



Incorporated by
Act of Parliament No. 23 of 2009

PILOT PAPER – 2023-2027 SYLLABUS

OL2.4 Business Law & Taxation (Taxation)

Operational Level

ANSWER KEY

Practice Examination – Part I

Q. No	Answer	Q. No	Answer
01	B	06	B
02	B	07	C
03	B	08	C
04	B	09	C
05	B	10	B

Practice Examination – Part II

Question 01 - each question 02 marks in maximum, total 10 marks – Segment A & B

1. Which of the above income is liable for income tax, and which are exempted:

Income	Liable	Exempted
Monthly Pension		Exempted
Profit from the business	Liable	
Interest on fixed deposit		Exempted
Dividend income	Liable	

2. What is the aggregated assessable income of Kamani for the year of assessment 2022/2023:

(Rs.)

1380000

3. What is the most appropriate rule applicable to deduct the following expenses.

Description of the Expenses

Salaries paid to employees work in the tuition class

Main Rule

Interest paid to bank for the loan obtained to purchased digital boards

Specific Rule

4. Select the correct accounting basis applicable to account the following sources of income for tax purpose.

Accounting basis	Cash Basis / Accrual Basis
Interest from fixed deposit.	Cash Basis
Profit from tuition class	Accrual Basis

5. Select the correct statement given below. **Answer B**

Practice Examination – Part III

Practice Question 01 - Total 10 Marks – Segment B

1. Calculate income tax payable by General Jayagoda for the year of assessment 2022/2023.

Major General Himaru Jayagoda			
Computation of Income Tax Payable for the Year of Assessment 2022/2023			
			Remarks/Notes
Exempted and Excluded Income			
Medical claim			
Employee's Provident Fund			
Employees' Trust Fund			
Dividend		45,000	Dividend paid out of dividend received
Interest income			
Capital Gain			
Sales Proceeds			
Less: Expenses			
Cost of Purchase			
Open Market Value			
Improvements			
Rent Income			
Secondary employment income			
Total Exempted/Exclude Income		45,000	
Employment Income:			
Primary Employment			
Salary		7,800,000	650,000x12
Fixed Allowance			
Vehicle Benefit			
Value of the benefit		480,000	40,000x12 (As per the circular issued by the CGIR vehicle 20,000 and maintenance 20,000)
Open market value			

Housing Benefit			
Value of the benefit			
Open market value			
Bonus			
Travel Expenses			
Value of Shares option			
Leave Pay			
Telephone Bill			
Medical claim			
Employee's Provident Fund			
Employees' Trust Fund			
Primary employment Income		8,280,000	
Secondary Employment			
Total income			
Less: Expenses			
Secondary employment Income			
Assessable Income from Employment		8,280,000	
Business Income			
Net Profit	895,465		
Add: Disallowable Expense	420,000		350,000+25,000+45,000
Less: Allowable Expenses			
Assessable Income from Business		1,315,465	
Investment Income			
Interest Income			
Dividend			
Gain on sales of shares			
Sales Proceeds			
Less: Expenses			
Cost of Purchase			
Open Market Value			
Improvements			
Other Expenses			
Rent Income			

Rent income			
Less: Expenses			
Repairs and improvements			
Commission			
Rates			
Bad debts			
Assessable Income from Investment		-	
Total Assessable Income		9,595,465	
Less: Qualify Payments and Reliefs			
Personal relief	1,200,000		
Rent Relief			
Donation to approved charity			
Donation to government/government institution/fund			
Other donations			
Deductible donations			
Total Qualify Payments and Reliefs		1,200,000	
Taxable Income		8,395,465	
Tax Payable			
First Slab	30,000		500,000x6%
Second Slab	60,000		500,000x12%
Third Slab	90,000		500,000x18%
Fourth Slab	120,000		500,000x24%
Fifth Slab	150,000		500,000x30%
Sixth Slab	2,122,367		5,895,465x36%
Gross Tax Payable		2,572,368	
Less: Tax Credits			
APIT	1,582,500		
Self-Assessment Payment			
WHT/AIT		1,582,500	
Balance Tax Payable/(Refund)		989,867	

