



Botswana Institute of Chartered Accountants

Principles of Taxation Paper

Date: 10 June 2021

Time: 09:00 am -10.30 am

Time allowed: 1 hours 30 minutes

Instructions to Candidates

This assessment consists of **TWO** scenario based questions worth up to 20 marks and **40** short questions each worth 2 marks.

At least **55** marks are required to pass this assessment.

Numeric entry fields

- Enter whole numbers only
- Numbers may be entered with or without a thousand separator (use commas only)
- Negative numbers can be entered with a preceding minus sign or enclosed in brackets
- You have **90** minutes to complete the assessment which includes any review period.

IMPORTANT

Question papers contain confidential information and must NOT be removed from the examination hall.

DO NOT TURN OVER UNTIL YOU ARE INSTRUCTED TO BEGIN WORK

Tax Tables FA 2020

Use the following tax tables to answer your questions, where necessary.

Rates of tax - 2020/2021 tax years

Resident companies	On taxable income
Standard rate	22%
Manufacturing company rate	15%

Resident individuals

P0 –	P36,000	Nil
P36,001 –	P72,000	Nil + 5% of excess over 36 000
P72,001 –	P108,000	P1,800 + 12.5% of excess over 72 000
P108,001 –	P144,000	P6,300 + 18.75% of excess over 108 000
Over	P144,000	P13,050 + 25% of excess over 144 000

Non-resident individuals, trusts and estates

P0 –	P72,000	5% of every pula
P72,001 –	P108,000	P3,600 + 12.5% of excess over 72 000
P108,001 –	P144,000	P8,100 + 18.75% of excess over 108 000
Over	P144,000	P14,850 + 25% of excess over 144 000

Capital gains – individuals

P0 –	P18,000	Nil
P18,001 –	P72,000	P0 + 5% of excess over P18 000
P72,001 –	P108,000	P2,700 + 12.5% of excess over P72 000
P108,001 –	P144,000	P7,200 + 18.75% of excess over P108 000
Over	P144,000	P13,950 + 25% of excess over P144 000

Capital gains – companies

Net aggregate gains are taxable at the company rates of tax – 22%.

Basis of valuation of benefits

Individuals' vehicle benefit

Vehicle cost	Employee benefit	Fuel cost adjustment
P1 - P50 000	P2 500	P1 000
P50 001 - P100 000	P5 000	P2 000
P100 001 - P150 000	P7 500	P3 000
P150 000 - P200 000	P10 000	P4 000

Benefit on the excess of P200 000 is 15% thereof with a maximum fuel cost adjustment of P5,000.

Individual's housing benefit:

If rated:

10% of the property's rateable value prorated by occupation and reduced by any contribution made by the employee.

If not rated:

Gross floor area x P250 per sq metre x 8%

The benefit is prorated by period of use and reduced by any contribution made by the employee.

Individual's furniture benefit

10% of furniture cost in excess of P15, 000 pro - rated by usage.

Capital allowances

The following rates are fixed by Commissioner General of BURS as fair and reasonable having regard to the expected useful economic lives of the assets listed.

Capital allowances

Furniture and fittings	10%
Office equipment and machinery	15%
Plant and machinery including farming	15%
Motor vehicles, boats and aircraft	25%
Heavy plant and machinery	25%
Computer hardware	25%

Office Equipment	15%
Off-the-shelf computer software	100%
Industrial and commercial buildings	
Industrial building – initial allowance	25%
Industrial building – annual allowance	2.5%
Commercial building – annual allowance	2.5%

