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Practice Question 02

Rasara Food (Pvt) Ltd. (RFPL) is a resident company in Sri Lanka engaged in the business of processing and selling food items mainly to the export markets.

The following information was extracted from the Financial Statements of **RFPL** for the year ended 31st March 2026:

(1) Summarized Income Statement of **RFPL** for the year ended 31st March 2026 is as follows:

	Rs.	**Rs.**
Export Revenue	138,500,000	
Local Revenue	16,548,000	155,048,000
Less: Cost of Sales		(83,654,000)
Gross Profit		**71,394,000**
Other income		2,977,300
Less: Administrative and Other expenses		(68,345,600)
Operating Profit		**6,025,700**
Finance Income		2,033,500
Finance Cost		(4,334,700)
Net Profit Before Tax		**3,724,500**

(2) Other Income includes the following:

	Rs.
Fair value gain on quoted investments	1,245,000
Dividend income	542,000
Profit on disposal of fixed assets	324,500
Exchange gain	865,800
Total	**2,977,300**

(3) **RFPL** disposed of a machinery during year of assessment 2025/26 for Rs.400,000/-. This machine was purchased in year of assessment 2020/21 for Rs.1,450,000/-.

(4) The exchange gain is the net amount after adjusting for both exchange gain and loss. The details are as follows:

- Unrealized exchange loss - Rs.3,450,000/-.
- Realized exchange gain - Rs.4,315,800/-.

(5) The following details are provided in relation to the Cost of Sales, Administrative and Other Expenses:

- Depreciation charge for the year was Rs.4,200,000/-.
- Amortization of the land lease (right to use land) was Rs.730,000/-.
- Gratuity provision for the year was Rs.4,500,000/- and amount of Rs.1,234,000/- was paid to a retired employee.
- The company paid Rs.300,000/- to a consultant to obtain an advice on a labour related matter. The company has not deducted Withholding Tax (WHT) on this payment.
- During the year, the company has paid Rs.435,700/- to the Department of Inland Revenue as penalties for several late payments of taxes.
- An amount of Rs.2,280,000/- was written-off as a bad debt during the year. Adequate recovery actions were taken prior to the write-off. In addition, a provision of Rs.1,000,000/- was made for debtors exceeding a credit period of 180 days.
- The company incurred CSR expenses of Rs.650,000/- to donate books to a new library in a rural school.
- The company incurred Rs.1,476,000/- during the year on a major modification to 6 machinery purchased in year of assessment 2021/22 for Rs.6,500,000/-.

(6) Break-up of Finance Income:

	Rs.
Interest on investment in Treasury Bills	1,265,000
Interest on Fixed Deposit	768,500
	2,033,500

(7) Break-up of Finance Expenses:

	Rs.
Interest on bank loans	838,000
Interest on related party loans	1,645,700
Interest on Right of Use (ROU) lease liability	976,000
Bank charges	875,000
	4,334,700

(8) Break-up of Property, Plant and Equipment:

	Cost as at 31st March 2026 (Rs.)
Land Lease - Right of Use Asset	14,600,000
Machinery	8,950,000
Office Equipment	536,000
Computers	657,000
Motor Vehicles	6,800,000
	25,043,000

(9) During the year, a new property was leased and the addition to the ROU asset was Rs.14,600,000/-. The actual lease rental paid during the year was Rs.1,650,000/-.

(10) During the year, a machinery was purchased for Rs.2,450,000/-.

(11) The company purchased a motor car worth of Rs. 6.8 million for the use of the chairman of the company.

(12) Other than the machinery purchased in the year of assessment 2021/22 for Rs.6,500,000/-. All assets as at 01st April 2025 were fully depreciated for tax purposes.

(13) Details of Equity and Borrowings as of 31st March 2026 are as follows:

	Rs.
Share Capital	1,000,000
Retained Earnings	(865,000)
	135,000
Bank Loans	2,000,000
Related Party Loan	3,000,000

(14) Business losses (adjusted for tax purposes) brought forward from the previous years of assessments are as follows:

Year of Assessment	**Rs.**
2022/23	2,435,000
2023/24	1,354,000

(15) During year of assessment 2025/26, **RFPL** has paid Rs.2,500,000/- as income tax installment payments.

