



# National Federation of Junior Philippine Institute of Accountants

## 2011 NATIONAL CPA MOCK BOARD EXAMINATION

In partnership with the Professional Review & Training Center, Inc. and Isla Lipana & Co.

### BUSINESS LAW & TAXATION

**INSTRUCTIONS:** Select the best answer for each of the following questions. Mark only one answer for each item on the answer sheet provided. AVOID ERASURES. Answers with erasures may render your examination answer sheet INVALID. Use PENCIL NO.2 only. GOODLUCK!

1. Which of these is not a conditional obligation?
  - a. D is to pay C P1,000,000 if he finishes his LL.B. at the V.P. College of law.
  - b. D will pay C P500,000 as soon as his financial means will permit him to do so.
  - c. D is to pay C P2,000,000 ten days after his 80th birthday.
  - d. D will pay C P1,000,000 twenty days after he passes the C.P.A. exams for October 2008.
  - e. None of the above.
2. A, B, & C obligated themselves to deliver to X a specific and determinate car valued at P600,000. Due to the fault of A, the car was not delivered to X causing the latter damages in the amount of P9,000.
  - a. By specific performance. X can compel B & C to deliver 1/3 each of the car and H to pay damages.
  - b. The action of X is converted into one for damages where he hold liable A, B & C for P203,000 each.
  - c. The action of X is converted into one for damages where he can hold B & C liable for P200,000 each and A for P209,000.
  - d. The action being solidary and indivisible only A can be held liable by X for P609,000.
3. Payment shall be made to, except:
  - a. Obligee
  - b. Creditor's assignee
  - c. Obligor
  - d. Executor of the deceased obligee
4. The delivery of a private document evidencing a credit, made voluntarily by the creditor to the debtor even before the debt is paid, extinguishes the obligation by:
  - a. Express remission
  - b. Implied remission
  - c. Compensation
  - d. Novation
5. Contracts are effective and binding only between the parties, their assigns and their heirs. Three of the following enumerations are exceptions as provided by law. Which does not belong to the exception?
  - a. Where there is a stipulation in favor of a third party
  - b. Where one of the parties to the contract dies and thereafter a suit is filed on the basis of the contract.
  - c. Where the obligations arising from contract are not transmissible by their nature.
  - d. Where the obligations arising from contract are not transmissible by stipulation or by provision of law.
6. Statement 1: There is stipulation pour autrui in case the stipulation states that one of the parties to a contract is exempt from all previous claims and damages sustained by the other party. Statement 2: A stipulation pour autrui need not be in any particular form, and may even be inferred from the fact that the beneficiary has enjoyed the same for a considerable period
  - a. Both statements are true
  - b. Both statements are false
  - c. Statement I is true but statement II is false
  - d. Statement I is false but statement II is true
7. The following, except one, are the characteristics of void or inexistent contract. Which is the exception?
  - a. They are not subject to ratification
  - b. The right to raise defense of illegality cannot be waived.
  - c. The defense of illegality of the contract is available to third persons whose interest is not directly affected.
  - d. The action or defense for declaration of the nullity or inexistence of the contract does not prescribe.
8. Boy Tigas entered into a contract of sale wherein Boy Tigas will bought a knife with Jun for P3,000. However Boy Tigas bought the knife to kill karding his mortal enemy. The contract between Boy Tigas and Jun is:
  - a. Valid
  - b. Rescissible
  - c. Voidable
  - d. Void
  - e. Unenforceable
9. A and B are partners in buying and selling automobiles. A, by the partner's agreement, was authorized to buy automobiles on a cash basis, never on the installment plan. One day A bought on credit or on installment plan a car from X, a client. X did not know of A's lack of authority. A's purchase was made on behalf and in the name of the partnership. Is the partnership bound?
  - a. No because A was not really authorized to bought on installment plan.
  - b. No because acquisition of automobiles requires the consent of all partners.
  - c. Yes because although A was not really authorized, still for "apparently carrying on in the usual way the business of the partnership" A is implicitly authorized and X did not know of A's lack of authority.
  - d. Yes because all transaction made by any partners with third person is valid provided the latter acted in good faith.
10. A, B and C are partners. Their contributions are as follows: A, P60,000; B, P40,000 and C, services. The partners agreed to divide profits and losses in the following proportions: A, 35%; B, 25% and C, 40%. If there is a loss of P10,000, how should the said loss of P10,000 be shared by the partners?
  - a. A, P6,000; B, P4,000; C, nothing
  - b. A, P3,000; B, P2,000; C, P5,000
  - c. A, P3,500; B, P3,500; C, P3,000
  - d. A, P3,500; B, P2,500; C, P4,000
11. Which of the following is not a requisite prescribed by law in order that a partnership may be held liable to a third party for the acts of one of its partners?
  - a. Both statements are true
  - b. Both statements are false
  - c. Statement I is true but statement II is false
  - d. Statement I is false but statement II is true

