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# Taxation Republic of Ireland

1<sup>st</sup> Year Examination

**May 2013**

**Paper, Solutions & Examiner's Report**



### NOTES TO USERS ABOUT THESE SOLUTIONS

The solutions in this document are published by Accounting Technicians Ireland. They are intended to provide guidance to students and their teachers regarding possible answers to questions in our examinations.

Although they are published by us, we do not necessarily endorse these solutions or agree with the views expressed by their authors.

There are often many possible approaches to the solution of questions in professional examinations. It should not be assumed that the approach adopted in these solutions is the ideal or the one preferred by us. Alternative answers will be marked on their own merits.

This publication is intended to serve as an educational aid. For this reason, the published solutions will often be significantly longer than would be expected of a candidate in an examination. This will be particularly the case where discursive answers are involved.

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*Accounting Technicians Ireland*

**1<sup>st</sup> Year : Summer 2013**

**TAXATION(Republic of Ireland)**

Monday 20<sup>th</sup> May 2013 – 9.30 a.m. to 12.30 p.m.

**INSTRUCTIONS TO CANDIDATES**

**PLEASE READ CAREFULLY**

**For candidates answering in accordance with the law and practice of the Republic of Ireland.**

**Candidates should answer the paper in accordance with the appropriate provisions up to and including the Finance Act 2012. The provisions of the Finance Act 2013 should be ignored.**

**Allowances and rates of taxation, to be used by candidates, are set out in a separate booklet supplied with the examination paper.**

**Answer ALL THREE questions from SECTION A. Answer ANY TWO of the three questions from Section B. If more than TWO questions are answered in Section B, then only the first two questions, in the order filed, will be corrected.**

**Candidates should allocate their time carefully.**

**All workings should be shown.**

**All figures should be labelled as appropriate e.g. €, units etc.**

**Answers should be illustrated with examples, where appropriate.**

**Question 1 begins on Page 2 overleaf.**

**The following inserts are enclosed with the paper:**

- Tax Reference Material

**SECTION A****Answer ALL THREE questions in this section****QUESTION 1**

Patrice and Jimmy have been married for a number of years.

Details of their income and outgoings for the year ended 31<sup>st</sup> December 2012 are as follows:

**Patrice****Income**

Patrice ceased as a self-employed florist on the 30<sup>th</sup> April 2012. Accounts for the period 1<sup>st</sup> July 2011 to the date of cessation show assessable Case 1 profits of €7,200.

Following the cessation of the florist business Patrice commenced as an employee of Red Roses Ltd. on the 1<sup>st</sup> June 2012. In the period to the 31<sup>st</sup> December 2012 she earned €12,600 gross before pension contributions and had PAYE deducted of €880.

In September 2012 Red Roses Ltd. paid €800 in respect of VHI contributions for Patrice. This amount was paid net of income tax at 20% (tax relief at source).

**Outgoings**

Pension contributions

Patrice was a member of the pension scheme operated by her employer and had €80 deducted from her wages in 2012.

**Jimmy****Income**

	€
Director's fees	52,000
PAYE deducted	13,400

Jimmy is a director and 60% shareholder in ABC Ltd.

Wages from part-time lecturing in an Institute of Technology	2,650
PAYE deducted	530

Dividends received	€1,088
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This dividend was received in March 2012 in respect of the year ended 31 December 2011.

The dividend was received net of Dividend Withholding Tax at 20%.

Deposit interest	441
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This interest was received net of deposit interest retention tax at 30%

Interest - An Post Savings certs	120
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**Requirement:**

Prepare an income tax computation for 2012 in respect of Patrice and Jimmy on the basis that single assessment applies.