You are required to:

Assess the following of **Rasara Food (Pvt) Ltd.** for the year of assessment 2025/26:

(a) Assessable Income.

(b) Taxable Income.

(c) Gross Income Tax Payable, and,

(d) Balance Income Tax Payable / (Overpaid).

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Practice Question 03

Crystal Beverages (Pvt) Ltd. is a resident company in Sri Lanka engaged in the business of manufacturing and selling of bottled fruit drinks.

The following information was extracted from the Financial Statements of **Crystal Beverages (Pvt) Ltd**. for the year ended 31st March 2026:

(1) Summarized Income Statement of **Crystal Beverages (Pvt) Ltd**. for the year ended 31st March 2026 is as follows:

	Rs.
Turnover	325,110,000
Cost of sales	(260,088,000)
Gross Profit	**65,022,000**
Other Income	25,890,000
Distribution Expenses	(22,842,000)
Administration Expenses	(35,470,000)
Net Profit Before Tax	**32,600,000**

(2) Other Income includes the following:

	Rs.
Interest Income on Fixed Deposits (Gross)	8,950,000
Rent Income on Warehouse (Gross)	16,940,000

(3) Administration Expenses include the following:

- Depreciation charge for the year was Rs.8,870,000/-.
- Gratuity provision for the year was Rs.2,500,000/-.
- Entertainment Expenses were Rs.750,000/-. This includes Rs.300,000/- paid for a client's reception and Rs.450,000/- paid for the company's annual staff trip to a resort.
- An amount of Rs.800,000/- was incurred on Managing Director's foreign travelling to inspect a new manufacturing plant.
- Accounting loss from disposal of a motor lorry was Rs.150,000/-.
- Legal and Professional fees amounted to Rs.650,000/-. This includes Rs.200,000/- related to the registration of a new trademark, and the remaining amount was for routine audit and legal advisory services.

(4) Distribution expenses include the following:

- The bad debt directly written off to the income statement in respect of a customer who was declared bankrupt was Rs.150,000/-. Additionally, a general provision of Rs.95,000/- was made to the income statement.
- Fines and Penalties of Rs.120,000/- were charged due to non-payment of income tax on time.
- The company has donated Rs.500,000/- worth of bottled fruit drinks to the "Pradeshiya Sabha".

(5) Details of Property, Plant and Equipment as at 31st March 2026 are as follows:

Asset (At Cost)	Balance as at 01.04.2025 (Rs.)	Additions (Rs.)	Disposal (Rs.)	Balance as at 31.03.2026 (Rs.)
Land	4,500,000	-	-	4,500,000
Buildings	15,000,000	1,500,000	-	16,500,000
Plant and Machinery	7,000,000	4,500,000	-	11,500,000
Furniture and Fittings	2,800,000	-	-	2,800,000
Motor Vehicles	18,600,000	-	3,200,000	15,400,000,
Total	**47,900,000**	**6,000,000**	**3,200,000**	**50,700,000**

- A motor lorry which was purchased in the year of assessment 2022/23 at a cost of Rs.3,200,000/- has been disposed in December 2025 for Rs.2,850,000/-. This lorry was used for delivery of goods.
- During the year, the company purchased a new machinery for Rs.4,500,000/-.
- Except the Managing Director's car, worth of Rs.6,000,000/-, all other motor vehicles represent the delivery vehicles.
- None of the assets were fully depreciated as at 01st April 2025 for tax purposes.

(6) An amount of Rs.900,000/- was paid as gratuity to a retired employee during the year.

(7) The adjusted tax loss brought forward for the year of assessment 2025/26 from 2023/24 was Rs.650,000/-.

(8) The bank has deducted at 5% of Advance Income Tax (AIT) / Withholding Tax (WHT) on the interest income.

