

Candidate Number			



Association of Taxation Technicians

Examination

May 2007

PAPER 2 – PART I

BUSINESS TAXATION & ACCOUNTING PRINCIPLES

TIME ALLOWED – 3 HOURS
(for Part I and Part II)

You are required to answer **all** questions in Part I and Part II (printed separately).

Part I

- You must write your answers in this booklet using the space provided under each question and complete your candidate number at the top of this page.
- Each question carries between two and four marks as indicated in brackets.
- It is expected that your answers will be in brief bullet point format or summary computations.
- It is not expected that you will require all of the space provided.

1. Nina has recently started self-employment as a bookkeeper and her profits for tax purposes for her first period of trade from 1 March 2006 to 30 June 2007 (16 months) are £24,350.

Calculate her assessable trading profits for 2005/06, 2006/07 and 2007/08 – you should clearly show the basis period for each tax year. What, if any, overlap profits are to be carried forward? (4)

8. You have a company client who has a rare painting by the artist Rugrat in their boardroom. They acquired the painting for £3,000 earlier this month and one of the company's salesmen – who is a fan of the artist – wants to purchase the picture from them.

What chargeable gain would arise on the sale of the painting to the salesman for:

- 1) £5,900, or;
2) £6,100? (3)

12. Matthew is registered for VAT. He charges his customers (both in UK and overseas) for postage and has asked whether he should charge VAT on the price including or excluding the postage costs.

Briefly explain the VAT treatment for postage costs charged to customers. (2)

13. Topper Ltd has the following costs posted to its nominal ledger:

		£
1 June 2006	Insurance for the year to 30 June 2007	3,000
1 April 2007	Water charges for three months to 31 March 2007	250
19 April 2007	PAYE for March 2007	1,250

Its accounts are made up to 31 March each year and you have been advised that the accountancy fees for preparing the accounts for the year to 31 March 2007 will be £1,500.

Show the journals for accruals and prepayments in respect of the above items which need to be adjusted in the accounts to 31 March 2007. (4)
