Candidate Number				



### **Association of Taxation Technicians**

## **Examination**

November 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.
- All workings should be shown and made to the nearest month and pound unless the question requires otherwise.

1. At 31 March 2007, before adjustment for any of the following items, Philip had a debit balance on his debtors' control account of £5,000. The balance on his provision for doubtful debts account was £900. £400 has been received in respect of one doubtful debt; the second of £500 is to be written off. £100 has been received in respect of a debt previously written off. Doubtful debts at 31 March 2007 are expected to total £600. Record the above information in the 'T' accounts for debtors, provision for doubtful debts and bad debts, showing the amount charged to the profit and loss account.

2.	Company A makes wholly standard rated supplies for Value Added Tax, company B wholly zero rated supplies and company C wholly exempt supplies.
	Give an example of each type of supply and state how much, if any, of the input VAT incurred by each company can be reclaimed. (3)
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3.	Output VAT on the supply of goods must be accounted for when the tax point arises.
	Explain the rules for determining the tax point in respect of the supply of goods. (2)
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4.	On 5 March 2007, James Morgan sold a chargeable business asset for £400,000, which he had purchased for £50,000 on 6 March 1995. James had no other chargeable disposals during 2006/07. At 6 April 2006 he had capital losses brought forward of £44,900.
	Show the amount chargeable to Capital Gains Tax for 2006/07. (4)

5.	For the year ended 31 December 2006, Sydney Ltd had Schedule D Case I income of £50,000 and rental income of £20,000 before any deductions had been made for interest of £30,000 paid on a loan taken out to purchase the company's premises. The company occupies two thirds of the premises for trading purposes and lets out the remaining third.
	Sydney Ltd had an unrelieved non-trading deficit brought forward at 1 January 2006 of £20,000.
	Calculate the amounts chargeable (if any) under Schedule D Case I and Schedule A for the year ended 31 December 2006. (3)


The followir of Hillsdowr	ng are shown as benefits on the P11D for 200 n Ltd:	06/07 in respect of an employ	ee
		£	
Р	rivate use of car	5,000	
	ledical insurance	860	
	ravel and subsistence expenses reimbursed	500	
ı D	ayment for use of home telephone	200	
		200	
(8	supply contract is in name of employee)		
Calculate t	he Class 1A National Insurance Contribut		(2
			<b>\</b> _

7.

- 8. Kevin is a tax adviser making up his accounts to 30 September each year. He is considering whether his accounts for the year ended 30 September 2006 need adjusting in respect of any of the following:
  - 1) A client was invoiced for £3,000 on 15 August 2006 on account of work in connection with a tax enquiry opened by HM Revenue & Customs. None of the work had been started at 30 September.
  - 2) An invoice dated 15 October 2006 for £5,000 was for advice and work concluded during September.
  - 3) An agreed fee of £2,000 not yet invoiced for accounts work estimated to take 40 hours. Up to 30 September 2006 a total of 30 hours had been spent on the work, with a further 10 hours estimated still to spend to completion.

Explain whether the figure of income shown in the accounts needs to be adjusted in respect of each of these three items in order to comply with UITF 40. (3)
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9.	In August 2006, Yarmouth Ltd (an unquoted trading company) sold a building which it had used for business purposes for £400,000. The building had been purchased in March 2000 for £200,000 and used throughout for the purposes of its trade. In December 2006, Yarmouth Ltd purchased a new building for business use for £350,000. Yarmouth Ltd wishes to claim rollover relief against this purchase.
	Calculate the net chargeable gain on the disposal of the old building and the adjusted base cost of the new building. (3)

Automatic Transmissions Ltd (which has one wholly owned subsidiary) has adjuste trading profits for the six months ended 31 December 2006 of £180,000. During the period, it also received franked investment income of £25,000 and a dividend of £15,000 from its wholly owned subsidiary.  Calculate the Corporation Tax payable for the six month period ender										
Calculate 31 Decemi	the ber 20	Corporation 006.	Tax	payable	for	the	six	month	period	ende (3

ate four occasions on which partnership dissolution occurs.	

employee.	is of the	e legal	obligations	imposed	on	George	regarding	nis	
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training.			