(9) The company has paid Rs.6,500,000/- as quarterly installments of income tax on self-assessment basis for the year of assessment 2025/26.

(10) The company has received Withholding Tax (WHT) certificates on rent income from the tenant.

You are required to:

Assess the following of **Crystal Beverages (Pvt) Ltd.** for the year of assessment 2025/26:

(a) Assessable Income.

(b) Taxable Income.

(c) Gross Income Tax Payable, and,

(d) Balance Income Tax Payable / (Overpaid).

Practice Question 04

Haritha Plantation Ltd. is a resident company in Sri Lanka and is engaged in the business of manufacturing and selling coconut oils to the local market.

The following information was extracted from the Financial Statements of **Haritha Plantation Ltd** for the year ended 31st March 2026:

(1) Summarized Income Statement of **Haritha Plantation Ltd** for the year ended 31st March 2026 is as follows:

	Rs.
Turnover	536,800,000
Cost of sales	(348,920,000)
Gross Profit	**187,880,000**
Other Income	31,240,000
Distribution Expenses	(23,040,000)
Administration Expenses	(75,070,000)
Net Profit Before Tax	**121,010,000**

(2) Other Income includes the following:

	Rs.
Rent Income	5,600,000
Interest income from Fixed Deposits (Gross)	15,540,000
Profit on disposal of a land	10,100,000
	31,240,000

(3) Administration Expenses include the following:

- Depreciation charge for the year was Rs.8,210,000/-.
- Gratuity provision for the year was Rs.1,940,000/-.
- An amount of Rs.64,000/- was paid as a penalty for late payments to the Employees' Provident Fund (EPF).
- The annual rent paid amounting to Rs.525,000/- on residence provided to the chairman was included in administrative expenses and this has not been adjusted for chairman's Advance Personal Income Tax (APIT) purposes.

(4) Distribution expenses include the following:

- The bad debt directly written off to the income statement in respect of trade debt was Rs.460,700/-. In addition to this, a general provision made to the income statement was Rs.136,000/-.

- During the year of assessment, the company has provided a foreign tour to the marketing director with his family and cost of air tickets and accommodations charges were Rs.800,000/-.
- The company has donated Rs.300,000/- worth of coconuts to an elders' home which is an approved charity.

(5) Details of Property, Plant and Equipment are as follows:

Asset (At Cost)	Balance as at 01.04.2025 (Rs.)	Additions (Rs.)	Disposal (Rs.)	Balance as at 31.03.2026 (Rs.)
Lands	250,100,000	-	(28,000,000)	222,100,000
Office and warehouse Buildings	50,125,000	-	-	50,125,000
Furniture and Fittings	22,890,000	5,000,000	-	27,890,000
Motor Vehicles	13,870,000	3,000,000	-	16,870,000
Total	**336,985,000**	**8,000,000**	**(28,000,000)**	**316,985,000**

- A land was disposed in December 2025 for Rs.38,100,000/-.
- A tractor was purchased during the year for Rs.3,000,000/-.
- Furniture purchased for the chairman's residence during the year was Rs.1,000,000/-.
- Except Rs.8,000,000/- worth of Jeep provided to the chairman, all other vehicles are used for cultivation and sale of coconuts.
- All the assets as at 01st April 2025 have been acquired during the year of assessment 2022/23.

(6) The bank has deducted Rs.777,000/- as Advance Income Tax (AIT) / Withholding Tax (WHT) on the fixed deposits' interest income.

(7) The company has paid Rs.15,600,000/- as quarterly installments of income tax for the year of assessment 2025/26.

(8) The company has received withholding tax (WHT) certificates amounting to Rs.560,000/- from the tenant on rent income.

You are required to:

Assess the following of **Haritha Plantation Ltd.** for the year of assessment 2025/26:

(a) Assessable Income.
(b) Taxable Income.
(c) Gross Income Tax Payable, and,
(d) Balance Income Tax Payable / (Overpaid).