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UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING
MAIN EXAMINATION PAPER APRIL, 2008

DEGREE/DIPLOMA AND YEAR STUDY : B COMM V

TITLE OF PAPER :ADVANCED TAXATION
COURSE CODE :AC 405 (M) 2008/IDE AC405(M)2008

TIME ALLOWED :THREE (3) HOURS

- INSTRUCTIONS**
1. TOTAL NUMBER OF QUESTIONS ON THIS PAPER: THREE (3)
 2. ANSWER ALL QUESTION.
 3. THE MARKS AWARDED FOR A QUESTION/PART ARE INDICATED AT THE END OF EACH QUESTION/PART OF QUESTION.
 4. WHERE APPLICABLE, SUBMIT ALL WORKINGS AND CALCULATIONS.

NOTE: YOU ARE REMINDED THAT IN ASSESSING YOUR WORK, ACCOUNT WILL BE TAKEN OF ACCURACY OF THE LANGUAGE AND THE GENERAL QUALITY OF EXPRESSION, TOGETHER WITH THE LAYOUT AND PRESENTATION OF YOUR FINAL ANSWER.

SPECIAL REQUIREMENTS: STANDARD VALUES OF ANIMALS ATTACHED

THIS PAPER IS NOT BE OPENED UNTIL PERMISSION HAS BEEN GRANTED BY THE INVIGILATOR.

QUESTION 1:

Mrs.Mamba had the following income particulars for the year ended 30.6.2007.

A. INCOME

		E
1.	School fees from a AAT school venture	100,000
2.	Rent income from renting residential flats in Soweto township,Johanesburg,South Africa	30,000
3.	Interest income from permanent shares with Swaziland Building society	15,000
4.	Interest income from a savings account with Swazi Bank	25,000
5.	Sold 10 bulls to Swazi meat at E4,000 per a bull	40,000
6.	Sold 5, 2 year old heifers at E3,500 to Heifer International Corporation	17,500
7.	Sold 20 fully grown goats to a Manzini butchery at E400 per a goat	8,000
8.	Sold 30 fully grown goats to World Vision International at E400 per a goat	12,000
9.	Sold 50 matured pigs at E500 per a pig	25,000
10.	Sold 250 tons of maize at E1,500 per a ton	375,000
11.	Sold 200 tons of ordinary beans at E2,500 per a ton	500,000
12.	Sold 150 tons of soya beans at E5,000 per a ton	750,000
13.	Sold forest timber products and other forest products worth	650,000

B. OTHER DISPOSALS AC405(M)2008 IDE AC405(M)2008 Page 3 of 10

1	Mrs. Mamba was fond of meat products. She and her family consumed 3 bulls, 6 fully grown goats, and 3 fully grown pigs.	
2.	Mrs. Mamba slaughtered and distributed as rations to her farm employees 4 bulls, 9 fully grown goats, and 6 fully grown pigs	
3.	Mrs. Mamba distributed as farm rations to his employees 8 tons of maize, 3 tons of ordinary beans and 5 tons of soya beans.	
4.	5 tons of soya bean were used as animal feed stuff, so were 20 tons of maize, and 10 tons of ordinary beans.	

C. OPENING STOCK OF ANIMALS

1	40 Bulls valued at a standard price of a bull
2.	60 Oxen valued at the standard price of an oxen
3.	80 Tollies and heifers 2 years old valued at the standard price of a 2 year old heifer
4.	100 Cows at a standard price of a cow
5.	200 fully grown goats at the standard price of a goat .
6.	100 kids of a goat at the standard price of a goat
7.	90 pigs under 12 months at the standard price of a pig

D. PURCHASE OF ANIMALS

		E per an animal
1.	30 Bulls at E 3000 per a bull	90,000
2.	40 Oxen at E2,800 per an oxen	112,000
3.	30 Tollies and Heifers 1 year old at E1,500	45,000
4.	50 cows at E3,000 per a cow	150,000
Total		397,000

E. FARM BIRTHS AND GROWTH WITH OTHER FARM PRODUCTS

1.	50	calves under 1 year old were produced
2.	200	kids of goat were produced
3.	400	pigs under 12 months were produced
4.	80	Tollies and heifers 2 year old became fully grown cows
5.	100	kids of goat became fully grown goats
6.	100	pigs under 12 months became over 12 months
7.	300	tons of maize were produced
8.	250	tons of ordinary beans were produced
9.	200	tons of soya beans were produced
		The average cost(fair value) was agreed by the commissioner to be:E1,000 per ton for maize,E1,500 per ton for ordinary beans,and E2,000 per ton for soya beans.

