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# **Taxation** **Republic of Ireland**

1<sup>st</sup> Year Examination

**August 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: Autumn 2013**

### **TAXATION (Republic of Ireland)**

Monday 26<sup>th</sup> August 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
- P9/P11 Tax Deduction Card (QUESTION 5)

**SECTION A**

**Answer ALL THREE questions in this section**

**QUESTION 1**

Barry and Philomena were married in June 2011. Details of their income and outgoings for the 2012 tax year are as follows:

**Income:**

Barry was an employee of AAA Ltd. up to the 31 March 2012. Form P45 received shows Pay €17,600 and PAYE deducted €4,220.

While employed by AAA Ltd. Barry had the use of a company car. The car was purchased second-hand by the company in April 2011 for €23,000 but the original cost when purchased new amounted to €30,000. AAA Ltd. paid all motor expenses and Barry paid €100 per month to the company in respect of private motoring. Business kilometres travelled by Barry in the period to the date of leaving amounted to 9,500 kilometres.

On the 1<sup>st</sup> May 2012, Barry commenced employment with XXX Ltd. He was paid a monthly salary of €4,800 with PAYE of €1,200 deducted monthly.

XXX Ltd. provided Barry with a monthly train ticket for travelling to and from work at a cost of €90 per month.

Philomena is an employee of ZZZ Ltd. In the 2012 tax year she earned €20,200 with PAYE deducted of €1,200. Philomena's employment ceased on the 30 September 2012 and in the period to the end of December 2012 she was in receipt of maternity benefit of €2,400 from the Department of Social Protection.

Philomena also received investment income as follows:

- Interest on Government Securities received gross amounting to €550.
- Interest from monies on deposit with Big Bank Plc amounting to €175 received net of deposit interest retention tax at 30%.
- Credit union interest received gross of €34.

**Outgoings**

The mortgage interest on family home loan is €3,200

This interest was paid to Big Bank Plc and tax relief was granted at source.

Philomena used her car in travelling to and from work. She estimates the motor expenses incurred in making these trips amounted to €400.

**Requirement:**

Prepare an income tax computation for 2012 assuming Barry and Philomena are separately assessed.

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

**Total 20 Marks**

**QUESTION 2**

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] Rental income from a property located in London is taxable under:
- (a) Schedule D Case II
  - (b) Schedule D Case III
  - (c) Schedule D Case IV
  - (d) Schedule D Case V
- [2] Peter is married and aged 67 years. His wife Breda is aged 61 and has no sources of income. Peter is a sales manager for the local garage and is paid weekly. His weekly tax credit for PAYE purposes for the 2012 tax year is most likely to be:
- (a) €63.46
  - (b) €95.19
  - (c) €99.90
  - (d) €104.62
- [3] ABC Ltd. recently commenced trading as a retailer of ladies fashions. The company is obliged to register for VAT if its annual turnover exceeds or is likely to exceed:
- (a) €50,000
  - (b) €75,000
  - (c) €100,000
  - (d) €125,000
- [4] AAA Ltd. accounts for VAT on a cash receipts basis. In the year ended 31 December 2012 the business records show the following VAT inclusive figures:
- |                                      | €       |
|--------------------------------------|---------|
| Opening debtors:                     | 56,100  |
| Sales to credit customers            | 458,000 |
| Sales to cash customers              | 269,500 |
| Cash collected from credit customers | 425,900 |
| Closing debtors                      | 88,200  |
- If the VAT rate applicable is 23% the VAT on sales amounts to:
- (a) €79,640
  - (b) €136,037
  - (c) €130,034
  - (d) None of the above
- [5] BBB Ltd. provided a loan of €20,000, interest free, to an employee for the period 1 February 2012 to the 1 July 2012. The employee used the money to buy a new car for use in travelling to and from work. The amount assessable as a BIK for 2012 is:
- (a) €1,042
  - (b) €1,250
  - (c) €417
  - (d) €500