COST OF LIVING INDEX – JULY 1982 to DECEMBER 2020

YEAR	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1982	-	-	-	-	-	-	100.0	101.2	101.2	102.1	103.3	103.8
1983	104.1	104.8	105.5	106.6	108.3	108.4	109.0	110.2	110.2	110.7	111.7	112.3
1984	113.5	114.5	115.2	116.0	116.9	118.3	119.1	120.1	119.8	120.7	119.7	119.5
1985	119.9	120.7	122.0	124.1	126.6	128.6	130.1	129.8	131.1	131.5	131.8	132.0
1986	133.9	135.5	135.5	136.8	138.0	140.9	141.2	141.8	142.7	143.4	144.7	146.3
1987	147.4	148.5	148.9	151.9	153.6	154.1	154.9	156.6	156.7	157.1	157.5	158.1
1988	157.8	158.7	160.8	163.4	164.1	165.5	168.0	169.3	171.0	172.6	173.9	174.4
1989	176.9	178.0	180.1	182.7	184.1	186.2	187.3	188.7	190.2	191.1	191.5	194.2
1990	196.6	199.0	200.5	204.1	205.1	206.0	207.2	209.2	210.7	212.6	216.0	217.6
1991	220.5	221.4	223.5	225.8	227.3	229.0	232.0	234.2	237.2	239.5	242.5	244.9
1992	248.3	251.7	256.3	262.1	265.5	269.4	272.3	275.0	277.6	280.1	283.0	285.4
1993	291.0	293.1	295.8	301.1	303.1	306.0	311.6	313.5	315.0	317.6	320.1	321.5
1994	324.2	326.8	328.5	332.7	337.3	340.2	343.1	345.3	347.0	348.4	351.3	353.0
1995	357.9	361.0	364.9	368.6	370.5	374.9	377.8	381.6	384.3	386.0	387.9	391.3
1996	395.5	398.1	402.2	405.6	408.8	413.9	417.0	419.5	421.6	423.8	426.0	428.7
1997	431.6	435.5	439.7	443.6	448.7	451.2	454.1	454.9	457.5	459.7	460.9	461.9
1998	464.8	466.0	469.9	476.0	477.9	478.9	481.0	484.0	484.4	486.9	489.5	491.2
1999	495.1	499.7	504.3	507.5	509.2	513.3	514.3	517.7	521.1	523.5	524.0	525.2
2000	530.8	536.3	538.8	545.5	548.9	552.0	568.6	569.8	571.4	576	577.5	578.7
2001	581.4	582.1	587.2	598.9	596.9	598.6	601.3	603.0	605.4	608.5	610.2	611.0
2002	613.1	613.9	622.1	629.6	631.3	634.0	654.4	662.4	666.7	670.8	677.6	679.3
2003	683.2	689.0	692.2	701.4	705.8	715.0	714.5	698.0	707.0	715.9	717.9	718.9
2004	721.3	728.6	735.8	743.6	754.0	721.3	758.9	761.3	765.7	770.7	772.4	774.9
2005	779.2	781.7	783.8	789.4	801.5	813.2	821.2	834.8	842.3	857.1	859.7	863.1
2006	877.4	884.0	891.5	901.4	909.6	915.0	918.6	924.2	930.8	936.4	935.4	936.4
2007	942.9	948.5	949.5	957.7	968.1	974.5	988.5	991.2	994.1	1004.3	1007.2	1012.8
2008	1022.2	1034.4	1043.1	1064.7	1085.0	1115.1	1136.7	1140.6	1133.8	1135.5	1159.0	1151.2
2009	1152.7	1155.1	1165	1172.8	1176	1193.4	1204.8	1209.7	1213	1213.3	1217.2	1218.4
2010	1223.2	1225.4	1234.6	1256.2	1268.6	1285.3	1289.7	1290.6	1297.9	1300.6	1304.2	1309.1
2011	1320	1330.2	1338.9	1359.0	1373.6	1386.4	1380.6	1403.4	1409.0	1415.0	1424.0	1428.8
2012	1436.1	1440.0	1446.5	1460.4	1480.0	1487.3	1492.1	1496.7	1508.9	1515.4	1530.2	1534.8
2013	1544.3	1546.9	1555.4	1565.6	1570.2	1573.8	1576.7	1580.4	1584.3	1587.9	1593.5	1598.1
2014	1611.1	1618.6	1624.2	1637.2	1641.8	1646.5	1648.4	1653.0	1655.8	1662.4	1667.0	1663.3
2015	1670.7	1664.2	1669.8	1687.5	1690.3	1696.8	1698.7	1701.5	1704.2	1708.9	1709.8	1708.9
2016	1715.4	1714.5	1721.0	1735.9	1737.8	1741.5	1744.3	1747.1	1751.7	1755.2	1758.7	1760.5
2017	1769.2	1772.7	1781.5	1795.5	1799.0	1802.5	1804.3	1806.0	1807.8	1807.8	1811.3	1816.5
2018	1823.5	1828.8	1832.3	1856.8	1858.6	1858.6	1860.3	1860.3	1860.3	1872.6	1879.6	1881.3
2019	1887.0	1890.8	1892.6	1903.9	1905.8	1909.6	1913.3	1913.3	1915.2	1917.1	1919.0	1922.7
2020	1930.3	1932.1	1934.0	1951.0	1951.0	1926.5	1930.3	1934.0	1949.1	1958.5	1962.2	1964.1