**20 Marks**

*For the purposes of answering this question you can ignore PRSI and USC*

**Total 20 Marks**

**QUESTION 2**

You have been engaged by BBB Ltd. to manage their payroll system. Details regarding two employees are as follows:

**Phillipa Walsh PPS Number 1889803K**

Phillipa commenced employment with BBB Ltd. on Monday 25<sup>th</sup> June 2012 (week 26 of the tax year). Phillipa is a friend of yours and you know this is her first employment since finishing her college degree. She was employed by BBB Ltd. for six weeks and ceased employment on Friday 3<sup>rd</sup> August 2012 (week 31 of the tax year).

While employed by BBB Ltd. Phillipa earned €350 for each of the first four weeks and €700 for each of the last two weeks.

On the 1<sup>st</sup> September BBB Ltd. received a notification from Revenue confirming Phillipa's weekly tax credit was €62.69 and her weekly standard rate cut-off point amounted to €30.77. The notification confirmed that the cumulative basis applied.

**Hester Bell PPS Number 3322331 A**

Hester has been employed by BBB Ltd. for a number of years and is paid monthly. Details extracted from the notification received from Revenue are as follows:

	€
Monthly tax credit:	275.00
Monthly cut off point:	2733.00
Cumulative basis applies	

For month 1 of the 2012 tax year Hester earned €3,100 gross and contributed 5% of his salary to a Revenue approved pension scheme operated by BBB Ltd. In addition Hester had an annual BIK amounting to €3,600.

**Requirement:**

- (a) Calculate the take home pay for Phillipa Walsh for each of the six weeks of employment. (USC is to be calculated at 7% for each of the six weeks).

**8 Marks**

- (b) Calculate the take home pay for Hester Bell in respect of month 1 of the 2012 tax year.

**12 Marks**

**Total 20 Marks**

**QUESTION 3**

You have been asked to prepare the Value Added Tax return for the year ended 31 December 2012 in respect of Liam Ridgewell who trades as The Car Parts Store.

The following details have been extracted from the purchases records for the year ended 31 December 2012.

	Total	23%	13.5%	VAT
	€	€	€	€
Purchases for resale	1,203,076	982,496	0	223,230
Purchases not for resale	58,689	33,328	15,890	9,471

When you cross checked the figures you discovered a discrepancy and on investigation, with the help of the bookkeeper, the following discrepancies were discovered:

**Purchases for resale:**

(i) In September 2012 an invoice was received in respect of the purchase for resale of four car stereo systems. The invoice received showed the VAT exclusive price as €8,000 for the four systems plus VAT at 23% amounting to €1,840. The invoice total was included in both the total column and the 23% column. The correct amount was recorded in the VAT column.

(ii) One of the car stereo systems referred to above has been installed in Liam Ridgewell's car. Liam informed you that a customer cancelled their order after he took delivery of the systems and rather than sending the stereo back to the supplier he took it for his own car. The bookkeeper has not made any record of this to date.

(iii) An invoice received in respect of the purchase of car batteries shows:

VAT exclusive amount	€6,700
VAT at 23%	<u>€1,541</u>
Total	<u>€8,241</u>

This invoice was incorrectly recorded as:

VAT exclusive amount	€7,600
VAT at 23%	<u>€1,451</u>
Total	<u>€8,241</u>

(iv) In July 2012 an invoice for €8,800 was received in respect of the importation of car parts from France. No VAT was recorded on the invoice. The invoice amount was included in both the total column and the 23% column with no entry included in the VAT column.

**Purchases not for resale**

(v) A laptop was purchased for use by the sales manager. The total price including VAT at 23% amounted to €1,476. The receipt received shows the price paid of €1,476 with a note stating that the price includes VAT at 23%. No invoice has been received to date. This was incorrectly recorded in the total and 23% columns as €1,476 with no entry included in the VAT column.

**Question 3 is continued on the next page**

**QUESTION 3** (*Cont'd.*)**Sales**

VAT returns have been prepared on a cash receipts basis. All sales are at the 23% rate and the cashbook for the year ended 31 December 2012 is summarised as follows:

	€
Opening cash balance	1,790
Receipts from cash customers	1,489,100
Receipts from credit customers	121,950
Bank loan	25,000
	<hr/>
Total	1,637,840
Cash Wages	56,980
Cash expenses	8,140
Cash to a charity	500
Bank lodgements	1,570,060
Closing cash balance	2,160
	<hr/>
Total	1,637,840

Credit customers lodged €12,890 direct to the business bank account and these lodgements have not been recorded in the cash book.

