

**FINAL EXAMINATION****COURSE : BUSINESS TAXATION****COURSE CODE : PTX2053****DURATION : 3 HOURS****INSTRUCTIONS TO CANDIDATES:**

1. This question paper consists of **FOUR (4)** questions.
2. Answer ALL questions in the Answer Booklet provided.
3. Please check to make sure that this examination pack consists of:
 - i. The Question Paper
 - ii. Answer Booklet
 - iii. Appendix 1- Company Tax Rates
 - Capital Allowance Rates
 - Agriculture Allowance Rates
4. Do not bring any material into the examination hall unless permission is given by the invigilator.
5. Please write your answer using a ball-point pen.

MYKAD NO : _____**ID. NO. :** _____**LECTURER :** _____**SECTION :** _____

DO NOT OPEN THIS QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO

The question paper consists of 6 printed pages

2024/A/PTX2053

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1. (10 points)

Sky Bhd trades in bird nest in Kuala Kangsar commenced its business on 14 September 2018 and closes its first set of account on 31 December 2018. The following information with regard to the changes in accounting period and its adjusted income/(loss):

Accounting period	Adjusted income/loss (RM)
14 September 2018 to 31 December 2018	(35,680)
1 January 2019 to 31 December 2019	62,000
1 January 2020 to 30 September 2020	30,000
1 October 2020 to 30 September 2021	(10,000)
1 October 2021 to 30 June 2023	86,000

Required:

Determine the basis period and compute the adjusted income/loss for each year assessment up to the year of assessment 2023.

2. (20 points)

White Marble Bhd, a manufacturing company was incorporated on 14 March 2020 and decided to close its accounts on 31 October annually. The management of White Marble Bhd just realized that schedule 3 of the Act provides a mechanism to claim tax relief for the capital expenditure incurred in the form of “capital allowance”.

Below is the capital expenditure incurred on by the company:

No.	Expenditure
1.	Cutting Machine Capital expenditure incurred on the cost of machine, RM123,000, incidental cost of installation amounted to RM3,600 and cost of preparing the site for the installation of the machine was RM12,000. The machine was purchased on 1 January 2021.
2.	Delivery van A delivery van was acquired on 14 April 2021. The cost of the van was RM98,000. Unfortunately, the delivery van was disposed on 1 October 2023 for RM35,000 due of some technical problem.
3.	Motor vehicle A new Toyota Vellfire was purchased on 1 December 2021 at RM152,000. Director General is satisfied that 30% of the usage is for the private purposes.
4.	Fax Machine On November 2022, a fax machine costing RM20,000 was brought into the business use which was originally used for private purposes. The market value and the net book value on the date of transfer were RM14,000 and RM12,500 respectively.

Required:

- Advise the management of White Marble Bhd regarding the qualifying criteria to claim capital allowance and explain the types of allowance available. (5 points)
- Compute the capital allowances and balancing charge/balancing allowance (if any) for White Marble Bhd for all the relevant years up to year of assessment 2023. (15 points)

3. (15 points)

Cocoa Delicious Sdn Bhd was incorporated on 1 July 2019 to carry on a business of operating cocoa plantation in Seremban. The company makes up its account to 30 June every year. The company had incurred the following expenses:

Date	expenditure	RM
1/12/2019	Expenditure on cocoa planting	85,000
14/7/2020	Construction of employee's quarters	120,000
5/9/2021	Construction of estate office	82,000

On 31 December 2022, the company disposed the estate to Pekaka Estate Sdn Bhd (accounting date 31 March). The agreed prices were as follows:

	RM
Plantation	123,000
Estate office	125,000
Employee's quarters	210,000

On January 2023, Pekaka Estate Sdn Bhd decided to replace the cocoa plantation with the new cocoa plantation and incurred the expenditure amounted to RM96,800.

Required:

- Define *replanting* according to s18 of ITA 1967. Explain whether Pekaka Estate Sdn Bhd is entitled to claim agriculture allowance on the expenditure incurred for replanting the cocoa plantation. (5 points)
- Compute the agriculture allowances and charges (if any) up to year of assessment 2023 for both companies, assuming that Cocoa Delicious Sdn Bhd did not make an election for spread back. (10 points)

4. (25 points)

MF Sdn Bhd (MFSB) is a company manufacturing medical devices in Selangor. Its paid-up ordinary share capital was 15 million as at 1 January 2023. The company makes up its accounts to 31 December annually.

The statement of comprehensive income of MFSB for the year ended 31 December 2023 is as follows:

	Notes	RM	RM
Sales			3,652,000
Less: Cost of sales	1		(1,426,000)
			<u>2,226,000</u>
Add: Other income	2		165,000
			<u>2,391,000</u>
Less: Administrative expenses			
Depreciation of property, plant & equipment.		158,000	
Statutory audit fees		44,000	
Company secretary fees		20,000	
Freight and insurance	3	70,000	
Business zakat		85,000	
Donation	4	67,000	
Less: Sales and marketing expenses			
Salaries, EPF and allowance	5	1,110,000	
Entertainment expenses	6	107,000	
Advertising expenses	7	154,000	(1,815,000)
Profit before taxation			<u>576,000</u>

Notes:

1. Cost of sales includes:

Compensation for late delivery to customers	RM42,300
Royalty fees paid to HGPharma (US) Ltd. Payment was credited to the non-resident company on 31 July 2023 but the withholding tax has not yet been remitted to IRBM.	RM68,500

2. Other income comprises the following:

Interest charges due to the late payment from customer.	RM61,000
Rental received from storage warehouse	RM104,000

3. Freight and insurance comprised

Insurance premium paid to Malaysian insurance company, for insuring raw materials imported from China	RM65,000
Ship freight charges for purchase of material from Sarawak	RM5,000

4. The company had made the following donations during the year:

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| Cash donation to Rumah Kenangan (an approved institution) | RM52,000 |
| Cash contribution to public libraries in Selangor (sec 34(6)(g)) | RM15,000 |
5. Salaries, EPF and allowance comprise:
- | | |
|----------------------------|-----------|
| Salaries paid to employees | RM985,000 |
| Employees provident fund | RM125,000 |
6. Entertainment expenses are made up of:
- | | |
|--|----------|
| Refreshment for product launching ceremony | RM12,000 |
| Company annual dinner for staff, supplier and agents | RM95,000 |
7. Advertising expenses included:
- | | |
|---|----------|
| Cost of promotional gifts at trade fair at an approved international trade fair in the Korea. | RM38,000 |
| Purchase a promotional sample of the company product. | RM35,000 |
| Expenses for participation in an approved international trade fair held in Penang. | RM65,000 |
8. Total capital allowances for the year assessment 2023 amounted to RM200,000

Required:

Compute MF Sdn Bhd (MFSB) tax liability for the year of assessment 2023. Every item in the notes to the account must be shown in your computation. Write "NIL" where no adjustment is required. (Please round up your figure to the nearest number).

END OF QUESTION PAPER