Segolame received the following income during 2020/21:

- Rental income of P96,000 gross. Withholding tax of P4,800 was correctly deducted at source.
- Bank deposit interest of P10,000 gross. Withholding tax of P220 was correctly deducted by the bank.

Segolame was employed as a senior manager of a wholesale company in Gaborone since July 2015. She was entitled to the following salary and benefits in the tax year 2020/21:

- Basic salary P600,000 per year
- The employer contributed 20% of Segolame's basic salary to an approved superannuation fund. Segolame also contributed 20% of her basic salary to the same fund.
- During the tax year, the employer paid P80,000 for Segolame's family holiday in Zanzibar.
- In December 2020, Segolame was paid a performance bonus of P50,000. No tax was deducted from this payment.
- The employer also provided Segolame with car for personal use. The car cost P420,000 and Segolame was responsible for the fuel.
- Segolame was paid 10% of her basic salary as a housing allowance by her employer.

Using the standard format below, compute Segolame's total taxable income for 2020/21. You should enter a number in each relevant box. If an amount is not taxable enter a zero or a dash into the relevant box.

Leswana Ltd prepares accounts to 31 December annually. The draft accounting profits for the year ended 31 December 2020 are P3,400,000. The following items have been added or deducted, appropriately, in arriving at the draft accounting profit:

	Note	P
Depreciation		366,000
Loans to employees written off	1	110,000
Profit on sale of plant	2	40,000
General provision for doubtful debts	3	90,000
Training levy		130,000
Dividends from a local company		65,000

Notes:

- (1) Leswana Ltd is not in the business of giving loans. The employees who got the loans have left the company and cannot be traced.
- (2) The plant that was sold had a carrying value of P90,000 and written down value of P70,000. The sales proceeds from the disposal of the plant was P130,000. The balancing adjustment on disposal of this plant had not been calculated.
- (3) The provision was in respect of trade debts.

In addition, the following items have not yet been included in the accounts:

- o Leswana Ltd had correctly calculated the capital allowances of P443,000 on plant and machinery for the year ended 31 December 2020.
- o Leswana Ltd completed an industrial building at a cost of P1,530,000, including the cost of land of P400,000. The industrial building was brought into use on 1 October 2020. The industrial building allowances (IBAs) were not calculated.

Using the standard format below, compute Leswana Ltd's total taxable income for the year ended 31 December 2020. You should enter a number in the relevant box. If an amount is not taxable or no adjustment is required you must enter a zero or a dash into the relevant box.

