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UNIVERSITY OF SWAZILAND
DEPARTMENT OF ACCOUNTING
SUPPLEMENTARY EXAMINATION PAPER JULY, 2008

DEGREE/DIPLOMA AND YEAR STUDY : B COMM IV

TITLE OF PAPER :ADVANCED TAXATION
COURSE CODE :AC405(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: NONE

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

QUESTION 1:**Page 2 of 4**

Nyanza Sugar Company Limited farms sugar cane,bananas,livestock and general produce in Malkerns -Swaziland.During the tax year ended 30 June,2007 the following were the receipts,accruals and expenditures of the company.

	E	E
RECEIPTS AND ACCRUALS		
Sugar cane sales		2,000,000
Produce sales		1,900,000
Livestock sales		1,500,000
Banana sales:Local		600,000
Exports		3,000,000
Game animal sales		300,000
Grazing fees received		100,000
EXPENSES INCURRED		
Interest on farm loan paid	150,000	
Sundry deductible farming expenses	600,000	
Livestock purchased	800,000	
Prevention of soil erosion	18,000	
Sinking of a borehole	30,000	
Fencing erected	154,000	
New tractor purchased on 1.1.2007 to work on two (2) shifts	188,000	
Rations purchased:		
For farm labourers	420,000	
For share holders consumption	24,000	
Erection of farm manager,s cottage	130,000	
Commission paid to foreign agent for sale of bananas	150,000	
Salaries and wages for farm employees	700,000	
Company,s contribution to employees' N.P.F.	64,000	
Staff medical expenses	58,000	
Maintenance of grazing pastures.	60,000	

The following additional details are relevant to the tax year:

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1. Products cultivated on the farm and given to farm labourers were valued at E100,000.
2. The company had moved livestock with a market value of E400,000 to a farm in Mpumalanga (South Africa). Its standard value was E270,000.
3. Livestock on hand in Swaziland at standard values was as follows:

	1.7.2006	30.6.2007
	E	E
	200,000	140,000

4. Sugar cane with a market value of E210,000 was destroyed while being transported to the mill. The company has filed a claim against the transporter's cargo insurance. The insurance company had admitted liability and will be sending a cheque soon.
5. A balance of expenditure on development and improvement of E200,000 was brought forward from last year.
6. The Commissioner of Taxes has agreed on a wear and tear allowance of 20% per annum on the cost of all equipments.
7. The company has a farming loss brought forward of E300,000.

REQUIRED:

Calculate the company's tax liability for the year ended 30th June, 2007. (40 marks)

QUESTION 2:

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- A. What is a conditional tax holiday? (10 marks)
- B. A certain company Z had the following net profits, wages, and fixed asset written down values (w.d.v.) particulars.

	1	2	3	4	5
Year of taxable income	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008
Taxable profits	300,000	330,000	360,000	420,000	600,000
Wages	37,500	56,250	75,000	80,000	115,000
Fixed asset (WDV)	225,000	330,000	430,000	500,000	550,000

REQUIRED :

Calculate through the above figures and check if company Z is entitled a conditional tax holiday. (30 marks)

Total for the question (40 marks)

QUESTION 3:**REQUIRED :**

- A. Company wise, list and elaborate the deductions not allowable. (10 marks)
- B. Company wise, list and describe the income that is exempt. (10 marks)

Total for the question (20 marks)

TOTAL MARKS FOR THE PAPER (100 marks)