

**UNIVERSITY OF ESWATINI**  
**FACULTY OF COMMERCE**  
**DEPARTMENT OF ACCOUNTING AND FINANCE**  
**MAIN EXAMINATION PAPER, DECEMBER 2019**

**TITLE OF PAPER:** TAX APPLICATIONS

**YEAR OF STUDY:** B.COM IV/ B.COM IDE LEVEL6

**COURSE CODE:** ACF 320/ AC423/AC 419

**TIME ALLOWED:** THREE (3) HOURS

**INSTRUCTIONS:**

1. ANSWER ALL QUESTIONS IN SECTION "A"
2. ANSWER ANY TWO (2) QUESTIONS FROM SECTION "B".
3. ANSWERS SHOULD BE WRITTEN IN THE ANSWER BOOKLETS PROVIDED.
4. DO NOT WRITE ON THE QUESTION PAPER.
5. PORTABLE NON-PRINTING CALCULATORS ARE ALLOWED.

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

## SECTION A

### QUESTION 1

V (Pty) Ltd is a VAT registered company which made the following supplies during the VAT period:

	(E)
Rental received from letting commercial property	10,000.00
Rental received from letting a residential property	8,000.00
Sales of inventory	40,000.00
Sale of office equipment	600.00
Interest received	3,000.00
Dividend received	2000.00
Shares sold	19,000.00
It had the following expenses during the VAT period:	
New inventory purchased	25,000.00
New office equipment purchased for trading business	10,000.00
New office equipment for letting business	7,000.00
Tea, milk and sugar bought for staff	1,000.00
Rental paid for premises occupied	9,000.00
Salaries paid	22,000.00

Note: All transactions are exclusive of VAT.

Required:

- (1) Calculate the VAT due to ERA or refund to the company by giving reasons how you have treated VAT in your calculations. [30 marks]

## QUESTION 2

ABC Traders leases a photo copier under the following terms;

- 1 Fair value of the photo copier E 600,000.00
- 2 Interest rates charge is 16% per annum
- 3 Rental repayment per year is E 162,837.00
- 4 Term of the lease is 6 years
- 5 There is no scrap value at the end of the lease.

Required:

- |   |                   |
|---|-------------------|
| (1) Calculate and show the repayment schedule for the 6 years | [10 marks]        |
| (2) Show the allocation of interest and loan settlement       | [10 marks]        |
| (3) Explain the tax implications of the above scenario.       | [10 marks]        |
| <b>Total marks</b>  | <b>[30 marks]</b> |

## SECTION B

### QUESTION 3

A tax payer purchased a delivery van for E 120,000.00 on 1 march, 2015 and brought it into use on that date. On 28 February 2018 the van was sold for E 10,000.00. Section 11 (o) wear and tear of E 30,000.00 ( per annum) was claimed for the years of assessment ending at end of February 2016, 2017, and 2018.

Required:

Calculate the claimable allowance or recoupment on disposal of the delivery van under section 11(O). [20 marks]

### QUESTION4

Section 14 of the Income Tax Order 1975, as amended, lists about 23 items which are allowable deductions. List any 10 of the 23 items which are allowable deductions and give reasons to support your choice. [20 marks]