



Botswana Institute of Chartered Accountants

Principles of Taxation Paper

Date: 09 June 2022

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 2021

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

Rates of tax - 2021/2022 tax years

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

Resident individuals

| | |
|---------------------|--|
| P0 – P48,000 | Nil |
| P48,000 – P84,000 | Nil + 5% of excess over 36 000 |
| P84,000 – P120,000 | P1,800 + 12.5% of excess over 72 000 |
| P120,000 – P156,000 | P6,300 + 18.75% of excess over 108 000 |
| Over P156,000 | P13,050 + 25% of excess over 144 000 |

Non-resident individuals, trusts and estates

| | |
|---------------------|--|
| P0 – P84,000 | 5% of every pula |
| P84,000 – P120,000 | P3,600 + 12.5% of excess over 72 000 |
| P120,000 – P156,000 | P8,100 + 18.75% of excess over 108 000 |
| Over P156,000 | P14,850 + 25% of excess over 144 000 |

Capital gains – individuals

| | |
|---------------------|---|
| P0 – P18,000 | Nil |
| P18,000 – P72,000 | P0 + 5% of excess over P18 000 |
| P72,000 – P108,000 | P2,700 + 12.5% of excess over P72 000 |
| P108,000 – 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.

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 FEBR 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 |
| 2021 | 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 |
| 2021 | 1973.5 | 1979.2 | 1994.2 | 2062.0 | 2071.4 | 2084.5 | 2101.5 | 2103.3 | 2112.8 | 2131.6 | 2131.6 | 2135.3 |
| 2022 | 2182.4 | 2188.0 | | | | | | | | | | |

Mpho, a sole trader, has been in business for many years preparing accounts to 31 December annually. His summarized profit and loss account for the year ended 31 December 2021 were as follows:

| | Note | P | P |
|-----------------------------|------|---------|-----------|
| Gross Profit | | | 860,400 |
| Add: Other income | | | |
| Commission | (1) | | 48,200 |
| Local dividends (net) | | | 16,200 |
| | | | ----- |
| | | | 924,800 |
| Less: Depreciation | | 248,000 | |
| Legal and professional fees | (2) | 124,000 | |
| Bad debts | (3) | 25,000 | |
| Allowable expenses | | 34,000 | |
| | | ----- | (431,000) |
| | | | ----- |
| Net profit | | | 493,800 |
| | | | ----- |

Note 1: Commission

Mpho earned the commission from acting as a broker for a South African company.

Note 2: Legal fees and professional fees

| | P |
|---|--------|
| Legal fees in connection with registration of patents | 3,000 |
| Premium paid on the acquisition of a fifty year lease on land | 18,000 |
| Audit fees | 30,000 |
| Legal fees in connection with supplier's for breach of contract | 20,000 |

Note 3: Bad Debt expense

| | P | | P |
|------------------------------|--------|-----------------------------------|--------|
| Bad debts written off | 4,000 | Balance b/d | |
| Staff loans written off | 10,000 | - Specific allowance | 7,000 |
| Supplier's loans written off | 33,000 | - General allowance | 11,000 |
| | | Bad debts written off recovered | |
| | | | 9,000 |
| Profit & Loss | 25,000 | Staff loans written off recovered | |
| | | | 34,000 |
| Balance c/d | | | |

| | | |
|----------------------|--------|--------|
| - Specific allowance | 12,000 | |
| - General allowance | 8,000 | |
| | ----- | ----- |
| | 92,000 | 92,000 |
| | ----- | ----- |

Using the standard format below, compute the taxable business income for Mpho for the tax year 2021/22. 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.

Computation for business taxable income for Mpho for the year ended 31 December 2021:

| | P |
|--------------------------------------|----------------------|
| Net profit per accounts | <input type="text"/> |
| Depreciation | <input type="text"/> |
| Local dividends | <input type="text"/> |
| Legal fees in relation to: | |
| Patents | <input type="text"/> |
| Premium | <input type="text"/> |
| Audit fees | <input type="text"/> |
| Breach of contract | <input type="text"/> |
| Bad debts: | |
| <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> |
| Total taxable business income | <input type="text"/> |

Akasi Ltd, a farming resident company, prepares accounts to 31 March annually.