2. Calculate income tax payable by the Partnership for the year of assessment 2022/2023.

Kamal and Amal Partnership

Computation of Income Tax Payable for the Year of Assessment 2022/2023			
	(+)	(-)	Remarks/Notes
Net Profit		1,134,150	
Salaries to Partners	2,400,000		100,000x2x12
Interest payment for partner's capital			
Interest on loan	278,184		23,182x12
Capital Allowance			
Other Expenses			
	2,678,184	1,134,150	
Adjusted Business Profit/(Loss)		1,544,034	
Less: Qualify Payments and Relief			
Partnership Relief	1,000,000		
Donation to approved charity			
Donation to government/government institution/fund			
Other donations			
Deductible qualify payments and relief		1,000,000	
Taxable Partnership Profit/(Loss)		544,034	
Gross Tax Payable		32,642	544,034x6%
Less: Tax Credits			
Self-Assessment Payment			
WHT/AIT		-	
Balance Partnership Tax Payable/(Refund)		32,642	

3. Calculate income tax payable by Child Care Lanka for the year of assessment 2022/2023:

Child Care Lanka Computation of Income Tax Payable for the Year of Assessment 2022/2023			
	(+)	(-)	Remarks/Notes
Interest Income	275,125		
Business Income			
Other Income			
	275,125	-	
Taxable Income		275,125	
Donation		3,500,000	
Total amount liable for tax		3,775,125	
Total Tax Payable		1,132,538	3,775,125x30%

Practice Question 02 - Total 10 Marks – Segment C & D

4. What is the annual value of supply/turnover/income threshold applicable to register for the following taxes:

Compulsory registration for VAT (Rs.)

Social security Contribution Levy (Rs.)

5. Calculate VAT Payable by Aircon Pvt. Ltd for the quarter ended 31st March 2023.

Aircon Pvt. Ltd				
Computation of VAT Payable for the quarter ended 31.03.2023				
Out Put Tax	Value of Supply	Rate	Tax	Remarks/ Notes
Liabe Supply	33,465,645	15%	5,019,847	32,140,520+ 1,325,125= 33,465,645
Excluded Supplies				
Exempted Supplies				
Wholesale and Retail Taxable Supplies				
VAT Suspended Taxable Supplies				
Zero Rated Supplies				
Total Output Tax	33,465,645		5,019,847	
Input Tax				
VAT Liabe Imports	25,675,195	15%	3,851,279	25,675,195
Local Purchases on which VAT is not charged	4,851,350	15%	727,703	(4,565,725+ 285,625)*15%
Goods Purchased from Non VAT Registered Persons				
VAT Exclude purchases				
	30,526,545		4,578,982	
Disallowable Input Tax on Imports				
Adjustments				

Disallowable Input Tax Other Purchases			42,844	285,625*15%
Allowable Input Tax Excluding B/F Amounts			4,536,138	
Brought Forward Input Tax				
Allowable Input Tax			4,536,138	
Zero Rated Supplies/Suspended Supplies/22(7)				
Not belongs to above				
Allowable Input			4,536,138	
Unabsorbed Excess Input Tax				
Gross VAT payable			483,709	
Less: Installment Payment				
Total Tax Credits	320,860		320,860	
Balance VAT Payable			162,849	
Balance VAT Refund				

6. Calculate SSCL Payable by Aircon Pvt. Ltd for the quarter ended 31st March 2023.

Aircon Pvt. Ltd						
Computation of SSCL Payable for the quarter ended 31.03.2023						
Sector	Turnover	%	Liabe Turnover	Rate	Tax	Notes
Manufacturing						
Services	1,325,125	100	1,325,125	2.5%	33,128	
Wholesale/Retail	32,140,520	50	16,070,260	2.5%	401,457	
Distributor						
Financial Service						
Exempt Articles						
Exempt Services						
Any other Non-Liable						
Total					434,585	
Tax Credits						
B/F excess payments						
Installments				315,620		

Total Tax Credits					315,620	
Balance Tax payable					118,965	
Excess Credits Carry Forward						

7. What are the services liable for telecommunication Levy imposed under the Telecommunication Levy Act, No. 21 of 2011 and amendments there to:

- | |
|---|
| <ul style="list-style-type: none"> • Telecommunication and internet services provided to end customers |
|---|

8. Nevil brought 10,000 shares in Gama PLC for Rs.150/- each in February 2023. In April 2023, there was a 1 for 4 bonus issue when the share had a market value of Rs.142/- each. At the end of April 2023 Nevil sold all his shares in Gama PLC for Rs.153/- each.

