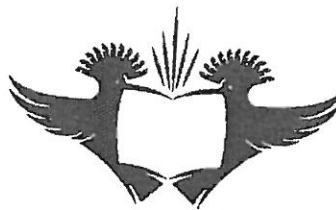


1 Book



UNIVERSITY  
OF  
JOHANNESBURG

Department of Commercial Accounting

**TAXATION (Module A)**  
TAX33A3 and 1A1BBG

**LAST ASSESSMENT OPPORTUNITY**

**06 JUNE 2014**

Time: 3 hours

Marks: 100

Assessors:

Ms M BORNMAN

Ms G MNGUNI

Mr M NDLOVU

Internal Moderator:

Ms M LEPHOTO

External Moderator:

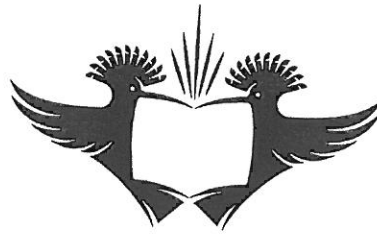
Ms R MATENCHE (UNISA)

**INSTRUCTIONS:**

- This paper consists of 7 pages (including the cover page).
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- Show all calculations, workings and reasoning clearly.
- Silent, non-programmable calculators may be used.
- **Round up to the nearest Rand**

Question	Topic	Marks	Time
1	VAT	25	47 minutes
2	Provisional Tax – Company	13	25 minutes
3	Theory	12	27 minutes
4	Company Taxable Income	50	81 minutes
		<u>100</u>	<u>180 minutes</u>

*Matenche*



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TAX33A3 and BBG11A1

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Marks: 100

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Ms G MNGUNI  
Mr M NDLOVU  
Internal Moderator: Ms M LEPHOTO  
External Moderator: Ms R MATENCHE (UNISA)

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Question	Topic	Marks	Time
1	VAT		
2	Provisional Tax – Company	25	45minutes
3	Theory	13	23minutes
4	Company Taxable Income	12	22minutes
		50	90minutes
		<u>100</u>	<u>180 minutes</u>

**QUESTION 1****(25 Marks)**

ACE CC carries on business as a manufacturer of all types of wooden furniture. ACE CC is registered for VAT on the invoice basis and is required to submit their VAT201 return every 2 months. You are provided with the following information for the 2-month tax period ended 28 February 2014. (All amounts include VAT where applicable)

**Receipts:**

➤ Cash Sales	
○ Made to south African residents	370 500
○ Made to Australian residents	91 200
➤ Credit sales made to South African residents	150 000
➤ Credit notes issued to South African residents	22 000
➤ Insurance payment received on an insurance claim for trading stock stolen in the Republic	
➤ Interest received on a loan	182 000
➤ Cash received for the sale of an old machine to the director's daughter. The machine originally cost R21 000 and the open market value on the date of sale was R18 200.	14 500
	12 300

**Expenses:**

➤ Purchase of trading stock on credit (included in this amount are purchases of R5 500 and R50 for which no tax invoices are available)	450 000
➤ Raw materials purchased from other vendors	289 500
➤ Wages and salaries	132 543
➤ Credit notes received from suppliers	38 700
➤ Electricity and water	3 576
➤ Telephone	1 896
➤ Cost of entertaining important customers	985
➤ Purchase of a new single-cab bakkie	123 000
➤ Purchase of a new motor car	85 000
➤ Petrol	1 250
➤ Maintenance of delivery vehicles	1 188
➤ Purchase of a second hand desk from a non-vendor	890
➤ The owner bought a motor car on the 1 January 2014 and gave the Director the full use of the vehicle.	65 000

**REQUIRED:**

Calculate the VAT payable by or refundable to ACE CC for the two-month tax period ended 28 February 2014. If there are no VAT consequences for an amount, please provide a brief reason.  
(25)

**QUESTION 2**

**(12 Marks)**

Gabriel Ltd is one of your clients. Its financial year ends on 31 October 2014. By late April 2014, the taxable income of Gabriel Ltd for 2013 has not yet been assessed by SARS. Assessments from previous years of assessment reflect the taxable income of the company as follows:

- 2011 year of assessment: R685 000 (received in February 2012)
- 2012 year of assessment: R720 000 (received in February 2013)

On 15 May 2014, SARS issued the company's 2013 income tax assessment, reflecting a taxable income of R744 000. The accountant also informs you that the estimated taxable income for the financial year ending 31 October 2014 is R752 000.