- a. The partner binds the partnership by acquiescence for obligations he may have contracted in good faith.
- b. The partner must have the authority to bind the partnership.
- c. The contract must be in the partnership name or for its account.
- d. The partner must act on behalf of the partnership.
12. Three of the following enumerations are rights of a general partner in a limited partnership that are also enjoyed by a limited partner. Which among them does a limited partner not enjoy?
- a. To have the books of the partnership kept at the principal place of business of the partnership, and at a reasonable hour to inspect and copy any of them;
- b. To have on demand true and full information of all things affecting the partnership and a formal account of partnership affairs whenever circumstances render it just and reasonable;
- c. To have dissolution and winding up by decree of court;
- d. To have all the rights and be subject to all the restrictions and liabilities of a partner in a partnership without limited partners.
13. A partner whose liability for partnership debts is limited to his capital contribution is called:
- a. General partner
- b. Limited partner
- c. General-limited partner
- d. Secret partner
14. Which of the following issuance of stocks is not allowed under the Corporation Code of the Philippines (BP 68):
- a. X Corp. issued preferred stock for P1 par value.
- b. Y Corp. issued a no par value share for P10 per share.
- c. Metro Bank Corp. issued a no par value common shares for P5 per share.
- d. Malayan Insurance Corp. issued a preferred stock for P4 per share.
15. Which of the following cannot be included as a valid provision under the By laws:
- a. The time, place and manner of calling and conducting regular or special meetings of the directors or trustees;
- b. The time, place and manner of calling and conducting regular or special meetings of the stockholders or members;
- c. The penalties for violation of the By laws
- d. The time for holding the annual election of the directors or trustees and the mode or manner of giving notice thereof.
16. What is the voting proportion required for the voluntary dissolution of the corporation?
- a. Majority votes of the board of directors and 2/3 votes of the outstanding capital stock.
- b. Majority votes of the board of directors and majority vote of the outstanding capital stock
- c. Majority vote of the board of directors and 2/3 vote of the stockholders
- d. Majority vote of the board of directors and majority vote of the stockholders
17. A corporation commences its existence from the issuance of the certificate of incorporation, which one is the exception?
- a. Close corporation
- b. Widely-held corporation
- c. Religious corporation
- d. Non-stock corporation
- e. Educational corporation
18. The right given to the stockholders to dissent and demand payment of the fair value of their shares is called:
- a. Right of proxy
- b. Appraisal right
- c. Pre-emptive right"
- d. Stock right
19. The promise or order is conditional, hence non-negotiable?
- a. "I promise to pay B or order P40.000". (Signed Y)
- b. "Pay B or order P40.000". (Addressed to Z signed by Y)
- c. "Pay B or order P40.000 and reimburse yourself out of my money in your possession". (Addressed to Z signed by Y)
- d. "Pay B or order P40.000 out of my money in your possession". (Addressed to Z signed by Y)
20. A promissory note as distinguished from a bill of exchange.
- a. It contains an unconditional order
- b. The one who issues it is primarily liable
- c. The one who issues it is secondarily liable
- d. There are three (3) parties, the drawer, the payee and the drawee
21. Which of the following instrument is negotiable?
- a. "Good to Jose Paz or order, P50,000" (signed Pedro Cruz)
- b. "I hereby authorize you to pay Jose Paz or order P50.000" (signed Pedro Cruz)
- c. "I promise to pay Jose Paz or order P50.000 worth in sugar" (signed Pedro Cruz)
- d. "I promise to pay Jose Paz or order P50.000 on October 25 (signed Pedro Cruz)
22. Marie makes a promissory note payable to bearer and delivers the same to Polido, who negotiates it to Arman by indorsing it without recourse. If the note is dishonored in the hands of Arman due to insolvency of Marie.
- a. Arman cannot recover from Polido because the latter does not warrant Marie's solvency.
- b. Arman can recover from Polido because the latter is secondary liable on the instrument as indorser.
- c. Arman can recover from Polido because of breach of warranty.
- d. Arman cannot recover from Polido because his indorsement is conditional.
23. Which is not correct? The acceptor by accepting a negotiable instrument:
- a. Admits the existence of the payee and his capacity to endorse
- b. Admits the existence of the drawer, the genuineness of his signature and his authority to draw the instrument.
- c. Admits the existence of the endorser, the genuineness of his signature and his authority to draw the instrument.
- d. Admits that he will pay it according to the tenor of his acceptance.

