

UNIVERSITY OF SWAZILAND

DEPARTMENT OF ACCOUNTING

SUPPLEMENTARY EXAMINATION PAPER

JULY 2009

ACADEMIC YEAR 2008/2009

- PROGRAMME OF STUDY** : **Diploma in Commerce**
- YEAR OF STUDY** : **Three (3) (Full Time)**
Level 4 (IDE)
- TITLE OF THE PAPER** : **Principles of Taxation and Auditing**
- COURSE CODE** : **AC 304 (S) 2009 (full time)**
IDE AC 304 – 1 & 2 (S) 2009 (part time)
- TIME ALLOWED** : **Three (3) Hours**
- INSTRUCTIONS**
- 1 There are four (4) questions, answer all.**
 - 2 Begin the solution to each question on a new page.**
 - 3 The marks awarded for a question are indicated at the end of each question.**
 - 4 Show your necessary workings.**

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 layout and presentation of your answer.

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

SPECIAL REQUIREMENT: NONE

RATES OF NORMAL TAX FOR INDIVIDUALS

TAXABLE INCOME	RATES OF TAXES
E 0 to E60,000	E 0+20% of the excess over 0
E60,001 toE80,000	E12,000+25% of excess over E60,000
E80,001 to100,0000	E17,000 + 30% of the excess over E80,000
E100,000	E23,000 + 33% of the excess over E100,000

PRIVATE USE OF MOTOR VEHICLES PROVIDED BY THE EMPLOYER:

The year of assessment 2008/2009 equals 20 %

EMPLOYEE USING PERSONAL VEHICLE ON EMPLOYER'S BUSINESS:

Deemed expenditure is determined on the following basis:

- (i) Fixed costs: 25% of the original cost to the taxpayer of the vehicle in each year.
- (ii) Running costs per kilometer:

Up to 1600 cc	54c per km
1600cc to 2000cc	76c per km
Over 2000 cc	85c per km

SCHEDULE A OF THE INCOME TAX ORDER 1975 (EXPLANATIONS)

In this schedule, the locations are designed in categories A, B, C, and detailed as follows:

Area A: is accommodation or housing situated in the residential areas of Mbabane Municipal area, Waterford, Pine Valley, Coates Valley, Extension 6, Madonsa Township, Thomasdale and within ten kilometers from the old Mbabane/Manzini road.

Area B: is accommodation or housing situated in the residential areas of Manzini and surrounds; except Coates Valley, Extension 6, Madonsa Township and Thomasdale.

Area C: is accommodation or housing situated in the major agricultural and industrial sectors and other towns.

1.2 Where an employer rents from an employee the employee's private residence and then grants such employee free or cheap occupation thereof, the rental is deemed to be a taxable benefit, the value of the benefit to the employee is the rental received.

1.3 Where an employer provides accommodation or housing to employees on a sharing basis, the rental benefit value shall be determined pro rata.

SCHEDULE A:

Rental category	Floor area	Area A Taxable benefit per month	Area B Taxable benefit per month	Area C Taxable benefit per month
Prime location 3-5 bedrooms 2-3 bathrooms Double garage Servant quarters Secure perimeters 1,500 sq.m and above lot	250 sq.m and above	E 4,607	E 3,915	E 2,740
As above, but smaller	200 - 249 sq.m	4,145	3,524	2,465
3 bedrooms 2 bathrooms a garage Servant quarters Secure perimeter 700 sq.m and above lot	159 - 199 sq.m	3,686	3,133	2,193
Lesser than prime location 3 bedrooms 1-2 bathrooms 700 sq.m and above lot	120 - 158 sq.m	3,190	2,710	1,899
2-3 bedrooms 1 bathroom or shower	100 - 119 sq.m.	2,393	2,033	1,422
2-3 bedrooms 1 bathroom or shower	70 - 99 sq.m	1,612	1,370	960
2-3 bedrooms 1 bathroom or shower	40 - 69 sq.m	1,330	1,129	790
1 bedroom	70 sq.m and above	910	773	542
1 bedroom	Under 70 sq.m	761	648	452
Bedsitters	Under 70 sq.m	531	452	317
Quarters	Under 70 sq.m	213	180	110

(Taxation Part)**QUESTION 1:**

An employee, 61 years old, had the following income particulars for the year ended 30.6.2009.

SALARY AND BENEFITS

- (a) The employee is accommodated in a 4 bedroom house situated in an agricultural area. The employer owns the house. The house floor area is 300 sq. m.
- (b) Salary earned E10,000 per month.
- (c) Employer provides a 2000cc motor vehicle for use by the employee. The market value of the motor vehicle was E170,000 when it was first provided to the employee.
- (d) Employer pays E200 (per month) for employee's water services.
- (e) Employer paid E3,600 (for the year) for employee's domestic servant.
- (f) Employer paid E3,000 as educational fees and E500 as transport cost of employee's children.
- (g) On 1.9.2008 he received a loan of E5,000 from employer on which he only pay his employer 5% interest. The Bank of Swaziland official rate of interest was 10%.
- (h) Employer provided a uniform of a distinctive design with an imposed condition that it must be worn on duty. The uniform was worthy E2,000.
- (i) Employer provided a daily lunch meal worth E15 for 250 days. The lunches were served in a staff canteen.

OTHER INCOMES

- (j) He won a lottery worth E10,000.
- (k) Received E50,000 as compensation for his damaged insured car.
- (l) He received a dividend income of E2,000 form an unquoted Swaziland company.

EXPENDITURES

- (a) He contributed to an approved pension fund scheme amounting to E2,500.
- (b) He contributed to SNPF amounting to E360.
- (c) He contributed E720 to a life insurance policy.
- (d) He contributed E2,800 to an approved provident fund.
- (e) He paid E20,000 as tax advance in form of PAYE.

Required:

On submission of his personal return, compute the net tax payable by the employee for the year ended 30.6.2009.

(Total marks: 30)

QUESTION 2:

Write short notes on:

- (i) Capital Gain Tax and Sales Tax (5 marks)
- (ii) Progressive Tax and Proportional Tax (5 marks)
- (iii) Tax Evasion and Tax Avoidance (5 marks)
- (iv) Notice of Assessment and Payment of Taxes (5 marks)

(Total marks: 20)

(Auditing Part)

QUESTION 3:

Your younger brother has written to you stating that he is contemplating following your footsteps into accountancy. However, he is finding difficulty in understanding the nature and purposes of an audit and he has asked for your assistance.

Required:

Write an appropriate letter, in language that a layman can understand, describing an audit, with particular emphasis on its purposes and nature.

Note: Use any name and address. Marks will be awarded specifically for style as well as for content.

(Total marks: 30)

QUESTION 4:

Write short notes on:

- (a) Final audit and Interim audit (4 marks)
- (b) Audit plan (4 marks)
- (c) Audit engagement letter (4 marks)
- (d) Audit working papers (4 marks)
- (e) Internal audit (4 marks)

(Total marks: 20)

END