The taxable income, as determined after the annual financial statements of Gabriel Ltd have been compiled for the year ended 31 October 2014, amounts to R748 500.

Gabriel Ltd is a company operating in the shoe retail industry and is **not** a small business corporation as defined in S12E. No other taxes have been paid.

**REQUIRED:**

2.1 Calculate the minimum amount of the provisional tax to be paid by Gabriel Ltd for its first provisional tax payment for 2014 to avoid penalties. Also indicate the date on which the amount becomes due and payable.

(4)

2.2 Calculate the minimum amount of the provisional tax to be paid by Gabriel Ltd for its second provisional tax payment for 2014 and indicate the date on which the amount is due and payable.

(4)

2.3 Calculate the third provisional tax payment for 2014, if any, to be made by Gabriel Ltd and indicate the date on which it becomes due and payable.

(4)

**(12)**

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**QUESTION 3**

**(13 Marks)**

You are required to answer TRUE or FALSE to each of the statements below. Give a brief comment to support your answer in the case of a FALSE statement.

- 3.1 A restraint of trade payment received by a person from a former employer is not included in his gross income.
- 3.2 An amount received for the sale of the goodwill of a business is a receipt of a capital nature.
- 3.3 A taxpayer earning rental income from the letting of residential flats, cannot deduct expenses against the rental income as the earning of rentals does not constitute a "trade", as defined.
- 3.4 The cost of moving machinery used in a process of manufacturing, from an old factory to a new factory will be a deductible expense.
- 3.5 Compensation paid by an architect to one of his clients for injuries sustained as a result of the architect's dog attacking the client, is a tax deductible expense for the architect.
- 3.6 If a deduction is not claimed in the correct year of assessment, the deduction may not be claimed in a later year of assessment.
- 3.7 If a taxpayer replaces an old conventional type burst geyser (10 000 litres) in a rent-producing house with a new solar-heated geyser (10 000 litres), it will constitute a repair and thus be deductible for tax purposes.
- 3.8 If a lease stipulates that improvements to the value of R1 800 000 must be effected to the leased property and the lessee spends R1 500 000 on such improvements, the annual allowances must be calculated on R2 300 000.

**(13)**

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## QUESTION 4

(50 Marks)

Jim Jam CC manufactures canned foods and has a 31 March year end. The CC is based in Soweto with a branch in Sandton. The entity is a South African resident for tax purposes. Below are transactions which took place during the 2014 year of assessment. The company wishes to postpone the payment of tax as much as possible.  
**Ignore VAT and Capital Gains Tax.**

Transaction	Note	Amount
Sales:		
RSA customers		1 600 000
Swaziland customers		960 000
Stock was sold to a related company for R95 000, the market value of the stock was R100 500. This sale was not included in the sales figure above		?
Dividends received: ABC (Pty) Ltd a RSA Company		28 000
Compensation	1	130 000
Audit fees		46 800
Bribe paid in foreign country	2	5 950
Interest paid	3	11 890
Bad debts:		
Trade		23 000
Loan to Manager		20 000
Provision for bad debts – 2014 list of debtors The 2013 debtors' list was less than the 2014 list by R5 000.		19 876
Garden service paid	4	140 000
Delivery trucks- traffic fines		7 860
Annuity to former employee who retired to raise his handicapped son		89 500
Legal fees	5	45 000
Restraint of trade	6	?
Salaries and wages		790 000
Unemployment Insurance Fund Benefit (UIF) company contribution		75 000
Raw materials: Purchases		23 900
On hand:		
01 April 2013 stock		13 000
31 March 2014 stock		4 800
Computer purchased on 1 November 2013		30 000
Replacement of computer key board	7	2 000
Printer	8	40 000
Maintenance	8	20 000
The following machines were acquired for use in the process of manufacture:		
(i) Machine "100" was bought new at a cost of R800 000 and brought into use on 30 June 2013. It was moved from the Sandton factory to the one in Soweto on 1 July 2013 at a cost of R2 000 and was damaged in transit. The entity received an insurance payout of R650 000 in this regard.		