24. A is maker of a promissory note for P100,000 payable to the order of B who negotiates the same in favor of C. C loses the note and is found by X who forges the signature of C and pretending to be C negotiates the note to D, D to E, E to F and F to G who is a holder in due course. Under the circumstances which of these is not an incorrect statement?
- Being a holder in due course, G can recover from maker A.
  - The signature of C being forged, it becomes inoperative and payment cannot be enforced as against him.**
  - E is not liable to F precisely because he was not the one who forged the signature of C.
  - X is not liable to any party to the instrument since his name does not appear thereon.
25. Sale is distinguished from dation in payment in that in sale:
- There is a pre-existing obligation or credit,
  - The cause is the price.**
  - It is a mode of extinguishing an obligation in the form of payment.
  - All of the above.
26. Anton sold a piece of land to Rene binding himself not to sell the same to another person. On the following day, Anton sold the land to Carlos who immediately took possession in good faith. In the case at bar, the proper remedy of Rene is to:
- Institute an action for the annulment of the sale to Carlos
  - Institute an action for the recovery of the land
  - Institute an action for damages against Anton**
  - Institute an action for a criminal case against Anton
27. Xenon stole a fountain pen from Olden and sold it to a Bazaar who pays for it in good faith, not knowing it was stolen. The *Bazaar* then sold it to Bert, a student.
- The *Bazaar* having bought it in good faith becomes legal owners, and as such, he can transfer ownership to Bert.
  - Ownership passed to Bert because he bought it in a merchant store.**
  - Olden may recover the fountain pen from Bert without reimbursement because he is the legal owner.
  - Bert cannot become the owner because Xenon, the original seller, is not the owner.
28. Which of the following statements is false?
- In contract to sell, ownership is not transferred to the buyer upon delivery.
  - The unpaid seller can exercise stoppage in transitu if the buyer is insolvent and the vendor has not yet parted with the thing sold.**
  - The price is considered certain if it is in reference to another thing certain.
  - Dock warrant is an example of a negotiable document of title.
29. If movable property should have been sold to different vendees, the ownership shall be transferred to the person
- Who have paid in good faith the purchase price in full.
  - Who in good faith first recorded it in the Registry of Property.
  - Who present the oldest title in good faith.
  - Who had first taken possession in good faith.**
30. Min Co. wrote a circular letter to its customers introducing a certain Arco as its duly authorized agent. Cruz, a customer, dealt or transacted business with Arco. Later, Arco's authority was revoked and was published in a newspaper of general circulation. Notwithstanding his knowledge of such revocation, Cruz continues to transact business with Min Co. thru Arco. Is Min Co. still liable for the agent's act even after revocation?
- Yes, because the revocation was not given in the same way the power was granted.
  - No more, because the third person (Cruz) is in bad faith.**
  - No more, because the transaction that will be entered after revocation will be void.
  - All of the above.
31. Ado appoints Bozo as his agent to sell his land. Which of the following is valid?
- The authority of Bozo is in writing but Bozo mortgages it also in writing.
  - The authority of Bozo from Ado is by way of letter and Bozo sells the land to Cero in writing.**
  - The authority of Bozo is oral and Bozo sells the land to Cero for P50,000 in a written contract of sale.
  - The authority of Bozo is in writing but the sale of the land in writing was made beyond the period expressly set forth by Ado.
32. Phil appointed Aldo as his agent orally to sell his parcel of land for P100,000. Five days after, Aldo sold to Bert the parcel of land for P80,000 by means of public instrument executed between Aldo and Bert. What is the effect and the status of sale between Aldo and Bert?
- The sale is valid because it was executed in a public instrument.
  - The sale is unenforceable because the agent acted beyond the scope of his authority for selling the land less than the price instructed.
  - The sale is void because the appointment of the agent is oral.**
  - The sale can be ratified although the appointment of Aldo is oral, because the sale by Aldo to Bert is in a public instrument.
33. Effect of sale on the thing pledged if it is less than the principal obligation.
- Creditor cannot recover the deficiency.
  - Creditor can recover the deficiency.
  - Creditor cannot recover the deficiency even if there is stipulation.**
  - Creditor can recover the deficiency if there is stipulation.
34. 1<sup>st</sup> Statement - If after the second auction sale, the thing pledged is not sold, the pledgee can appropriate the thing pledged.  
2<sup>nd</sup> Statement - If the thing pledged is sold, but the proceeds of the sale is less than the principal obligation, the pledgee can collect the deficiency from the pledger.
- Both are True
  - Both are False
  - 1<sup>st</sup> is True; 2<sup>nd</sup> is False**
  - 1<sup>st</sup> is False; 2<sup>nd</sup> is True
35. 1<sup>st</sup> Statement: In all cases of extra judicial foreclosure, the right of redemption can be exercised by the mortgagor within one year from and after the juridical registration of the sale.  
2<sup>nd</sup> Statement: In judicial foreclosure, the mortgagor may still exercise his equity of redemption after the confirmation of the sale by the court.