During the year ended 31 March 2022, it recorded a net profit before tax of P2,100,000 before accounting for the expenditure incurred during the year listed below.

| The following expenditure was incurred during the year: | P |
|---|---------|
| Purchase of animal feed | 28 000 |
| Purchase of donkeys used for working | 10 000 |
| Purchase of a tractor | 160 000 |
| Purchase of harvesting plant | 280 000 |
| Cottage built for farm manager | 120 000 |
| Constructed grain silos | 25 000 |
| Prevention of soil erosion | 5 000 |

In addition, Akasi Ltd sold the following during the year:

- Ten horses for P5,500 each. The horses were acquired in 2017 for P2,500 and were used as working animals at the farm.
- Sold some old ploughs for P14,000. These ploughs originally cost P52,000 when they were acquired in December 2019.

Using the standard format below, compute Akasi Ltd's total taxable income for the year ended 31 March 2022. 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, where relevant.

Akasi Ltd's total taxable income fye 31 March 2021:

P

| | |
|-----------------------------|----------------------|
| Net profit | <input type="text"/> |
| Purchase of animal feed | <input type="text"/> |
| Purchase of donkeys | <input type="text"/> |
| Tractor | <input type="text"/> |
| Harvesting plant | <input type="text"/> |
| Cottage for farm manager | <input type="text"/> |
| Prevention of soil erosion | <input type="text"/> |
| Sales of horses | <input type="text"/> |
| Sales of old ploughs | <input type="text"/> |
| | <input type="text"/> |
| Total taxable income | <input type="text"/> |

Workings:

1. Select which ONE of the following options correctly defines the principle on which the Pay As You Earn (PAYE) is based.

- A Progressive taxation
 - B Regressive taxation
 - C Proportional taxation
 - D Independent taxation
-

2. Select which ONE of the following is not a duty of BURS in carrying out its work.

- (i) Confidentiality
- (ii) Recovery of tax due from any person direct from a bank account
- (iii) Collect and administer direct and indirect taxes
- (iv) Collect pension contributions and administer the government pension

- A (i)
 - B (ii)
 - C (iii)
 - D (iv)
-

3. Which ONE of the following is not a 'canon of taxation'?

- A Economy
 - B Accuracy
 - C Certainty
 - D Equity
-

4. Select which ONE of the following is not a fundamental principle of IFAC Code of Ethics.

- A Integrity
- B Objectivity
- C Understandability
- D Professional competence and due care

5. Tshenolo was engaged as a tax consultant by her father in law. Tshenolo has been married for over 10 years.

Select which ONE of the following correctly identifies the type of threat that Tshenolo faces.

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

6. Tsheko, a sole trader, prepared accounts to the year ended 31 December 2021.

Select which ONE of the following correctly identifies the latest date by which Tsheko should submit the tax return for his business for the year ended 31 December 2021.

- A 31 March 2022
- B 30 April 2022
- C 31 July 2022
- D 30 September 2022

7. Businesses are required to retain documents pertaining to their businesses.

Select which ONE of the following correctly identifies the period that business documents should be retained.

- A 6 years
- B 7 years
- C 8 years
- D 9 years

8. A taxpayer may apply to the Commissioner General to extend the due date for submitting the tax return.

Select which ONE of the following option would not be allowed as a valid reason for the application for the extension.

- A Due to the sickness of the public officer,
 - B Travel out of the country,
 - C Break in to the office resulting in loss of documents
 - D Inability to employ an appropriate accountant to prepare accounts
-

9. Holongo failed to register for VAT when due because of recklessness.

Select which ONE of the following penalties correctly identifies the penalty that he will be liable to.

- A A fine of upto P5,000 or one year in jail or both
 - B A fine of upto P5,000 or one year in jail
 - C A fine of upto P10,000 or one year in jail or both
 - D A fine of upto P10,000 or one year in jail
-

10. Which ONE of the following statements concerning income tax appeals procedures is true?

An appeal against the decision of the Commissioner General's assessment must be made in writing within 60 days after the date of service of the notice of his decision to the objection.

- A True
- B False

If a taxpayer is aggrieved by the decision of the Commissioner General, he must appeal against the decision to the Board of Adjudicators.

