



UNIVERSITY
OF
JOHANNESBURG

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DEPARTMENT OF ACCOUNTANCY

2014

B.COM HONOURS (ACCOUNTING WITH SPECIALISATION IN CHARTERED ACCOUNTANCY)

SESSION 6

LAST ASSESSMENT OPPORTUNITY
23 October 2014

This document consists of 3 pages including the cover page

MARKS: 100

TIME: 3 HOURS

ASSESSORS (A) AND MODERATOR (M):

Auditing:

Prof. Ben Marx (A)
Prof. Alex van der Watt (A)
Mr. Willem van der Post (M)

Financial Management:

Mr. Dewald Joubert (A)
Ms. Maria Weber (A)
Mr. Etienne Barnard (M)

Accounting:

Mr. Ahmed Mohammadali-Haji (A)
Mr. Jonathan Streng (A)
Prof. Kevin Maree (M)

Taxation:

Mr. Lyndsay Maseko (A)
Ms. Michelle van Heerden (A)
Ms. Lizelle Bruwer (UOFS) (M)

REQUIRED

SESSION 6 QUESTION 1**(40 MARKS)****Answer this question in the BLUE book.****REQUIRED****PART A****(9 MARKS)**

1.	Discuss whether Dion Crookes may be subject to any of the penalty provisions in the Tax Administration Act No 28 of 2011. Clearly indicate which penalty provision together with the relevant percentage, supported by reasons. <i>Source: Alex Bretteny Question book</i>	(7)
2.	Assuming SARS does levy a penalty in terms of the Tax Administration Act, and Dion Crooke unsuccessfully objected against the penalty, discuss what routes of appeal are available to him.	(2)
TOTAL MARKS		(9)

PART B**(18 MARKS)**

1.	Discuss, supported with reference to case law, whether SARS will be able to attack the agreements entered into by Maize Limited. Ignore the general anti-avoidance provisions for the purposes of this required.	(6)
2.	Discuss whether SARS will be able to prove that there is a 'tainted element' to the agreements as envisaged by section 80A by considering the "normality tests" i.e. ignoring the lack of commercial substance and misuse or abuse of the Act provisions.	(4)
3.	Discuss the income tax implications for Maize Limited in respect of the return on investment in preference shares.	(5)
4.	Briefly explain the concepts juridical double tax and economic double tax. Also state whether a double taxation agreement provides relief for the two double taxes.	(3)
TOTAL MARKS		(18)

PART C**(5 MARKS)**

Discuss, supported by case law and calculations, whether any portion of the audit fee incurred by Durner Ltd for its year ended December 2014 will be seen to be incurred in the production of income.	(5)
TOTAL MARKS	(5)

PART D**(8 MARKS)**

Calculate all the tax implications for Namaste Investments Limited with regards to its 2014 year of assessment. Support your calculations with reasons. Ignore VAT.	(8)
TOTAL MARKS	(8)

SESSION 6 QUESTION 2
(60 MARKS)

Answer this question in the YELLOW book.

REQUIRED
SECTION A

(a)	<p>With reference to work paper AB 1200, describe the substantive procedures you would perform to verify the account balances appearing in the extract of the Statement of Financial Position of Effective Storage Solutions Ltd for the reporting period ending 2014.</p> <p>Present your answer under the following headings:</p> <ul style="list-style-type: none"> (i) Share capital (ii) Non-distributable reserves (iii) Long term liabilities 	<p>(5) (9) (10)</p>
(b)	<p>With reference to work paper AC 1500, discuss the controls which should be in place to ensure that the salary payments made by the electronic funds transfer are valid, accurate and complete.</p>	<p>(14)</p>
(c)	<p>With reference to work paper AD 2000, evaluate whether the unresolved audit difference will result in material misstatement in the 2014 annual financial statements Efficient Site Storage Ltd. Justify your decision and show all your workings. Ignore any VAT/tax effects.</p>	<p>(5)</p>
(d)	<p>With reference to work paper AD 2000, discuss the type of audit report which would be appropriate for the reporting period ending 30 September 2014. You can assume that the directors refuse to make any adjustments for the unresolved audit difference.</p>	<p>(5)</p>

SECTION B

(e)	<p>Discuss, with motivation, each of the methods proposed by Graham Dell for selecting items for testing in the upcoming audit as set out in Section B of the scenario.</p> <ul style="list-style-type: none"> • Inventory • Purchases • Plant and equipment 	<p>(3) (4) (3)</p>
Communication skills – Clarity of expression; structure & layout		<p>(2)</p>