- a. Both statements are wrong.  
 b. 1<sup>st</sup> statement correct, 2nd statement wrong  
 c. Both statements are correct.  
 d. 1st statement wrong, 2nd statement correct.
36. Which is an inherent limitation? limitation?  
 a. Equality in Taxation  
 b. Uniformity of taxation  
 c. Territoriality rule  
 d. Non-infringement of religious freedom in taxation
37. Which is incorrect?  
 a. Collection of taxes is an administrative act  
 b. There can be no tax if there is no law providing for the said tax  
 c. No person can be imprisoned for non payment of tax  
 d. A tax imposed outside the situs of taxation is void
38. All are essential characteristics of a tax except:  
 a. Payment of the tax is mandatory  
 b. It is generally payable in money  
 c. It is generally unlimited in amount  
 d. It is proportionate in character
39. One of the following is incorrect:  
 a. Donation of movable property worth P5,000 need not be in writing.  
 b. Donation of real property worth P5,000 must be in a public instrument.  
 c. Tax exempt net gift for strangers is P100,000.  
 d. A donation cannot be both a part of the gross profit of the donor and a taxable income to the donee.
40. Who is the taxpayer in estate tax:  
 a. The heirs or successors  
 b. The deceased person's estate  
 c. The heir's legal representatives  
 d. The executor or administrator of the state.
41. One of the following is not subject to 0-15% first donor's tax rates:  
 a. A donation to the illegitimate child of the donor's niece  
 b. A donation to the only brother of his paternal uncle  
 c. A donation to the only sister of his maternal aunt  
 d. A donation to the grandson of his father's brother
42. Emong donated P100,000 cash to his daughter Baby on account of marriage, he is entitled to a P10,000 deduction or exemption if he is a:  
 a. Non-resident alien  
 b. Resident alien  
 c. Both resident and non-resident  
 d. a or b above
43. All are incorrect except one:  
 a. Claims against insolvent person must be notarized to be deductible  
 b. Losses must occur before decedents' death to be deductible  
 c. Allowable deduction for funeral expenses can never be more than the actual expenses.  
 d. Onerous revocable transfers are includible in the gross estate.
44. One of the following is VAT exempt.  
 a. Importation of goods for home consumption  
 b. Sale of drugs a supermarket  
 c. Sublease of personal property  
 d. Common carriers by land
45. Bova VAT registered operates a variety store, his annual gross sales never exceeded the P1,500,000 limit. This year's total cash receipts for the first quarter was only P100,000 out of P250,000 gross sales, net of any tax. His tax due is:  
 a. P7,500 OPT  
 b. 3,500 OPT  
 c. 10,000 VAT  
 d. 30,000 VAT
46. Sarah inherited a residential lot in 1990 valued at P200,000 at that time. On November 30,2009 she sold it for P400,000 when its fair market value was P800,000 Sarah is subject to:  
 a. VAT  
 b. Donor's Tax  
 c. OPT  
 d. Income Tax (CGT)
47. RUFFA purchased 10,000 shares of Dubidu Bidu in 200A for P30,000. The shares are listed in the LSE, 6 months later she sold them for P15,000. She also bought in 200B 500 domestic shares at P1,000/ share & sold them after 3 months for P1,500/s directly thru a buyer, the capital gain's tax is:  
 a. P75  
 b. P3,750  
 c. P20,000  
 d. P1,250
48. Maximus died leaving the following:
- |  |          |
|--|----------|
| Real Property located in Italy<br>(w/ P100,000 mortgage) | P840,000 |
| Shares of stocks of foreign co.                          | 300,000  |
| Shares of stocks of domestic corp.                       | 90,000   |
| Life insurance proceeds Phil                             | 90,000   |
| Franchise, Phil  | 600,000  |
- If he is non-resident Filipino citizen residing in USA, the gross estate is  
 a. P780,000  
 b. P1,920,000  
 c. P1,140,000  
 d. P1,250,000
49. If he is non-resident Romanian in the above problem, the gross estate, assuming there is reciprocity law is:  
 a. P90,000  
 b. P600,000  
 c. P180,000  
 d. P 0
50. May-may, VAT registered made the following sales during the 2<sup>nd</sup> quarter of 200A
- |                                   |          |
|-----------------------------------|----------|
| Cash sales, exclusive of VAT      | P200,000 |
| Open account sales, invoice price | 448,000  |
| Installment sales, invoice price  | 896,000  |
| Consignments: (with VAT)          |          |
| June 1 (reported sold)            | 224,000  |
| April 1                           | 672,000  |
| June 10                           | 224,000  |
- The total output tax is:  
 a. P168,000  
 b. P264,000  
 c. P240,000  
 d. P144,000
51. B. Tiu registered as a VAT taxpayer on June 1, 200A & became liable to VAT on that quarter. His records showed the following:
- |                        |          |
|------------------------|----------|
| Sales (invoice price)  | P224,000 |
| Purchases (net of VAT) | 20,000   |