- C True
- D False

- 11.** Dumela Ltd reported taxable profits of P1,200,000 for the year ended 31 March 2022.

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

- A Not required
 - B 31 March 2021
 - C 30 June 2021
 - D 30 September 2021
-

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

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

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

- 13.** Yeka Ltd had paid P200,000 for each quarter under the self-assessment system on the due date for the year ended 31 March 2022. The actual tax liability was determined to be P1,200,000.

What is the penalty arising on the underpayment of the first instalment only?

- A P43,020
 - B P28,030
 - C P14,340
 - D P9,340
-

14. Thabo works for Kante Ltd. During the tax year ended 30 June 2021, Thabo was provided with a company car for his private use. Thabo pays for all the fuel. The car had cost P304,000.

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 the tax year 2021/22. 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 during 2021/22 of P140,000 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 30 September 2021 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. Some donations are deductible for tax purposes.

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 31 January 2022 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 2022 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.** Selwana commenced to trade as a sole trader on 1 September 2021 preparing her first set of accounts for the nine months ended 31 May 2022.

On 1 November 2021 Selwana purchased a car for P190,000 for her own use. Selwana has agreed with BURS that her car is used 60% for business purposes.

Calculate the maximum deductible capital allowances available for the car for the nine months ended 31 May 2022.

Capital allowances P

Enter a whole number WITHOUT the P sign

- 22.** Masego has made two disposals in 2021/22 one resulting in a chargeable gain of P65,000, and the other in an allowable capital loss of P35,000. She has capital losses of P50,000 brought forward at 1 July 2021. The capital losses were all incurred in the tax year 2020/21.

What are Masego's capital losses to carry forward at 30 June 2022?

Capital losses carried forward at 30 June 2022 P _____

Enter a whole number WITHOUT the P sign

- 23.** On 1 December 2021 Jabu sold his office block for P2,200,000. He had bought the office block in July 2010. The table below shows Jabu's expenditure on the cottage prior to its sale.

Select which THREE of these costs will be deducted in calculating Jabu's chargeable gain.

- A Legal fees on purchase P18,000
 - B Purchase price P810,000
 - C Redecoration costs P12,100
 - D Cost of building a garage P77,500
 - E Replacement of roof tiles after a storm P8,500
-

- 24.** Letsapsi Ltd is a Botswana resident trading company that made various disposals during the year ended 31 March 2022.

Select how the resulting gains or losses should be treated in the company's tax computation of Letsapsi Ltd for the year ended 31 March 2022.

Loss of P5,900 on the sale of shares listed and traded on the Botswana Stock Exchange. The shares were acquired in July 2011.

- A Exempt
- B Allowable capital loss

Gain of P86,000 on the sale of an investment property

- C Chargeable gain
 - D Exempt
-

- 25.** Dinawa Ltd computed the following amounts which have not yet been included in its final taxable income.

Select how each item below will affect the final taxable income.

Dinawa Ltd has correctly calculated a balancing allowance of P44,000 arising on the disposal of an immovable property.

- A Increase taxable income by P44,000
- B Reduce taxable income by P44,000

C Do not adjust taxable income

Dinawa Ltd paid a dividend of P100,000 to its shareholders during the tax year.

D Increase taxable income by P100,000

E Reduce taxable income by P100,000

F Do not adjust taxable income

26. Joko Ltd deducted the following amounts in arriving at its draft taxable income for the year ended 30 June 2022.

Select whether or not an adjustment to taxable income should be made for each of the following items in order to compute the final taxable income for Joko Ltd.

Acquisition costs relating to the purchase of immovable property.

A Adjust

B Do not adjust

Irrecoverable VAT relating to the employees' accommodation expense.

C Adjust

D Do not adjust

27. Bogobe Ltd has the following income and expenses for the year ended 31 March 2022.

| | P |
|----------------------------------|-----------|
| Net loss from letting properties | (120,000) |
| Trading income | 460,000 |
| Net capital loss | (60,000) |

Select which ONE of the following options correctly identifies Bogobe Ltd's total taxable income for the year ended 31 March 2022.