**Requirement:**

Compute the amount of VAT due/repayable for the year ended 31 December 2012 in respect of The Car Parts Store.

**Total 20 Marks**

## SECTION B

Answer TWO of the three questions in section B

## QUESTION 4

The following multiple-choice question consists of TEN parts, each of which is followed by FOUR possible answers. There is ONLY ONE right answer in each part.

**Requirement:**

Indicate the right answer to each of the following TEN parts.

**N.B.** Each part carries 2 marks

**Total 20 Marks**

*Candidates should answer this question by ticking the appropriate boxes on the special answer sheet which is contained within the Answer Booklet.*

- (1) Consuela is a self-employed dentist. Her Schedule D Case II tax adjusted profit for the year ended 30<sup>th</sup> June 2012 amounted to €6,600. The normal PRSI class applicable to Consuela is:

- (a) Class AL
- (b) Class A1
- (c) Class S0
- (d) Class S1

- (2) Niall is a widower since 2001 and is aged 66 years. He has two children at secondary school and one child aged 20 years attending university. For the 2012 tax year Niall's exemption limit for Income Tax purposes amounts to:

- (a) €8,000
- (b) €9,980
- (c) €20,810
- (d) €36,000

- (3) Philip is registered for VAT. He is entitled to account for VAT on a cash receipts basis if his annual turnover is less than:

- (a) €735,000
- (b) €1,000,000
- (c) €1,250,000
- (d) €1,500,000

- (4) Brendan has been a carpenter for a number of years. He prepares accounts to the 31 January each year. The Schedule D Case I adjusted profit is as follows:

Year ended 31 January 2010	€22,200
Year ended 31 January 2011	€23,400
Year ended 31 January 2012	€26,400
Year ended 31 January 2013	€25,800

Brendan is assessed to Income Tax for the 2012 tax year on:

- (a) €26,150
- (b) €23,650
- (c) €26,400
- (d) €26,350

**Question 4 is continued on the next page**



**QUESTION 4 (Cont'd.)**

- (5) Betty lives with her father Bill, who is aged 80 years. Bill's only source of income is the old age pension. In the 2012 tax year Betty paid the following amounts on behalf of her father:
- €4,000 in respect of a four week stay in a nursing home.
  - €500 in respect of doctor's visits and prescription costs.
- Betty can claim relief for medical expenses for 2012
- (a) as a tax credit for the total cost of €4,500
  - (b) as a tax credit for the cost of €500
  - (c) at the marginal tax rate for the total cost of €4,500
  - (d) at the marginal tax rate for the cost of €4,000 and a tax credit for the cost of €500
- (6) Patricia is self-employed and her 2011 tax liability amounted to €5,800. She estimates her 2012 tax liability will be €5,500 approximately. In order to avoid an interest charge the minimum amount of preliminary tax paid for 2012 should amount to:
- (a) 90% of €5,800
  - (b) 100% of €5,800
  - (c) 90% of €5,500
  - (d) 100% of €5,500
- (7) An election for separate assessment for the 2012 tax year must be made:
- (a) At any time before the 31 October 2012.
  - (b) At any time during the 2012 tax year.
  - (c) Before the 1 January 2013.
  - (d) Before the 1 April 2012.
- (8) For VAT purposes which of the following is an exempt activity:
- (a) Repairs to a bank provided by a builder.
  - (b) Sale of a laptop to a bank.
  - (c) Supply of banking services.
  - (d) Sale of furniture to a bank.
- (9) Sile owns a news agency business and is registered for PAYE. After the end of the 2012 tax year she is obliged to give a Form P60 to:
- (a) All full-time and part-time staff employed in the business at the year end.
  - (b) Only the full-time staff employed in the business at the year end.
  - (c) All full-time and part-time staff employed in the business during the year.
  - (d) Only the full-time staff employed in the business during the year.
- (10) A restaurant charges €25 in respect of a three course Sunday lunch meal. The VAT element contained in the €25 charge amounts to:
- (a) €2.25
  - (b) €2.06
  - (c) €5.75
  - (d) €4.67