(ii) On 1 August 2013, a new machine "200" was purchased new and unused to replace machine "100" (cost R880 000). For machine "200" to function effectively, a foundation which cost the entity R12 700 was constructed.		
(iii) On 1 November 2013, manufacturing machine "300" was donated to the CC by a foreign Company that supports black owned entities in South Africa. On 1 November 2013, the market value of the machine was R460 000.		
On 1 November 2013, a new part was imported from Brazil and installed on machine "200" (cost = R130 000). This will improve the production capacity of the machine.		
<b>Assets on hand on 01 April 2013:</b>		
(i) A can sealing machine (process of manufacture machine) which was bought new from the manufacturer on 1 June 2012 for R520 000 and brought into use at the same time.		
(ii) On 1 December 2012, the CC purchased a machine "50" for the producing of "bottled" foods to add to its product offering. This cost the entity R245 000.		
(iii) Delivery trucks were all purchased during the 2010 year of assessment at a total cost of R789 000.		
(iv) Machine "99" used in the process of manufacture was purchased on 1 May 2012 at a cost of R232 000. This was a second hand purchase.		
On 1 March 2014 3 spanners were purchased each at a cost R1 000		
The Sandton factory was bought new on 1 April 2013, and immediately brought into use at a cost of R867 000, this building is used in a process of manufacture.		
Factory lease		
Donations:	9	?
The CC made the following donations		
(i) To a church which is a registered S18A organization.		20 000
(ii) To an orphanage which could not provide the entity with a valid S18A certificate		22 890

**Notes:**

1. A stock packer was paid R600 000 in damages because he fell from a ladder while performing a stock count. An investigation revealed that this occurred because the packer had stacked the cans beyond the maximum allowed per shelf; however the legal team lost this case in the court of law on the grounds of lack of evidence.
2. The CC plans to open a branch in one of the countries in the SADC region; the CFO was required to pay a bribe in order to register the entity. This is accepted common practice and thus not viewed as a criminal offence in the neighboring country.
3. The interest was on the loan used to buy shares in ABC (Pty) Ltd.

4. The entity paid for a garden service; the amount paid relates to a period of 15 months commencing on 01 April 2013.
5. The legal team was paid R30 000 to defend the entity against the claim (see note 1). The balance of the legal fees paid was for the collection of amounts owing by trade debtors who had failed to make payment; these amounts were later written off as bad debts..
6. On 1 April 2012, a former chef was paid R130 000 to prevent her from working for the competing entities for a period of 4 years after her retirement.
7. There was a coffee spill on the computer keyboard, a replacement was purchased.
8. A special printer used to print the labels on the package was purchased on 01 December 2013. It was manufactured in Cape Town and delivered to the entity at a cost of R5 800; the delivery cost was not included in the cost of R40 000. The printer requires monthly maintenance by the manufacturer at R5 000 per month.
9. On 1 May 2012, JimJam CC entered into a lease agreement for the lease of a factory in Soweto; this is for a period of 28 years. A lease premium of R290 000 was paid on that date. The monthly rental payable is R19 000.

**SARS allows wear and tear as follows:**

- Computers – 3yrs
- Special Printers – 4yrs
- Delivery trucks – 5yrs
- Can sealing machines – 4yrs

**Required:**

Calculate the tax payable by JimJam CC for the year of assessment ended 31 March 2014. Show all your calculations. If any amount should **not** be included in your calculation, provide a brief reason.

(50)

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**TOTAL [100]**





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**06-Jun-14**

**ANSWER SHEET**

NAME AND SURNAME: \_\_\_\_\_

STUDENT NUMBER: \_\_\_\_\_

INDEX NUMBER: \_\_\_\_\_

CELLPHONE NO: \_\_\_\_\_

VENUE: \_\_\_\_\_

SIGNATURE: \_\_\_\_\_

Question number	Marks
1	
2	
3	
4	
Total	
	100
Percentage	

**Instructions:**

1. This answer sheet contains of 8 pages (including the front page)
2. Show all calculations
3. Only write in black or blue ink.

**Calculation of VAT due to/by ACE CC for the 2-month tax period ended 28 February 2014**

28 February 2014

VAT Payable/(VAT Refundable)

## QUESTION 2

13 Marks

2.1 First Provisional Tax Payment due on 30 April 2014

R

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2.2 Second provisional tax payment due on 31 October 2014

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2.3 Third provisional tax payment due on 31 May 2015

### Question 4

**50 Marks**

**JimJam CC tax payable for the year of assessment ended 31 March 2014**

[illegible]

Question 4 cont'

Deductions

Income

Question 4 cont'

[illegible]