Value of inventory as of May 31 purchased from VAT registered person	60,000
VAT paid	6,000
Value of inventory as of May 31 purchase from:	
Non VAT person	340,000
VAT Exempt persons whose goods are VAT exempt	20,000

The VAT due is:

- a. **P14,800**                      c. P6,600  
b. P4,600                          d. P9,400

52. Mr. X made a gift on May 9, 2009 the last day of filing the gift tax return is:

- a. May 28, 2009                      **c. June 8, 2009**  
b. June 9, 2009                      d. November 5, 2009

53. Dina Nakahinga, Filipino, married, died on February 14, 2008. Assets declared and deductions claimed by the estate are as follows:

Assets, conjugal

Family Home (house) Quezon City	P800,000
Fishpond, Bulacan	1,000,000
Apartment, Manila	1,600,000
Shares of stock, Good Luck Co., domestic	600,000
Shares of stock, BX Inc., a foreign Corporation 60% of the business is in the Phil.	400,000
Cash in Bank	100,000

Assets, Exclusive of Decedent

Family Home (lot), Quezon City	P500,000
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Deductions claimed

Funeral expenses	P300,000
Family home deduction	1,300,000
Loss (Decedent has a receivable from Mr. MAX, a solvent debtor who absconded)	40,000
Liability (This represents unpaid subscription to 200B shares of Tililing Co. acquired on February 10, 200A)	200,000
Standard deduction (Unitemized & undocumented)	1,000,000
Death benefits under RA 4917	300,000

The gross estate of Dina Nakahinga is:

- a. P5,000,000                      c. P2,620,000  
b. P4,600,000                      **d. P5,540,000**

54. The total allowable deductions from the gross estate is:

- a. P1,100,000                      c. P2,100,000  
b. P2,300,000                      **d. P2,600,000**

55. All are sources of income except:

- a. Capital  
b. Labor  
c. Sale or exchange of assets  
**d. Life insurance proceeds**

56. Bernadette, married with a 2 year old child, has the following transactions in 2009

Salaries received as employee	P200,000
Sales	1,440,000
Cost of goods sold	660,000

Deductions:

Operating expenses	440,000
Loss due to fire (property reported)	60,000

Contributions:

To a government priority project in education	12,000
To Quiapo church	42,000

Other income:

Rent	36,000
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Capital gain from sale of TV held for 3 years

96,000

The taxpayer will report a taxable net income of:

- a. P472,000                      c. P320,400  
b. **P445,400**                      d. P500,400

The Rainbow Corp. provided the following data for calendar year ending December 31, 2009: (\$1 - P50)

	PHILIPPINES	ABROAD
GROSS INCOME	P 4,000,000	\$40,000
DEDUCTIONS	P 2,500,000	\$15,000
INCOME PAID		3,000

57. If it is a domestic corporation, its income tax after credit is:

- a. P812,500                      c. P880,000  
b. P832,000                      **d. P675,000**