- A P460,000
 - B P400,000
 - C P340,000
 - D P280,000
-

28. Lebotse Ltd prepares accounts to 31 December each year.

The tax written down value of heavy plant at 1 January 2021 was P420,000, original cost was P980,000. On 1 April 2021, Lebotse Ltd purchased a new delivery van for P280,000. There were no other additions or disposals.

Calculate the capital allowances for Lebotse Ltd for the year ended 31 December 2021.

Capital allowance P_____

Enter a whole number WITHOUT the P sign

29. Mogame is not yet registered for VAT but would be required to register when his sales equal at least P1,000,000.

State whether the sales below will be included in determining whether Mogame's sales have equalled P1,000,000 in the last 12 months.

Zero-rated supplies of P230,000

- A Include
- B Do not include

Disposal proceeds of P150,000 realised from sale of equipment

- C Include
 - D Do not include
-

- 30.** Diruiwa Ltd is a VAT registered company that only makes standard rated supplies.

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

P150,000 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 fridge to store refreshments for the members of staff in the boardroom for P12,000.

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

-
- 31.** Chawada is registered for VAT. Chawada sold goods to George for P1000 without charging any VAT. Motsumi had assured him that the goods were exempt from VAT. Chawada 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 Chawada
- D Motsumi

-
- 32.** Bolt, a registered VAT trader, offers his customers a cash discount of 10% if payment is made within 30 days. Bolt only makes standard rated supplies.

Bolt sold goods to a customer for P15,000, excluding VAT. The customer intends to pay within 30 days.

How much VAT should Bolt include in the invoice for the sale to the customer.

Output VAT P _____

Enter a whole number WITHOUT the P sign

- 33.** Which ONE of the following input VAT is recoverable?

- A VAT paid on the subscription fees of a sports club for a director
 - B VAT paid on the purchase of a motor car for the sales manager
 - C VAT paid on the purchase of a delivery van
 - D VAT paid on accommodation for employees working out of town
-

- 34.** Select which ONE of the following statements about VAT is true.

- A A trader who makes taxable supplies may only register for VAT once the taxable supplies exceed P1,000,000.
 - B VAT on standard rated supplies is not always charged at 12%.
 - C VAT is charged at 0% on zero-rated supplies
 - D A trader who only makes exempt supplies may register for VAT
-

- 35.** Nametso received an order for the supply of goods to a customer on 15 March 2022. She delivered the goods on 10 April 2022 and issued the invoice on 23 April 2022. Nametso was paid on 30 May 2022.

Nametso and the customer are not connected parties.

The tax point for the supply of goods by Nametso is:

- A 15 March 2022
 - B 10 April 2022
 - C 23 April 2022
 - D 30 May 2022
-

- 36.** 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
 - C A trader making both zero rated and standard rated supplies is required to register only if the level of taxable supplies exceeds the VAT registration limit
 - D A trader making exempt supplies must register for VAT if his supplies exceed the VAT registration limit
-

- 37.** Modiri is registered for VAT and is preparing his VAT return for the two-month period ended 31 March 2022. During this period he made zero rated supplies of P23,000 and standard rated supplies of P29,560. These figures are VAT exclusive.

Calculate how much output VAT Modiri should account for on his VAT return for the two-months ended 31 March 2022.

Output VAT P _____

Enter a whole number WITHOUT the P sign

38. 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 transaction
-

39. Segwapa Ltd, a VAT registered trader, reported the following details for the month of May 2022.

| | P |
|---|--------|
| Input tax incurred attributable to standard rated sales | 12,000 |
| Input tax incurred attributable to zero rated sales | 5,600 |
| Input tax incurred attributable to exempt sales | 3,400 |

Calculate how much input VAT Segwapa Ltd should claim in its VAT return for May 2022.

Input VAT P _____

Enter a whole number WITHOUT the P sign

40. Bashe, a trader, wishes to register voluntarily for VAT.

Select which ONE of the following options is not a valid for the Commissioner General to deny voluntary registration.

- A Bashe has no fixed place of abode
 - B Commissioner General has reasons to believe that Bashe will not keep proper records
 - C Commissioner General has reasons to believe that Bashe's taxable supplies will not reach the registration threshold within 12 months
 - D Commissioner General has reasons to believe that Bashe will not submit regular and reliable returns
-