

Candidate Number			



**Association of Taxation Technicians**

## **Examination**

November 2007

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### **PAPER 2 – PART I**

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### **BUSINESS TAXATION & ACCOUNTING PRINCIPLES**

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

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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.





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.**

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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)

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6. **Explain the rules for accounting to HM Revenue & Customs for Income Tax deducted from a payment of interest made by a company. (3)**

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7. The following are shown as benefits on the P11D for 2006/07 in respect of an employee of Hillsdown Ltd:

	£
Private use of car	5,000
Medical insurance	860
Travel and subsistence expenses reimbursed	500
Payment for use of home telephone	200
(supply contract is in name of employee)	

**Calculate the Class 1A National Insurance Contributions due for 2006/07.**

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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)

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11. **State four occasions on which partnership dissolution occurs.** (4)

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12. George, a sole trader, takes on his first employee, Mark, at a rate of £200 per week.

**Give details of the legal obligations imposed on George regarding his new employee.** (3)

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13. What are the minimum requirements for continuing professional development for a member of the Association of Taxation Technicians? Give examples of relevant training. (3)

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