58. If it is a resident corporation, its income tax is:

- a. P525,000                      c. P880,000  
b. P1,280,000                      **d. P450,000**

59. If it is a non-resident alien corporation, its income tax is:

- a. P1,200,000**                      c. P880,000  
b. P128,000                      d. P730,000

60. If it is a private educational institution, its income tax after tax credit is:

- a. P675,000                      c. P275,000  
b. P832,000                      **d. P150,000**

61. If it is a resident corporation and it remitted 60% of its net profit to its head office abroad, its total tax liability is (ORIGINAL DATA)

- a. P544,500**                      c. P196,000  
b. P571,800                      d. P612,750

62. If it is a private educational institution but P3.5M of its total gross income is from lease and restaurant business, its income tax still due is:

- a. **P675,000**                      c. P150,000  
b. P275,000                      d. P812,500

63. Which shall not form part of the gross estate of a decedent:

- a. Life insurance where the executor is the beneficiary and it is irrevocable  
**b. Transfer passing special power of appointment.**  
c. Revocable transfer  
d. Intangible personal property of non-resident alien decedent without reciprocity law

64. Ding Dong Corporation, a domestic corporation now on its 5th year of operation provided the following data:

Gross sales	P1,100,000
Sales returns and allowances	200,000
Cost of goods sold	300,000
Gain on sale of capital assets held for 11 months	10,000
Loss on sale of capital assets held for 20 months	5,000
Royalty income	50,000
Allowable business expenses	580,000

Income tax due is:

- a. P9,625
- b. P8,800
- c. P10,500
- d. P12,000

65. Purobuto, non-resident Japanese, died leaving the following:

Exclusive properties, Philippines	P	560,000
Conjugal properties, Philippines		420,000
Conjugal properties, Abroad		1,820,000
Deductions claimed:		
Funeral expenses		100,000
Judicial expenses		100,500
Unpaid expenses		150,500
Losses: occurring 3 mos. After death		
due to fire		120,000
Donation mortis causa to Makati City		
Hall		180,000
Family Home (inc. above)		1,000,000
Standard deduction		1,000,000

The taxable net estate is:

- a. P210,000
- b. P516,500
- c. P1,900,000
- d. P2,100,000

66. One of the following is subject to tax benefit rule:

- a. Income from illegal transactions
- b. Income from bad debts recovery:
- c. Income from expropriation of property
- d. Income from gambling

67. All are non – taxable fringe benefits except?

- a. Benefits given to a clerk of the company
- b. De minimis benefits
- c. Contribution of the employer for employees benefit to retirement, insurance and vacation.
- d. Fringe benefits for the convenience of the employer.

68. One of the following is exempt from MCIT

- a. Banks
- b. Mining companies
- c. Publicly held corporations
- d. Educational institutions

69. Lady Bova, single, Filipino, provided the following data for 200A:

Compensation income  
(net of P25,000 w/tax,  
but gross of P10,000

SSS, Pag-IBIG and Union dues)	P250,000
13 <sup>th</sup> Month pay	80,000
Gross Business Income	500,000
Interest Income,BPI	50,000
Royalty Income	25,000
Bad debt expense (10% written off)	20,000
Interest Expense	100,000
Transportation expense (50% business trips)	50,000
Health Insurance Premiums for Family	3,000

Her taxable income is:

- a. P654,500
- b. P589,500
- c. P587,100
- d. P469,500

70. Aishah Corporation, a domestic corporation, had the following data for taxable year 200A:

Sales	P5,000,000
Cost of Goods Sold	2,000,000
General, Selling and Administrative Expenses	500,000
Interest Income from Phil. Bank Deposit	100,000
Rental Income (net of 5% withholding tax)	190,000
Dividend Income:	
From domestic corporation	60,000
From foreign corporation	50,000
Winnings from charity sweepstakes	1,000,000
Capital gains from sale of domestic share of stocks Sold directly to buyer	75,000
Dividend declared and paid during the year	500,000
Retained earnings, beg. of the year (subjected to IAE tax last year)	1,000,000

Note: The board of directors approved a resolution reserving P1,500,000 of its net profit for the year for plant expansion.

The income tax due after credit if any is:

- a. P815,000
- b. P862,000
- c. P890,000
- d. P855,000

End of Examination

Thank you for participating in the 2011 National Mock CPA Board Examinations!