

# BICA JUNE 2019 POT SOLUTIONS

## ANSWER TO SCENARIO 1

Computation of the partnership chargeable income fye 31 March 2019:

	P	
Net profit per accounts	762,500	
Partners' salaries	247,500	1
Repair expenses	34,000	1
Cost of truck	-	0.5
Depreciation	58,000	0.5
	1,102,000	
Less capital allowances (W1)	(84,500)	1
<b>Chargeable income</b>	<b>1,017,500</b>	<b>4</b>

Partners taxable income fye 31 March 2019:

	Total	Dineo	Topo	Tshego	
	P	P	P	P	
Period: 1/4/18 - 31/12/18					
Salaries	157,500	90,000	67,500	-	1
<b>Taxable income 1,017,500 x 9/12]</b>	763,125				
Share of taxable income [2/3: 1/3]		508 750	269,375	-	1
Period: [1/1/19 - 31/3/19]					
Salaries	90,000	37,500	30,000	22,500	1.5
<b>Taxable income 1,017,500 x 3/12]</b>	254,375				
Share of taxable income [4/7:2/7:1/7]		145,357	72,678	36,340	1.5
<b>Total Taxable income</b>	<b>1,265,000</b>	<b>781,607</b>	<b>424,553</b>	<b>58,840</b>	<b>5</b>

**Working 1 – Capital Allowances:**

Given	46,000	
Truck (P120, 000 + 34,000) x 25%	38,500	
<b>Total allowances</b>	<b>84,500</b>	<b>1</b>

**ANSWER TO SCENARIO 2**

**Computation of taxable income for Macron Ltd fye 31 March 2019:**

	P	
Profit per accounts	4,480,000.00	
Speeding fines	28,000.00	1
Rent for premises	-	0.5
Legal expenses: acquisition of plant	60,000.00	1
Collection of trade debts	-	0.5
Collection of loan to supplier	15,000	0.5
Trade debts recovered	-	0.5
Loan to supplier recovered	(155,000.00)	1
Employer's approved pension contribution	-	0.5
Decrease in general provision	(64,200.00)	1
Profit on disposal of machinery	(77,800.00)	1
Balancing adjustment on disposal of machinery		
(W1)	111,800.00	1
Capital allowances - given	486,000.00	0.5
Capital allowances - on heavy new plant		
(P670, 000 + P60, 000) x 25%)	(182,500.00)	1
<b>Total taxable income</b>	<b>4,701,300.00</b>	<b>10</b>

**Working 1 - Balancing adjustment**

	P
Sales proceeds (P456,000 + P77,800)	533,800.00
Less: ITWDV b/f	422,000.00
<b>Balancing charge</b>	<b>111,800.00</b>

## ANSWERS TO SHORT QUESTIONS

1. A
2. D
3. B
4. C
5. B
6. D
7. C
8. D
9. C
10. A & C
11. C
12. A
13. C – P14, 340 [(P300, 000 – 200,000) x (1.015<sup>9</sup> – 1)]
14. Assessable benefit – P20, 600

First 200,000	10,000
Next 104,000 at 15%	<u>15,600</u>
	25,600
Less fuel Adj cost	<u>(5,000)</u>
Assessable benefit	<u>20,600</u>

15. Housing benefit: P485, 000 x 10% = P48, 500  
Furniture benefit: (P50, 000 – P15, 000) x 10% = P3500
16. The gross salary is P132, 738

	Net	Tax	Gross
First	99,900	8,100	108,000
Next (18.75/81.25)	<u>20,100</u>	<u>4,638.46</u>	<u>24,738.46</u>
	<u>120,000</u>	<u>12,738.46</u>	<u>132,738.46</u>

17. B & D
18. A
19. A & B
20. P1, 200 Add back
21. Capital allowance = P26, 250 = 00  
 $P175, 000 \times 25\% = P43, 750$   
 Business use =  $P43, 750 \times 60\%$   
 $= \underline{P26, 250}$
22. Nil – capital losses can only be carried forward for one year
23. A & B
24. A & C
25. B & F
26. A & D
27. C [460,000 – 120,000 = 340,000]
28. Capital allowance – P315, 000  
 Cost b/f 980,000  
 Additions 280,000  
1,260,000  
 C. A at 25% P 315, 000
29. A & D
30. C & F
31. A & C
32. Output VAT – P1, 800  
 $= P1, 800 (P15, 000 \times 12\%)$
33. C - VAT paid on the purchase of a delivery van is wholly recoverable.
34. C
35. C - The tax point for the supply of goods is the earlier of  
 i) The date on which the invoice is issued or

ii) The date on which payment is received

36. B & C

37. Output VAT

$$= P29,560 \times 12\% = P3,547$$

38. D – The value of the transaction

39. P17,600 [12,000 + 5,600]

Input VAT contributable to taxable supplies is wholly recoverable

40. C - Commissioner General has reasons to believe that Bashe's taxable supplies will not reach the registration threshold within 12 months