**QUESTION 2 (Cont'd)**

- [6] In January 2012 Eileen received €163.80 deposit interest net of D.I.R.T. The amount of D.I.R.T. deducted from the deposit interest paid amounts to:
- (a) €49.14
  - (b) €70.20
  - (c) €44.23
  - (d) €60.58
- [7] Sally is registered for VAT. As a gesture of goodwill to her employees Sally spent €480 on a staff Christmas party. The amount of VAT reclaimable by Sally is:
- (a) Nil
  - (b) €39.63
  - (c) €43.20
  - (d) None of the above.
- [8] Kathleen commenced self-employment on the 1<sup>st</sup> July 2012. The adjusted profit per accounts for the year ended 30 June 2013 amounted to €36,000. If this is Kathleen's only source of income the amount of PRSI payable for the 2012 tax year amounts to:
- (a) Nil
  - (b) €720
  - (c) €1,440
  - (d) None of the above
- [9] Stefan commenced employment in week 10 of the 2012 tax year. He supplied his employer with his PPS number but did not have a certificate of tax credits. His gross pay for the week amounted to €450. The amount of PAYE deducted for week 10 is most likely to be:
- (a) €58.27
  - (b) €90.00
  - (c) €184.50
  - (d) None of the above
- [10] Paulo is registered for VAT. In 2012 he supplied goods with a sales price of €8,000 to a customer in Northern Ireland. Paulo did not charge VAT on the transaction as he thinks the customer is registered for VAT in Northern Ireland. The VAT rate applicable to the supply of the goods in the State is 23%.
- Paulo is obliged to remit VAT to the Revenue in connection with this transaction amounting to:
- (a) €1,840.00
  - (b) Nil
  - (c) €1,495.93
  - (d) €1,680.00

**QUESTION 3**

- (a) Certain income is exempt from Income Tax. List four of the most common types. **4 Marks**
- (b) There are certain benefits that are specifically exempted from any charge to Income Tax under the benefit in kind legislation. Provide details of any three of these benefits. **6 Marks**
- (c) Outline the tax implications for the employer and employee where an employer pays medical insurance premiums on behalf of an employee. **6 Marks**
- (d) Explain the difference between the Income Tax treatment of interest earned on an ordinary/regular share account in a Credit Union and interest earned on a special share account with a Credit Union. **4 Marks**

**Total 20 Marks**

**SECTION B****Answer TWO of the three questions in Section B****QUESTION 4**

Mister Toy Ltd. operates a business selling educational toys. The company accounts for Value-Added Tax (VAT) on an invoice basis.

The following information has been extracted from the records of the company:

**Purchases Book**

<b>Period</b>	<b>Total</b>	<b>Not for Resale 23%</b>	<b>Not for Resale 13.5%</b>	<b>Not for Resale Zero%</b>	<b>Resale 23%</b>	<b>VAT</b>
	€	€	€	€	€	€
Nov/Dec	147,526	18,400	7,890	56,800	48,080	16,356

On examination of the purchases book the following was noted:

- The Not for Resale 23% column and the VAT column includes invoices for petrol amounting to €984 VAT inclusive. 50% of the petrol refers to the private motoring of the directors of the company. The balance is used by the sales manager in travelling to business customers.
- The company imports toys from Italy. During November/December the toys imported amounted to €48,600. The bookkeeper was unsure of the correct treatment for the invoices and included them in the Not for Resale Zero% column.
- In January 2013 invoices dated 28 December 2012 were received in respect of stock purchased for inclusion in the January sales. The invoices amounted to €5,535 including VAT at 23%. These invoices were paid on the 14 February 2013. The bookkeeper was not sure of the correct treatment for these invoices and they have not yet been recorded.

**Cash Book**

<b>Period</b>	<b>Total Receipts</b>	<b>Wages</b>	<b>Sundry Expenses</b>	<b>Bank Lodgements</b>
	€	€	€	€
Nov/Dec	214,980	8,275	1,650	205,055

Included in total receipts are receipts from accounts receivable and receipts from cash sales. An analysis of receipts shows the following:

<b>Period</b>	<b>Total receipts</b>	<b>Accounts Receivable</b>	<b>Cash Sales</b>
	€	€	€
Nov/Dec	214,980	158,900	56,080

**QUESTION 4 (Cont'd)****Sales Book**

An invoice is prepared in connection with sales to credit customers. A summary of the invoices issued to credit customers is as follows:

<b>Period</b>	<b>Total €</b>	<b>23% sales €</b>	<b>Zero % Sales €</b>	<b>VAT €</b>
Nov/Dec	269,665	189,500	36,580	43,585

Zero % sales refer to the export of toys to wholesale customers in the UK. U.K. VAT numbers have been received for the customers with the exception of one customer who failed to supply the relevant details. The total sale to this customer amounted to €5,500. The bookkeeper is under the impression that Zero % applies to all sales to UK customers.