F. DEVELOPMENT EXPENDITURE AC405(M)2008 IDE AC405(M)2008 Page 5 of 10

		E
1.	Unrecovered forest development expenditure b/f	250,000
	OTHER DEVELOPMENT EXPENDITURE	
1	Eradication of noxious plants	100,000
2	Soil prevention works	150,000
3	Dipping tanks	100,000
4	Dams, irrigation channels etc	200,000
5	1 house for a foreman in the farm	90,000
6	2 houses for employees each E80,000	160,000
7	Roads and bridges	160,000
8.	Transmission lines of electricity	<u>100,000</u>
		<u>1060,000</u>

G. PURCHASE OF CAPITAL EQUIPMENT

1	3 tractors at E160,000 each to work at 2 shifts per day	E480,000
2	Purchase of agricultural implements to work for 2 shifts per day	200,000
3	Purchase of residential furniture	<u>120,000</u>
		<u>800,000</u>

EXPENSES OF THE FARM AC405(M)2008 IDE AC405(M)2008 Page 6 of 10

	E	E
Managerial office expenses (all allowable)		120,000
Depreciation expenses		
Tractors at 30% of E480,000	144,000	
Agricultural implements at 30% of E200,000	60,000	
Residential furniture at 20% of E100,000	<u>20,000</u>	
		224,000
Bush clearing		90,000
Fertilizer		80,000
Maintenance and repair of equipment etc		50,000
Purchase of livestock animals (refer to D)		397,000
Purchase of seeds		60,000
Fuel for tractors and vehicle		70,000
Transport inward and outward		100,000
Staff rations other than those mentioned above		70,000
Veterinary costs		30,000
Wages of employees		200,000
Other staff welfare		<u>55,000</u>
TOTAL EXPENSES		<u>1,546,000</u>

REQUIRED :

- A. Utilising the standard values compute the livestock opening stock in monetary values. **(2 marks)**
- B. Compute the ending stock of animal livestock and produce in physical quantities, and utilising the standard values for animals and fair values for animals compute the ending livestock and produce in monetary values. **(8 marks)**
- C. Determine the taxable income of Mrs Mamba. **(30 marks)**
- Total for the question (40 marks)**

QUESTION 2:

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Mahala Manufacturing Company is a company based in Matsapha. It Presented the following profit and loss statement to you.

MAHALA MANUFACTURING COMPANY LIMITED
PROFIT AND LOSS FOR THE YEAR ENDED 30.6.2007

	NOTE	E	E
Sales			1,650,000
Opening stock		250,000	
Purchases		<u>950,000</u>	
		1,200,000	
Less closing stock		<u>-350,000</u>	
Cost of sales			<u>-850,000</u>
Gross profit			<u>800,000</u>
OTHER INCOME			
Dividends from Swazi companies		6,501	
Dividends from Non Swazi companies		35,250	
Interest from deposits with Nedbank		65,300	
Insurance proceeds	1	<u>55,000</u>	
			<u>162,051</u>
			962,051
EXPENSES			
Accounting fees		5,530	
Advertising		8,750	
Bank charges		375	
Directors' remuneration		144,000	
Depreciation of assets	2	90,000	
Donation	3	10,000	
Housing cost	4	55,000	
Legal expenses	5	2,000	
Salaries and wages		150,000	
Motor vehicle expenses		11,500	
Research carried by Uniswa	6	35,000	
EXPENSES C/F		512,155	

	NOTE	E	E
INCOME B/F			<u>962,051</u>
EXPENSES B/F		512,155	
Repair and maintenance		43,000	
New patents	7	25,000	
Subscription fees	8	8,970	
Staff year end Christmas party		5,000	
Dividends paid to shareholders on company register		25,000	
Transfer to reserves		<u>18,000</u>	
			<u>637,125</u>
NET PROFIT FOR THE YEAR			<u>324,926</u>
NOTES		E	
1. Insurance proceeds			
Loss of stock		5,000	
Car destroyed in an accident that originally cost E110,000 and had a tax value of E46,406 at the time of accident.		<u>50,000</u>	
		<u>55,000</u>	