**QUESTION 5**

- (a) Patrick has been self-employed as a plumber for a number of years. On reaching his 65<sup>th</sup> birthday Patrick decided to retire and ceased self-employment on the 28<sup>th</sup> February 2012.

Accounts have been prepared to the 31<sup>st</sup> March each year and show the following tax adjusted profits:

	€
Year ended 31 March 2009	45,900
Year ended 31 March 2010	46,800
Year ended 31 March 2011	39,000
Period ended 28 February 2012	38,500

**Requirement:**

Calculate the assessable Schedule D Case I income for Patrick for the 2010, 2011 and 2012 tax years.

**10 Marks**

- (b) Explain the Value Added Tax treatment of gifts made in the course of business.

**4 Marks**

- (c) Where an employee is paid expenses by his employer there are a number of ways in which these can be treated for PAYE purposes. Explain the treatment of the following:

- (i) Reimbursed Expenses
- (ii) Flat Rate Expenses
- (iii) Round Sum expenses

**6 Marks**

**Total 20 marks**

**QUESTION 6**

Peter is a self-employed retailer and has been in business for a number of years. Accounts have been prepared for the year ended 31<sup>st</sup> December 2012 but Peter is unsure of the correct tax treatment for certain items.

The accounts as prepared are as follows:

Accounts for the year ended 31<sup>st</sup> December 2012

	Notes	€	€
Sales			245,774
Opening stock		19,740	
Purchases	1	<u>185,450</u>	
		205,190	
Closing stock		<u>(32,750)</u>	
Cost of sales			<u>(172,440)</u>
Gross Profit			73,334
<u>Add</u>			
Discount received		220	
Rent received		4,100	
Dividends received		<u>110</u>	
			<u>4,430</u>
			77,764
<u>Less</u>			
Staff costs	2	50,845	
Loss on selling cash register		1,400	
Promotion/Entertainment	3	1,280	
Bank payments	4	13,300	
Telephone	5	3,014	
Discount allowed		200	
Insurance	6	2,875	
Legal and other fees	7	1,045	
Book keeping costs		1,200	
Household charge for private residence		100	
Non PPR charge for let property		200	
Motor expenses	8	11,000	
Light and heat	9	8,150	
Sundry	10	<u>875</u>	
			<u>(95,484)</u>
Net profit/(loss)			<u>(17,720)</u>

Question 6 is continued on the next page

**QUESTION 6** (*Cont'd.*)

Notes:

(1)	<i>Purchases</i>	
	The purchases figure includes €5,000 of stock taken by Peter for personal use.	
(2)	<i>Staff Costs</i>	€
	2012 Preliminary tax payment for Peter	3,980
	Drawings for Peter included as a wage	15,000
	Wages for full time staff	28,150
	Monthly forms P30 submitted to the Revenue	<u>3,715</u>
		50,845

Form P35 was completed in January 2013 and a balance of €775 was paid with the submission of the return. This figure has not been included in the accounts.

(3)	<i>Promotion/Entertainment</i>	€
	Golfing green fees	350
	Meals and refreshments	450
	Peter organised a golf outing as a 'thank you' to his most loyal customers. He considers this a goodwill gesture and is confident his turnover has increased as a result.	
	Staff Christmas party	260
	Promotional flyers advertising new product lines	<u>220</u>
		1,280
(4)	<i>Bank payments</i>	€
	Term loan repayments	3,100
	Mortgage loan repayments	<u>10,200</u>
		13,300

A term loan was taken out to finance the cost of improvements to the shop premises. The interest element included in the loan repayment amounted to €820.