Computation of Leswana Ltd's total taxable income fye 31 December 2020:

	P
Accounting profit for year	<input type="text"/>
Depreciation	<input type="text"/>
Loans to employees written off	<input type="text"/>
Profit on sale of plant	<input type="text"/>
General provision for doubtful debts	<input type="text"/>
Training levy	<input type="text"/>
Dividends from a local company	<input type="text"/>
Balancing allowance or charge	<input type="text"/>
Capital allowances on P & M	<input type="text"/>
Industrial building allowance (W1)	<input type="text"/>
Taxable income	<input type="text"/>

W1 – Industrial Building allowances (IBAs)

	P
Eligible cost	<input type="text"/>
Initial allowances	<input type="text"/>
Annual allowances	<input type="text"/>
Total allowances	-----

- 1 Pauline used to earn P10,000 and paid P712.50 in income tax per month. She has recently received a substantial pay rise and now earns P20,000 per month. Her revised income tax is P3,087.50.

Select which of the following options correctly defines the principle on which this tax system is based.

- A Progressive taxation
- B Regressive taxation

Select which of the following options correctly classifies VAT that Pauline pays on her purchases.

- C Direct tax
 - D Indirect tax
-

- 2 Select which of the following are functions are carried out by BURS.

- (i) Collect and administer direct taxes
- (ii) Collect and administer indirect taxes
- (iii) Pay and administer training levy payments
- (iv) Collect repayments of student loans
- (v) Pay and administer the state pension

- A (i) and (ii) only
 - B (i), (ii) and (iii) only
 - C (i), (ii), and (iv) only
 - D (i), (ii), (iii) and (v) only
-

- 3 Toby is a sole trader. Which of the following actions by Toby is not an example of tax evasion?

- A Claiming P2,000 of personal expenses through the business
 - B Omitting to record P500 of cash sales
 - C Deliberately postponing the sale of some shares from 25 June 2020 to 6 July 2020 so that he can use the following year's annual exempt amount to reduce his capital gains tax
 - D Overestimating the value of some property donated to approved sports institution
-

- 4 Monei is unhappy with an explanation given to her by a client in relation to the current year's accounts. If she accepts the explanation and submits the accounts to BURS she feels that this will compromise the principle of integrity.

Which of the following factors is she not required to consider in resolving the ethical conflict?

- A The facts that she has uncovered
 - B The relationship that her firm has with the client
 - C The client's internal procedures
 - D Alternative courses of action
-

- 5 Oarabile started a tax practice office in 2017. Oarabile has been engaged by one major client. Oarabile receives 90% of his income from his major client.

Select which **ONE** of the following options correctly identify the type of threat that Oarabile may be experiencing according to the IFAC Code of Ethics.

- A Advocacy threat
 - B Familiarity threat
 - C Self-interest threat
 - D Self-review threat
-

- 6 Lorato and Nonofo are in partnership running a tax consultancy.

A client whose Chief Finance Officer suddenly left has approached Lorato and Nonofo to assist him finalise his annual report for a handsome fee.

Identify which **ONE** of the IFAC's ethical fundamental principles may be compromised if Lorato and Nonofo accepted the assignment:

- A. Objectivity
 - B. Professional competence and due care
 - C. Confidentiality
 - D. Professional behaviour
-

- 7 Select which **ONE** of the following dates correctly identifies the date by which the Employer's Annual Return (ITW 10) relating to the tax year ended 30 June 2020 should be submitted:

- A 31 July 2020
- B 31 August 2020

- C 30 September 2020
 - D 31 October 2020
-

8 Select which **TWO** of the following items are treated as 'non-taxable income' for income tax purposes.

- A Interest on overpaid tax from BURS
 - B Interest income on a loan between two friends
 - C Interest earned on endowment policy from Botswana Life
 - D Bank deposit interest of P6,300 received by resident individual
 - E Tips given to staff by customers
-

9 Select which **ONE** of the following is not a legally binding source of tax law.

- A The Income Tax Act
 - B The Value Added Tax Act
 - C Case law
 - D Botswana Unified Revenue Services publications
-

10 A taxpayer has a right to appeal against a decision of the Commissioner General.

Select which **ONE** of the following correctly identifies to whom an appeal against a decision of the Commissioner General is made.

