

UNIVERSITY OF SWAZILAND  
DEPARTMENT OF ACCOUNTING  
SUPPLEMENTARY EXAMINATION PAPER JULY 2017

DEGREE/ DIPLOMA AND

YEAR OF STUDY : B.COM IDE LEVEL 6

TITLE OF PAPER : TAXATION II

COURSE CODE : IDE AC 420

TOTAL MARKS : 100 MARKS

TIME ALLOWED : THREE (3) HOURS

- INSTRUCTIONS
- 1 There are three (3) 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 the necessary working.
  - 5 Calculations are to be made to zero decimal places of accuracy, unless otherwise instructed.

Note: You are reminded that in assessing your work, account will be taken of accuracy of the language and general quality of expression, together with layout and presentation of your answer.

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SPECIAL REQUIREMENTS: CALCULATOR

**QUESTION 1**

i) Paul, Amos and Mavis (all younger than 60 years) carry on a manufacturing business as a partnership.

The partnership agreement makes provision for the following payments to be made each year to the partners:

a) Salary

- Paul                                    E 230 000
- Amos                                    E 220 000

b) Interest at 10% on the opening balance of both their current and capital accounts

c) After the deduction of these amounts, the partnership's profit or loss is shared equally between the partners.

The following income statement was compiled for the partnership for the current year of assessment:

Gross Profit		1 667 064
Less : Salaries and allowances (including payments to partners)	1 120 487	
Depreciation (Note 1)	115 650	
Drawings (Note 2)	39 000	
Administrative expenses	65 160	
Interest paid to partners	<u>44 200</u>	<u>1 384 497</u>
Net Profit for the year		<u><b>282 567</b></u>

**Notes:**

1. Depreciation

Information in respect of the assets of the partnership are as follows:

	<b><u>Cost price excluding VAT</u></b>
Delivery vehicle	288 000
Office equipment	123 600

The commissioner allows wear and tear to be written off over the following periods:

Office equipment	6 years
Delivery vehicles	4 years

2. Drawings - Paul

During the year of assessment, Paul drew E39 000 out of the partnership's bank account to pay for private expenses.

## 3. Interest paid to partners:

• Paul	6 500
• Amos	4 300
• Mavis	<u>33 400</u>
	<u>44 200</u>

**Required:**

- a) Calculate each partner's taxable income. (25 Marks)
- b) Briefly discuss the tax identity of a partnership including VAT (5 Marks)

**Total: (30 Marks)**

**Question 2**

African Products and Accommodation (Pty) Ltd is a registered value-added tax (VAT) vendor. The company has branches all around Swaziland and one in Botswana. The branch in Botswana is considered to be independent for VAT purposes by the company and the Swaziland Revenue Authority (SRA). The company had a number of transactions for its April to May 2013 (two months) VAT period. These are detailed below.

All amounts are stated VAT inclusive, where appropriate, unless otherwise indicated.

- (i) Various products (none of which are exempt or zero-rated) were acquired for E500,000 (excluding VAT where appropriate). Of these goods, 60% was acquired from non-VAT vendors.
- (ii) E200,000 (excluding VAT) of goods acquired by the company were dispatched to the Botswana branch. The remaining E300,000 of goods were transferred to dependent branches throughout Swaziland.
- (iii) The Botswana branch recorded sales of E750,000 (all to non-Swaziland customers). The Swaziland branches recorded sales of E1,900,000.
- (iv) The company acquired and took delivery of two delivery vehicles during the VAT period. The first vehicle was acquired in April second-hand from a VAT vendor. The payment terms for this vehicle are E20,000 for six months with a separate invoice issued for each payment. The cash cost of this vehicle is E119,500. The second vehicle was acquired in May, new from a dealership and the payment terms require a deposit of E30,000 and payment of E7,800 for 60 months with no residual payment. The yield to maturity on this arrangement is 1.55% per month. The cash cost of this vehicle is E480,000.
- (v) The company wrote off bad debts amounting to E80,000.
- (vi) Rentals paid for the premises of the Swaziland branches amounted to R150,000 for the months of April and May. A further E20,000 was paid in respect of rental owed for the month of March for one branch.

**Required:**

- (a) Calculate the input and output VAT effects for the above transactions. You must clearly indicate by the use of a zero where a transaction does not give rise to a VAT effect and briefly state the reason for such nil effect. (15 Marks)
- (b) Briefly describe the objectives of tax (12 Marks)
- (c) What are the obligations of a VAT registered business (6 Marks)
- (d) Describe voluntary registration for VAT purposes (2 Marks)

**Total: (35 Marks)**

**Question 3**

- a) Briefly discuss the 6 types of customs duties that can be levied. **(12 Marks)**
- b) Outline the benefits of e-tax. **(6 Marks)**
- c) State and explain briefly the different categories of vendors and their various tax periods (for VAT purposes) in South Africa **(12 Marks)**
- d) List 5 supplies that are VAT zero rated. **(5 Marks)**

**Total: (35 Marks)**