A new mortgage was taken out to assist with the purchase of a rental property. The interest element in the loan repayment for the mortgage is €5,370.

(5)	<i>Telephone</i>	€
	Purchase of new mobile telephone	300
	Insurance cover for mobile telephones	144
	Mobile telephone calls	1,610
	Landline telephone calls	<u>960</u>
		3,014

30% of the landline calls are in respect of Peter's private use. The mobile calls are mainly business related but approximately 10% of calls related to personal use by employees.

(6)	<i>Insurance</i>	€
	Car insurance (Note 8 refers)	700
	Van insurance (Note 8 refers)	490
	Public and Employer's liability insurance	1,310
	Rental property insurance	<u>375</u>
		2,875

**Question 6 is continued on the next page**

**QUESTION 6** (*Cont'd.*)*(7) Legal and other fees*

	€
Court case following a road traffic accident	460
Court fine resulting from traffic accident	250
Peter crashed the car while driving on holidays. The legal fees refer to representation at the resulting court case.	
On the spot fines for speeding	160
These fines were incurred by Peter while on business trips.	
Solicitor's letter re collection of business debts	<u>175</u>
	1,045

*(8) Motor expenses*

	€
Lease of a delivery van	3,800
Van running expenses	2,750
Car running costs	<u>4,450</u>
	11,000

Peter estimates that he uses the car 20% of the time for private purposes.

The van is used 30% of the time by employees for private purposes and 10% of the time by Peter for private purposes.

*(9) Light and heat*

Peter rents out an apartment which is situated over the shop. Separate bills are not available for the shop and apartment but Peter estimates that 30% of the light and heat refers to the apartment.

*(10) Sundry expenses*

All allowable

**Requirement:**

Compute Peter's Schedule D, Case I tax adjusted profits for the year ended 31 December 2012.

**Total 20 marks**



## 1st Year Examination: May 2013

### Taxation (ROI)

### Suggested Solutions

**Students please note:** These are suggested solutions only; alternative answers may also be deemed to be correct and will be marked on their own merits.

**Solutions begin overleaf→**



**Solution 1**

Marks Allocated	Patrice and Jimmy Income Tax Computation 2012 based on Single Assessment				Patrice Case 1	€
3	Sch D	Case 1		6,880	10 months accounts to 30 April 2012	17,200
0.5	Sch E	Red Roses Ltd	12,600		Basis period 1 Jan 2012 to cessation 30 April 2012	
1		Pension	280		17,200 x 4/10	6,880
2		VHI	800 x 100/80	1,000		
				12,320		
				20,200		
0.5		Tax	20,200 20%	4,040		
0.5		Tax credit				
0.5		Single	1,650			
1		PAYE	1,650			
1		VHI	200			
				3,500		
				540		
0.5		PAYE deducted		880		
		Refund due		340		



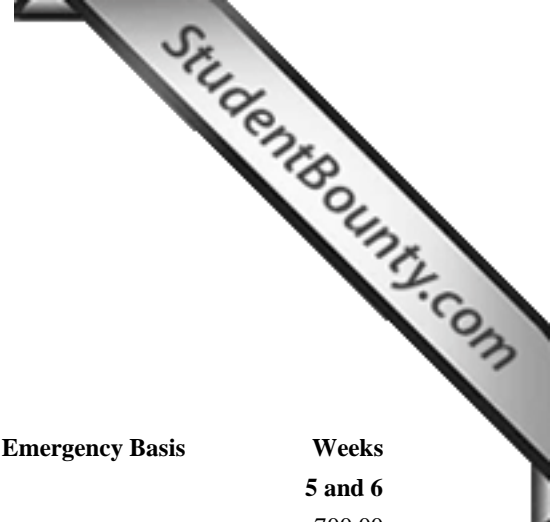
Taxation ROI

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Jimmy				
0.5	Sch E	Directors fees		52,000
0.5		Lecturing		2,650
				54,650
	Sch F	Dividends received		
1		1088/8		1,360
	Sch D Case IV	PAYE		
1		Deposit Interest	(441/.7)	630
1		Post Office Savings Certs		Exempt
				56,640
		Tax		
0.5		32,800	20%	6,560
1		630	30%	189
0.5		23,210	41%	9,516
				16,265
		Tax credits		
0.5		Single		1,650
1		PAYE	(2,650*20%)	530
1		DIRT		189
1		DWT		272
1		PAYE Paid	(13,400+530)	13,930
				16,571
		Refund due		-306
<b>Total: 20</b>				