- A To the Minister
 - B The taxpayer may choose to appeal either to the Board of Adjudicators or straight to the High Court
 - C To the Board of Adjudicators and then to the High Court
 - D To the High Court without any option to appeal to the Board of Adjudicators
-

11. Dumela Ltd reported taxable profits of P1,200,000 for the year ended 31 December 2020.

Which **ONE** of the following represents the due date for Dumela Ltd's final self-assessment instalment payment?

- A 30 September 2021
- B 31 March 2021

C 30 April 2021

D 30 June 2021

- 12.** The directors of Osiam Ltd submitted a tax return that negligently understated the taxable income.

Select which **ONE** of the following correctly identifies when such a tax return would be considered final for tax assessment purposes.

- A After 4 years from the tax year in which it was submitted
B After 8 years from the tax year in which it was submitted
C After 12 years from the tax year in which it was submitted
D No time limit
-

- 13.** Yeka Ltd estimated that its tax liability for the year ended 31 December 2020 was P320,000. In January 2021, it was determined that the actual tax liability was determined to be P380,000 for the year ended 31 December 2020.

Select the quarterly instalment that Yeka Ltd would be required to pay during the year ended 31 December 2020?

- A P80,000
B P64,000
C P95,000
D P76,000
-

- 14.** Thabo works for Kante Ltd. During the tax year ended 30 June 2020, Thabo was provided with a company car for his private use. The car cost P440,000 and Thabo contributed P100,000.

The car benefit assessable on Thabo is P_____

Enter a whole number WITHOUT the P sign

- 15.** Tebogo was provided with accommodation and furniture by her employer for whole tax year 2020/21. The furniture had cost P50,000. The employer paid rent of P10,000 per month for the house and its annual rateable value P485,000.

The housing assessable benefit on Tebogo is P _____

The furniture assessable benefit on Tebogo is P _____

Enter a whole number WITHOUT the P sign

- 16.** Chawada works for Naledi Ltd. Her annual salary of P150,000 in tax year 2020/21 was paid net of tax as the employer was responsible for her pay as you earn tax.

Chawada's gross salary is P _____

Enter a whole number WITHOUT the P sign

- 17.** Tlou's accounts for the year ended 31 December 2020 showed legal and professional fees of P56,000.

Select which **TWO** of the following expenses are not tax deductible in the computation of taxable income.

- A Fees incurred for debt collection
 - B Fees incurred in successful tax appeal
 - C Trade subscription fees
 - D Legal fees incurred on acquisition of property
 - E Legal fees incurred in defending the quality of goods supplied
-

- 18.** Select which **ONE** of the following donations is not deductible for tax.

- A. Donation to the wild life conservation society
 - B. Donation of approved sports club
 - C. Donation to approved educational institution
 - D. Donation to approved government healthy facility
-

- 19.** Gosego has been a sole trader for many years. Her profit for the year ended 30 June 2020 was arrived at after charging for the following.

Select which **TWO** expenses are wholly tax deductible in calculating Gosego's taxable income.

- A Cost of replacing tools
- B Entertainment of suppliers
- C Employer's contributions to approved superannuation fund
- D Purchase of plant

20. Kago's bad debt written off in the year ended 30 June 2021 is as follows:

Increase in general provision	1,200
Decrease in specific provision	(400)
Recovery of bad debt previously written off	(1,800)
Bad debts written off	5,600

Bad debts written off	4,600

In computing the taxable income for Kago, what adjustment will be required in relation to the bad debt

P _____ (add back/ subtract)

Enter a whole number WITHOUT the P sign

21. Oodi Ltd is a VAT registered company that only makes standard rated supplies.

Select the extent to which the following input tax is recoverable on the following VAT-inclusive costs incurred by Oodi Ltd.