2 DEPRECIATION OF ASSETS AC405(M)2008/IDE AC405(M)2008 Page 9 of 10

Depreciation rate	0	4%	20%	20%	Total
Type of asset	Free hold land	Buildings	Motor vehicles	Plant & machinery	
Cost at 1.7.2006	300,000	200,000	110,000	300,000	910,000
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Total cost at 30.6.2007	<u>300,000</u>	<u>200,000</u>	<u>110,000</u>	<u>300,000</u>	<u>910,000</u>
Accumulated depreciation 1.7.2006	0	24,000	44,000	60,000	128,000
Depreciation charge on the cost price	0	8,000	22,000	60,000	90,000
Disposal	0	0	0	0	0
Accumulated depreciation at 30.6.2007	0	<u>32,000</u>	<u>66,000</u>	<u>120,000</u>	<u>218,000</u>
Net book value at 30.6.2007	<u>300,000</u>	<u>168,000</u>	<u>44,000</u>	<u>180,000</u>	<u>692,000</u>
Net book value at 30.6.2006	<u>300,000</u>	<u>176,000</u>	<u>66,000</u>	<u>240,000</u>	<u>782,000</u>
Tax wear and tear allowance rates	0	4%	25%	10%	Total
Tax written down value at 1.7.2006	300,000	76,000	61,875	135,000	572,875
Wear and tear 2007?					

3. Donation of E10,000 was in respect of Aids awareness staged by the Nursing council of Swaziland and supported by the Ministry of Health.
4. The housing cost of E55,000 was for establishing one (1) dwelling flat of the employee of the company.
5. Legal costs of E2,000 for a company's outstanding debt collection.
6. The research cost of E35,000 was for a product that the company introduced.
7. The new patents of E25,000 have a life span of 5 years.
8. It is for the company's chief accountant's ACCA professional membership fees of E8,970.

REQUIRED :

Compute the company tax payable for the year ended 30.6.2007. You can use either the short add deduct method or the long restatement method

(40 marks)

**QUESTION 3:
REQUIRED :**

- A. Who are members of the Southern Africa Customs Union (SACU).What are the objectives of the Southern Africa Custom Union? (5 marks)
- B. What is the trade policy of SACU,and movement of domestic products? (5 marks)
- C. What is the policy of SACU towards goods imported from outside the common customs area. (5 marks)
- D. Describe SACU's common revenue pool. (5 marks)

Total for the question (20 marks)

TOTAL FOR THE PAPER (100 marks)

EXHIBIT 3.2: THE STANDARD VALUES OF LIVESTOCK

Description of livestock		Standard value Emalangeni
Cattle	Bulls (uncastrated male cow)	720
	Oxen (castrated male cow used for draught)	440
	Cows (fully grown female of a bovine animal)	440
	Tollies and Heifers 2years (heifer a young cow especially one that has not had more than one calf)	280
	Tollies and Heifers 1 year	200
	Calves under 1 year	120
Sheep	Wether (castrated ram-old English)	60
	Rams (uncastrated male sheep)	100
	Ewes (female sheep-old English)	40
	Lambs (young sheep)	10
Goats	Fully grown	40
	Kids under 1 year	10
Horses	Stallion 4 years and over (uncastrated adult male horse)	600
	Mares 4 years and over (female horse)	400
	Gelding 3 years and over (castrated horse)	300
	Colts and fillies 3 years (colt-young male horse, filly young female horse)	300
	Colts and fillies 2 years	200
	Colts and fillies 1 year	150
	Foals under 1 year (young male horse)	60
Donkeys	Jacks over 3 years (Jack ass-male donkey)	15
	Jacks under 3 years	10
	Jennies over 3 years (jennies-female donkeys)	15
	Jennies under 3 years	10
	Foals under 1 year (foal-young of a horse or related animal)	5

Standard values continued

Description of livestock		Standard value Emalangi
Mules	Over 4 years (mule-generally offspring of a female donkey and male horse, but could be offspring of male donkey and female horse)	300
	3 years to 4 years	200
	2 years to 3 years	150
	Under 2 years	60
Pigs	Over 12 months	250
	Under 12 months	50
Poultry	Over 9 months	5