**Solution 2**

Marks							
Allocated				Weeks			
<b>1</b>	<b>Phillipa Walsh Emergency Basis</b>			<b>1 to 4</b>			
	Salary			350.00			
	Tax	350.00	20%	70.00			
<b>1</b>	Tax credit			31.73			
				38.27			
<b>PRSI Class AX</b>							
<b>0.5</b>	Pay			<u>350</u>			
				127	0%	0.00	
				<u>223</u>	0%	<u>0.00</u>	
				<u>350</u>		<u>0.00</u>	
<b>USC</b>							
	350.00	7%		24.50			
<b>0.5</b>	Total due			24.50			

Marks							
Allocated				Weeks			
<b>1</b>	<b>Phillipa Walsh Emergency Basis</b>			<b>5 and 6</b>			
	Salary			700.00			
	Tax	630.77	20%	126.15			
		69.23	41%	28.38			
				154.53			
<b>1</b>	Tax credit			0.00			
				154.53			
<b>PRSI Class A1</b>							
<b>0.5</b>	Pay			<u>700</u>			
				127	0%	0.00	
				<u>573</u>	4%	<u>22.92</u>	
				<u>700</u>		<u>22.92</u>	
<b>USC</b>							
	700.00	7%		49.00			
<b>0.5</b>	Total due			49.00			



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Marks Allocated	Take Home		1 to 4	5 and 6	Marks Allocated
	Pay		350.00	700.00	
	PAYE		38.27	154.53	
	EE PRSI		0.00	22.92	
	USC		24.50	49.00	
<b>1</b>			287.23	473.55	
	<b>Hester Bell</b>				
		<b>Month 1</b>			
<b>1</b>	<b>Pay</b>		3100.00		
<b>1</b>	Less Pension 5%		<u>155.00</u>		
			2945.00		
<b>2</b>	Add BIK		300.00		
			3245.00		
	Tax				
<b>1</b>	2733	20%	546.60		
<b>0.5</b>	512	41%	209.92		
	3245		756.52		
<b>0.5</b>	Tax Credit		275.00		
			481.52		
	<b>PRSI Class A1</b>				
	550.00	Nil	0.00		
<b>0.5</b>	<u>2850.00</u>	4%	<u>114.00</u>		
<b>0.5</b>	3400.00		114.00		

<b>PRSI</b>	
Pay	3100.00
BIK	300.00
	3400.00

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Marks Allocated				Marks Allocated
	USC			
0.5	836.33	2%	16.73	
0.5	498.33	4%	19.93	
0.5	2065.33	7%	144.57	
1.5	3400.00		181.23	
	Take Home Pay	Pay		3,100.00
		Pension	155.00	
		Tax	481.52	
		PRSI	114.00	
		USC	<u>181.23</u>	
			<u>931.75</u>	
2			2,168.25	
<b>Total: 17</b>				<b>Total: 3</b>

USC	
Pay	3100.00
BIK	300.00
	3400.00



Marks Allocated			
2	2000	23%	460
1	Imports	8800	23%
			2,024
			306,148
	VAT on Inputs		234,815
1	VAT due		71,333
<b>Total: 20</b>			

#### Solution 4

Marks Allocated		
2	[1]	D
2	[2]	B
2	[3]	B
2	[4]	C
2	[5]	D
2	[6]	B
2	[7]	D
2	[8]	C
2	[9]	A
2	[10]	B
<b>Total: 20</b>		