What is the total Share Transaction Levy paid by Nevil on the above transactions:

Nevil							
Computation of STL Payable							
Company	Transaction	No. Shares	Price	Gross	Rate	STL	Notes
Gama PLC	Purchase	10,000	150/-	1,500,000	0.3%	4,500	
Gama PLC	Bonus Share	2,500	142/-	355,000	0.3%	-	Not liable
Gama PLC	Sales	12,500	153/-	1,912,500	0.3%	5,738	
Total						10,238	

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Operational Level

ANSWER KEY

Practice Examination – Part I

Q. No	Answer	Q. No	Answer
01	A	06	C
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04	C	09	A
05	A	10	B

Practice Examination – Part II

Question 01 - each question 02 marks in maximum, total 10 marks - Segment A

1. What is the difference between criminal law and civil law: **Answer C**
2. What is the primary court where Rachel would file her lawsuit against the store: **Answer B**
3. What is the burden of proof in a civil case: **Answer D**
4. What is the order of proceedings in filing this lawsuit in regular procedure:

Order	
4	1. Case fixed for trial.
2	2. Fiscal officer serves summons on the Defendant.
3	3. Defendant files the answer.
1	4. Plaintiff files a Plaintiff.

5. In a criminal case, who is responsible for proving the guilt of the accused: **Answer C**

Question 02 - each question 02 marks in maximum, total 10 marks - Segment B

6. In the scenario, what was the offer made by Malki: **Answer B**
7. Which of the following are essential elements of a valid contract:

Elements	Yes /No
Termination	No
Acceptance	Yes
Lapse of time	No
Postal rule	No
Consideration/ Just cause	Yes
Offer	Yes
Social bonds	No
Capacity	Yes
Invitation to treat	No
Intention to create legal relations	Yes

8. What was the acceptance made by the seller in the scenario:

Statement	Acceptance
Delivering the dress within 10 working days.	No
Confirming Malki's order via email.	Yes
Refunding Malki's payment.	No
Cancelling Malki's order.	No

9. In the scenario, what are the possible legal remedies available to Malki: **Answer A,D**

10. An "invitation to treat" can also be referred to as a "invitation to make an offer." This act, as the words suggest, is simply an invitation to the public to make an offer. An offer should be distinguished from an invitation to treat. Choose the case/s from the list that is a decided case to explain the principle on Invitation to treat:

Case	Explained / Not explained
Carlill Vs Carbolic Smoke Ball Co [1893].	Explained
Gunthing Vs Lynn (1831).	Not Explained
Edwards v Skyways [1969]	Not Explained
Fisher Vs Bell (1960).	Explained
Balfour Vs Balfour (1919)	Not Explained
Pharmaceutical Society of Great Britain v Boots Cash Chemists (Southern) Ltd [1953]	Explained
Dunlop v Selfridge (1915)	Not Explained

Question 03 - each question 02 marks in maximum, total 10 marks - Segment C

11. Which of the following statement is/are relevant according to the "general rules governing agency":

	Statement	Relevant/ Irrelevant
a	Whatever a person may do himself, he may do through an agent except acts that involve personal skill and qualifications.	Relevant
b	Where the contract to be performed is of a personal nature, agent can be employed.	Irrelevant

c	The acts of an Agent are, for all legal purposes, the acts of the principal.	Irrelevant
d	Whatever a person may do himself, he may do through an agent includes acts that involve personal skill and qualifications.	Irrelevant

12. The law governing Agency in Sri Lanka is: **Answer C**

13. Which of the following are NOT duties of an agent to his principal):

Duties of an agent	Yes / No
Agent's duty to exercise reasonable diligence, care and skill.	No
The agent must act in person and not delegate his duties	No
Agent's duty to act in the principal's interest.	No
Agent's duty to undertake illegal or unethical activities	Yes
Agent's duty to divulge/reveal confidential information.	Yes
Agent's duty to guarantee profits	Yes

14. According to the above scenario, select the statement which best describes the agency relationship between Kotagala Tea Factory (Kotagala-T) and Mr. Dalu-Banda (DB). **Answer D**

15. According to the above scenario, would Kotagala-T be able to justify the termination of the agency agreement with DB. Select the correct statement/s.

Statement	Correct / Incorrect
Yes, as the DB was failed to follow the given instruction by Kotagala-T.	Correct
Yes, as the DB was failed to take necessary actions to settle down the fire.	Incorrect
No, as the DB was follow the given instruction by Kotagala-T.	Incorrect
No, as the DB appointed Miss Rekawaruna, a 3rd party insurance facilitator of Unsure-Insure Insurance Ltd.	Incorrect