P15,000 for the purchase of a new machine. The VAT invoice has been lost and cannot be replaced

- A Fully recoverable
- B Partially recoverable
- C Not recoverable

Purchase of a car for a salesman for P200,000. The car is used 60% for business purposes

- D Fully recoverable
- E Partially recoverable
- F Not recoverable

- 22** Mpho is a VAT registered trader making only standard rated supplies. Mpho received an order from a customer on 20 October 2020 and dispatched the goods on the same day. Included with the order was payment of a 10% deposit of P1,150 including VAT.

An invoice for the full amount of P11,500 including VAT was issued on 1 November 2020. The balancing payment of P10,350 was received on 10 December 2020.

Calculate how much output tax must be accounted for on the following VAT returns:

Two months to 31 October 2020

- A P0
- B P123
- C P1,232

Two months to 30 November 2020

- D P0
- E P1,109
- F P1,232

-
- 23.** Nonofu is registered for VAT. Nonofu sold goods to Gosego for P1,000 without charging any VAT. Gosego had assured him that the goods were exempt from VAT. Nonofu later discovered that the standard rate of VAT should have been charged on this sale.

Select how much VAT is payable on this sale and by whom.

The amount of VAT payable is

- A P107.14
- B P120.00

The VAT is payable by

- C Nonofu
- D Gosego

- 24** Select which **TWO** of the following statements are correct in relation to registering for VAT.

- A A trader can voluntarily register for VAT if he makes only exempt supplies
 - B A trader can voluntarily register for VAT if he makes only zero rated supplies which exceed P500,000 in 12 months
 - C A trader making both zero rated and standard rated supplies is required to register only if the level of taxable supplies exceeds the P1,000,000
 - D A trader making exempt supplies must register for VAT if his supplies exceeds P1,000,000
-

- 25** Palesa is registered for VAT and is preparing his VAT return for the two-month period ended 31 August 2020. During this period he made zero rated supplies of P230,000 and standard rated supplies of P295,600. These figures are VAT exclusive.

Palesa incurred input tax related to the zero rated supplies of P21,300 and input tax related to the standard rated supplies of P9,000. Palesa also paid salaries of P58,000 for the two-month period which relate to the business as a whole.

Calculate how much output VAT Palesa should account for on his VAT return for the two months ended 31 August 2020.

Output VAT P _____

Enter a whole number WITHOUT the P sign

- 26** Palesa is registered for VAT and is preparing his VAT return for the two-month period ended 31 August 2020. During this period he made zero rated supplies of P230,000 and standard rated supplies of P295,600. These figures are VAT exclusive.

Palesa incurred input tax related to the zero rated supplies of P21,300 and input tax related to the standard rated supplies of P9,000. Palesa also paid salaries of P58,000 for the two-month period which relate to the business as a whole.

Calculate how much input VAT Palesa should account for on his VAT return for the two months ended 31 August 2020.

Input VAT P _____

Enter a whole number WITHOUT the P sign

- 27** Galeboe purchased a plot of land for P280,000 in May 2010. She also paid P14,000 in legal fees. In December 2020, she sold the whole plot for P540,000 and paid P16,200 to the estate agent for finding a buyer.

The un-indexed gain on the disposal of the plot is P _____

Enter a whole number WITHOUT the P sign

- 28** Identify which of the following are correct conditions for reclaiming output tax in respect of bad debt relief.

A period of six months has elapsed since the goods were supplied.

- A Correct
- B Incorrect

Output tax on the supply has been accounted for and paid

- C Correct
- D Incorrect

The bad debt relief claim must be made within at least 12 months of becoming eligible for relief.

- E Correct
 - F Incorrect
-

29 Bosisi had failed to apply for VAT registration for 4 months. The output VAT that he should have charged over the 4 month period was P30,200.

What is the maximum penalty that the Commissioner General can impose on Bosisi for failing to register on the due date?