## Solution 5

Marks Allocated			
	(a)		
		<b>2010</b>	€
1		Basis Period y/e 31 March 2010	46,800
		<b>2011</b>	
1		Basis Period y/e 31 March 2011	39,000
		<b>2012</b>	
		Basis period 1 January 2012 to 28 February 2012	
3		38,500 x 2/11	7,000
		2011 Penultimate Year Revision	
		Actual	
		1 Jan 2011 to 31 March 2011	
		3/12 x 39,000	9,750
		1 April 2011 to 31 Dec 2011	
		9/11 x 38,500	31,500
3			41,250
		Assessed	39,000
2		Revise to Actual	41,250
		Final assessments	
		2010	46,800
		2011	41,250
		2012	7,000
	(b)		
4		Generally, gifts made in the course of a business are liable to VAT if the person giving the gift was entitled to a deduction on the purchases of an item and the item cost more than €20 excluding VAT. The rate of VAT depends on the item. However, relief is available if the item cost €20 or less excluding VAT. In this case the donor is not required to account for VAT when the gift is made. No VAT is required to be accounted for if the donor was not entitled to an input credit for VAT paid on the purchase of the item.	

(c)

2

**Reimbursed Expenses**

Where an employer reimburses an employee for expenses in the performance of the duties of his employment on the basis of vouched receipts this amount will not be treated as income in the employee's hands. The expenses should be supported by receipts

2

**Flat Rate Expenses**

An employer can pay set amounts of expenses to employees for travel and subsistence. The amounts that can be paid cannot exceed the civil service rates. Where an employee is paid any amount under this heading he must make a claim to his employer for the payment setting out details of the date of travel, distance travelled, etc. The claim be approved and retained by the employer for inspection.

2

**Round Sum Expenses**

Round sum expenses are normally a set amount paid to an employee that can be disbursed in any way the employee wants. These amounts are treated as additional salary payments and are subject to tax under Schedule E.

**Total: 20**

## Solution 6

Marks Allocated	<b>Adjusted Profit Computation Question</b>		
	<b>Peter</b>		
	<b>Accounts for the year ended 31st December 2012</b>		
	<b>Schedule D Case I</b>		
		€	€
	Net Loss per accounts		-17,720
	Addbacks/(deduct)		
<b>1</b>	Stock withdrawn		5,000
<b>0.5</b>	Rent received	-4,100	
<b>0.5</b>	Dividends received	-110	
			-4,210
<b>1</b>	Loss on sale of cash register		1400
<b>0.5</b>	Household charge		100
<b>0.5</b>	Non PPR charge		200
	<b>Staff Costs</b>		
<b>1</b>	Preliminary tax	3,980	
<b>1</b>	Drawings	15,000	
<b>1</b>	P35 balance	-775	
			18,205
	<b>Promotion/entertainment</b>		
<b>0.5</b>	Green fees	350	
<b>0.5</b>	Meals etc	450	
			800
	<b>Bank payments</b>		
<b>1</b>	Loan repayments Capital (3,100-820)	2,280	
<b>1</b>	Mortgage	10,200	
			12,480
	<b>Telephone</b>		
<b>1</b>	New mobile	300	
<b>1</b>	Landline private use 960*30%	288	
<b>1</b>	Mobile private use	-	
			588
	<b>Insurance</b>		
<b>0.5</b>	Car insurance 700*20%	140	
<b>0.5</b>	Van insurance 490*10%	49	
<b>0.5</b>	Rental insurance	375	
			564
	<b>Legal and other fees</b>		
<b>0.5</b>	Court case	460	



## Taxation ROI

May 2013

I

<b>Marks Allocated</b>				
<b>0.5</b>	Court fine		250	
<b>0.5</b>	Speeding fines		160	
				870
	<b>Motor expenses</b>			
<b>1</b>	Lease van	3,800*10%	380	
<b>1</b>	Van running expenses	2,750*10%	275	
<b>1</b>	Car running expenses	4,450*20%	890	
				1,545
	<b>Light and heat</b>			
<b>1</b>	Apartment	8150*30%		2,445
				39,987
	<b>Schedule D Case I - tax adjusted profits</b>			<b>22,267</b>
<b>Total: 20</b>				

