Zero Coupon Bond Tk. 20,000.

He has made following investment during the year:

Insurance Premium Tk. 50,000 for his own (Policy Value TK. 6,00,000); Household expenses Tk. 2,00,000; Purchase of Bangladesh Savings Certificate Tk. 5,00,000; Donation to Prime Minister's Relief Fund TK. 50,000; Contribution to Deposit Pension Scheme Tk. 1,20,000; Donation to Zakat Fund Tk.30,000 Payment to Income Tax Lawyer Tk. 10,000.

From the above information calculate the income and tax liability of Mr.AminurRahman.

- (b) Discuss the Special Tax Treatment in respect of -
- (i) investment in securities;
 - (ii) undisclosed property, cash, etc.

TURN OVER

QUESTION 5**[15 + 5 = 20 MARKS]**

- (a) The Profit and Loss A/C of Delta Enterprise Limited for the year ended 30 the June, 2021 shows a Net Profit of Tk. 27,00,000.

Particulars	Taka	Particulars	Taka
Opening Stock	60,00,000	Sales	
Purchases	80,00,000	1,20,00,000	
Wages	10,00,000	Less Provision for	90,00,000
Gross Profit c/d	1,00,00,000	Sales Commission	1,60,00,000
		<u>30,00,000</u>	
		Closing Stock	
	2,50,00,000		2,50,00,000
	=====		=====

Provision for Sales Commission was charged Tk. 30,00,000. However, actual Sales Commission during the year was Tk. 10,00,000. In addition to that the company charged Tk. 3,00,000 as managing agency commission which was charged against Net profit.

- Establishment was charged Tk. 6,00,000 which included Tk. 5,00,000 subscription paid to the Association for avoiding competition.
- Advertisement expenses shown tk. 2,00,000 which was paid for 5 years.
- The Company purchased it's own Debenture worth (Original Cost) Tk. 1,20,00,000 on which interest was not credited to Profit and Loss Account.
- Legal charges for keeping Patent rights intact have been shown as Legal Expenses.
- Charity was charged in Profit and Loss Account Tk. 4,00,000 which included Tk. 30,000 donated to the Relief Fund.
- Depreciation was charged Tk. 15,00,000. However allowable depreciation was Tk. 8,00,000.
- Bad debt provision was Tk. 6,00,000. However, Actual Bad Debt written off during the year was Tk. 2,00,000.
- Loss on Sale of Investment amounted to Tk. 2,00,000 , Loss on Stock destroyed by Fire amounted to Tk. 4,00,000 and Loss on Revaluation of Machinery amounted to Tk. 5,00,000. All these expenses were charged in the Profit and Loss Account. It is assumed that loss on stock destroyed by fire would be recovered from Insurance company.
- Income tax amounting to Tk. 4,00,000 was charged in the Profit and Loss Account.
- The Company was penalized for violation of Customs Act. An amount of Tk. 3,00,000 was charged as Fines in the Profit and Loss Account.
- Provision for Taxation Tk. 8,00,000.
- Profit and Loss Account includes the following non-business income:

Share Premium	Tk. 4,00,000
Income Tax Refund	1,40,000
Dividend	4,00,000
Interest on Taxable commercial Security	8,20,000

- The company distributed bonus shares to staffs which was Tk. 11,00,000. This amount was charged in the profit and loss account.
- The company paid managing agency commission Tk. 3,00,000 which was charged against Net profit.

Determine the tax liability of the company.

- (b) Mention ten different sources of income which are exempted under the 6th Schedule, Part A.

TURN OVER

QUESTION 6**[20 MARKS]**

AS and AA are two equal partners of 'AS & AA international' that reports income of Tk. 10 lac for the assessment year 2021-22. The income statement appears below:

Debit	TK	Credit	TK
Salaries	350,000	Balance B/D	1,185,000
Commission	80,000	Interest on Securities (net)	60,000
Interest	30,000	Income from House Property	300,000
Traveling Expense	25,000	Income from sale of Tea	280,000
Legal Expense	50,000		
Office expenses	60,000		
Promotional Expenses	30,000		
Bad Debt	30,000		
Miscellaneous Expenses	80,000		
Depreciation Expense	90,000		
Net Profit	1,000,000		
Total	1,825,000	Total	1,825,000

A scrutiny of the accounts as submitted, the DCT revealed:

- A sum of Tk. 15,000 was shown as travelling expenses of Mr. AS for opening a new branch at Rajshahi.
- Mr. Moniruzzaman, the general manager of the firm received Tk. 16,000 of monthly salary without bank transfer or check, rather paid in cash.
- Bad debt recovered of Tk. 60,000 was not shown in the credit side of the P & L Account. The full amount of recovered bad debt was written off as unrecoverable and allowed.
- Tk. 10,000 was paid for registering trademark and Tk. 50,000 was paid for registering patent both of which are charged against current year's profit.
- Accounting depreciation charged was Tk. 30,000 more than the tax depreciation.
- The written down value of a motorcar was Tk. 60,000 that was sold for Tk. 50,000 and was not recorded in the books.
- Legal expenses include Tk. 32,000 for penalty imposed by Customs Authority and miscellaneous expenses include Tk. 18,000 as a cost of forming contract among partners.
- Rent of Tk. 50,000 given to MR. AA for using his house property as a place of business in included in office expenses.
- Promotional expenses include Tk. 22,000 for constructing a permanent billboard for advertising the services provided by the firm.
- Bad debts include Tk. 20,000 given to the employees as advance that becomes irrecoverable.
- Tk. 10,000 of interest on securities is from tax free government securities.
- The firm owns a tea garden where tea leaves are extracted and processed to make the tea leaves marketable.
- Payment to partners as follows:
Monthly salary (paid without deducting taxes at source) to MR. AS Tk. 10,000; Commission to MR. AA TK. 60,000; interest on capital @10% Tk. 12,000 to MR. AS and Tk. 10,000 to MR. AA; interest on loan @8% to MR. AS Tk. 8,000.
- Other income of the owners: MR. AS—House Property Tk. 80,000; Import Business Tk. 60,000; Capital Loss Tk. 150,000; Agricultural Income Tk. 70,000; and MR. AA—Interest on less tax commercial securities Tk. 60,000; loss from speculative business Tk. 80,000; Loss carried forward from previous year on speculative business Tk. 60,000.

Required:

Compute the taxable income and tax liability of the firm and the partners assuming that the gross receipts of the firm were Tk. 19,000,000 during the year.

QUESTION 7

[(4 x 5) = 20 MARKS]

- (a) What is Input Tax Credit? What documents are required for availing Input Tax Credit?
- (b) What is supplementary duty? How supplementary duty is realized from imports and from supply?
- (c) Describe the different types of Audit performed by the C& AG office of Bangladesh.
- (d) What do you mean by the term Public Financial Management? Describe the key processes of a Public Financial Management Processes.

END OF SECTION B