- A P10,000
 - B P5,000
 - C P30,200
 - D P60,400
-

30 Identify which **TWO** of the following statements are correct.

- A Amy's VAT return for the two months to 28 February 2021 should have been submitted by 31 March 2021
 - B Pule & Charles' partnership income tax return for 2020/21 received on 3 November 2020 should be submitted by 31 January 2021
 - C Daniel's full income tax return for 2020/21 should be submitted to BURS by 30 September 2021
 - D Eagle Ltd's corporation tax return for the year ended 31 December 2020 should be submitted by 31 March 2021
 - E Frank Ltd's ITW 10 (Employer's Annual Return) for 2020/21 should be submitted to BURS by 31 July 2021
-

31 The following information was included by a junior officer in a letter of advice to a client of your firm.

Identify whether each statement is true or false.

A chartered tax adviser may report fraudulent taxpayers to the relevant authorities without client consent as long as the adviser has evidence of the fraudulent activity.

- A True
- B False

Tax avoidance is an illegal practice under the Income Tax Act.

- C True
 - D False
-

- 32** Mokgosi purchased 10,000 P1 shares for P8,500 in a private company in June 2006. In January 2010, the company made a bonus issue of 1 for 2.

In September 2020, Mokgosi sold 6,000 of her shares for P14,400.

The chargeable gain arising on the disposal of the shares is

- A P9,300
 - B P8,250
 - C P6,975
 - D P11,000
-

- 33** Nametso is registered for VAT and wants to submit her return for a two month VAT period ending May 2021. She wants to ensure that she does not incur any penalties.

When should her return be submitted?

- A No later than 15 June 2021
 - B No later than 21 June 2021
 - C No later than 25 June 2021
 - D No later than 30 June 2021
-

- 34** Select which one of the following disposals is a chargeable disposal for capital gains tax purposes.

- A Gift of a house in the will of a father to his daughter
- B Sale for P120,000 in debentures issued and traded on the Botswana Stock Exchange which had cost P95,000.
- C Sale of a company motor vehicle for P170,000
- D Sale of shares in a private company

35 Tebogo, a Chartered Accountant, has been written to by the Managing Director of Thuso Ltd, one of his major clients, informing him that his services will be terminated if he qualifies the accounts for Thuso Ltd.

Select which **ONE** of the following options correctly identifies the type of threat Tebogo is experiencing according to the IFAC Code of Ethics.

- A Self-interest threat
 - B Self-review threat
 - C Advocacy threat
 - D Familiarity threat
 - E Intimidation threat
-

36 Which **ONE** of the following is not a badge of trade?

- A The subject matter of the sale
 - B Supplementary work done before the sale to make asset more saleable
 - C Frequency of transactions
 - D Value of the asset
-

37 In terms of Income tax, which one of the following payments incurred by a taxpayer would be fully deductible for tax?

- A Payment for a 10 year lease premium
 - B Payment for capital expenditure in pursuit of the lease agreement
 - C Acquisition of plant to be used in taxpayer's business
 - D Acquisition of tools to replace worn out tools used in taxpayer's business
-

38. Mint Ltd constructed an industrial building at a cost of P650,000, including the cost of land of P150,000. The building was brought into use on 1 September 2010. The industrial building was sold for P2,400,000 in December 2020.

Mint Ltd prepares accounts to 31 December annually.

- a) What is the balancing allowance or charge arising on the disposal of the industrial building?

P _____

- b) What is the chargeable capital gain or loss arising on the disposal of the industrial building?

P _____

39. State whether the following statement is true or false about farming

A farmer who has less than 200 heads of cattle and engaged in dairy farming is not liable to tax unless he or she opts to be liable to tax.

- A True
B False

A farmer purchased donkeys as working animals. Should he include them in the closing stock at the end of the year?

- C Yes
D No
-

40. Which one of the following expenditures is not fully tax deductible for farming business?

- A The eradication of noxious plants
B The prevention of soil erosion
C The erection of buildings used in connection with farming operations
D Construction of a residential house for the farm manager