# 1st Year Examination: May 2013

## Taxation ROI

### Examiner's Report

Statistical Analysis – By Question						
Question No.	1	2	3	4	5	6
Average Mark (%)	65%	64%	56%	66%	56%	75%
Nos. Attempting	836	832	811	748	163	765

Statistical Analysis - Overall	
Pass Rate	80%
Average Mark	63%
Range of Marks	Nos. of Students
0-39	101
40-49	72
50-59	128
60-69	178
70 and over	367
<b>Total No. Sitting Exam</b>	<b>846</b>
<b>Total Absent</b>	<b>308</b>
<b>Total Approved Absent</b>	<b>34</b>
<b>Total No. Applied for Exam</b>	<b>1188</b>

#### General Comments:

The pass rate in this examination was 80%. This compares to the pass rate of 78% achieved in the summer 2012 examination.

#### Comments on Individual Questions

##### Question 1

This question required the candidate to prepare an income tax computation based on single assessment.

The solutions were well presented, easy to follow and showed an improvement from previous examination sittings.

It's pleasing to note that a number of the basic errors highlighted in previous examiner reports have been rectified. In particular candidates seem to have come to grips with the treatment of deposit interest and dividend income.

Those candidates who failed to score high marks made the following errors:

Incorrect calculation of the assessable Case I income.

Failure to assess the VHI premium paid by the employer as a BIK and failure to allow a tax credit at 20%..

Including the Post Office Savings Interest as assessable income.

Failure to restrict the PAYE tax credit due to Jimmy.

### **Question 2**

This question tested the candidates' knowledge of the PAYE/PRSI system.

Solutions were generally good with many candidates scoring high marks.

Candidates are advised to clearly show the basis used in calculating the tax due. In this case the emergency basis applied. Few candidates clearly stated this fact.

The calculation of take home pay continues to be a problem for many candidates. Many candidates failed to exclude the BIK in this calculation.

### **Question 3**

This question tested the candidates understanding of the VAT system and the ability to quantify the amount of VAT due for a VAT period.

Many candidates have difficulty laying out an answer to this type of question. Many solutions were poorly presented and difficult to follow.

Many candidates did not provide an explanation for the treatment of adjustments made. It is important to provide an explanation and in most cases only a line or two is required. In addition, when the question suggests that errors have been made it is advisable that candidates cross check the figures to ensure they balance. This is a good way to ensure that the calculations are correct.

### **Question 4**

This was a multiple-choice question. The solutions presented were broadly in line with previous examination sittings.

**Question 5**

This was the least popular question in the examination.

## Part (a)

This part of the question required candidates to demonstrate knowledge of the cessation rules.

In general this part was poorly answered. Very many candidates failed to demonstrate an understanding of the topic and too many had little structure to the presentation of their solution. This resulted in solutions presented which were difficult to follow and low marks were awarded to many. Candidates are reminded that a well presented answer will often gain more marks and are encouraged to lay out their answers as clearly as possible.

## Part (b)

This part required an understanding of the VAT treatment of gifts.

This part was well answered by many candidates.

## Part (c)

This was a narrative question requiring the candidates to outline the treatment of expenses paid by an employer to employees.

This part was well answered by many however, quite a number of candidates were unable to explain the correct treatment applicable. This is important and

**Question 6**

This question required the preparation of an adjusted profit computation.

This was a popular question which was well answered. Presentation was generally good with solutions well laid out and easy to follow.

The main areas where candidates failed to pick up marks included:

Deducting the loss on the sale of the cash register rather than adding it back.

Failure to adjust for the balance of P35 paid.

Incorrect treatment of the capital element of the loan repayments.

Incorrect add back in respect of the van lease payments.