**Requirement:**

- (a) Calculate the amount of VAT due/repayable for the year ended 31 December 2012 in respect of Mister Toys Ltd.

**15 Marks**

- (b) Explain, using relevant examples, the term 'self-supply' as it applies to Value Added Tax.

**5 Marks****Total 20 Marks**



**QUESTION 5**

You manage the payroll system for CRY Ltd. and the following details refer to two employees:

**Finbar Fuerty**

Finbar has been employed by CRY Ltd. for a number of years and is paid monthly.

His monthly salary amounts to €4,000 and in addition he has the use of a company car. The annual BIK in respect of the use of the car has been assessed as €4,800.

For the month of February 2012 Finbar took unpaid leave to look after his spouse who spent some time in hospital. While on leave he continued to have the use of the company car.

Finbar returned to work on the 1<sup>st</sup> March 2012.

**Sheila Condron**

Sheila is paid €355.00 per week. The following details have been extracted from the notification received from Revenue in respect of Sheila:

Weekly tax credit:	€62.69
Weekly cut off point:	€630.77

The normal USC weekly cut off points apply.

**Requirement:**

- (a) Complete the tax deduction card in respect of Finbar for the three months, January, February and March 2012.

You are required to clearly show the take home pay for each month.

**15 Marks**

- (b) Calculate Sheila's weekly take home pay.

**5 Marks**

**Total 20 Marks**

**QUESTION 6**

Sandra operates as a newsagent and has been in business for a number of years. The following accounts have been prepared for the year ended 31<sup>st</sup> July 2012.

	Notes	€	€
Sales			675,600
Opening stock		59,200	
Purchases		<u>559,100</u>	
		618,300	
Closing stock		<u>(65,890)</u>	
Cost of sales			<u>(552,410)</u>
Gross Profit			123,190
<u>Add</u>			
Bad debt recovered		1,520	
Dividends received		6,500	
Rental income received		<u>8,600</u>	
			<u>16,620</u>
			139,810
<u>Less</u>			
Staff costs	1	57,600	
Advertising	2	825	
Legal fees	3	1,170	
Interest	4	2,850	
Discount allowed		450	
Repairs	5	5,390	
Postage and stationery		1,350	
Telephone	6	2,200	
Depreciation of fittings		3,725	
Motor expenses	7	11,800	
Heat and light	8	1,970	
Rates	9	3,215	
Accountancy fees	10	1,200	
Sundry	11	1,880	
			<u>(95,625)</u>
Net profit			<u>44,185</u>

**QUESTION 6 (Cont'd)****Notes:**

(1)	<i>Staff Costs</i>	€
	Drawings taken by Sandra	19,500
	Health and safety course	1,200

The course cost €300 per participant and was attended by Sandra, her sister Patricia and two employees. Patricia is attending university and hopes the course will help her gain employment when she finishes her degree.

	Staff wages	36,900
	The staff wages includes an amount of €12,000 paid to Peter, Sandra's husband who looks after the bookkeeping for the business on a part time basis.	<u>          </u>
		57,600

(2)	<i>Advertising</i>	€
	Part time shop staff	375
	Rented premises	200
	Child-minder	<u>250</u>
		825

Sandra hoped her husband Peter could join her in the business on a full time basis. With this in mind she advertised for a child minder and the successful candidate commenced employment in June 2012.

Wages of €1,000 and employer's PRSI of €85 have been included in the staff costs at (1) above in respect of the child minder.

(3)	<i>Legal fees</i>	€
	Unfair dismissal claim by former employee	460
	Setting up limited company	550
	Letting agreement for rented property	<u>160</u>
		1,170

Sandra ceasing trading as a sole trader in December 2012 and transferred the newsagency business to a limited company.

(4)	<i>Interest</i>	€
	Term loan interest	598
	(The term loan was used to replace a business bank overdraft)	
	Mortgage interest	1,802
	(A tracker mortgage taken out to renovate the shop premises)	
	Credit union loan interest	450
	(Used to purchase furniture for the rented premises)	
		<u>          </u>
		2,850

(5)	<i>Repairs</i>	€
	Repair of damaged shop window	890
	New shelving for shop premises	2,500
	Cash register	<u>2,000</u>
		5,390

The cash register cost €3,200 but a trade-in allowance of €1,200 was received for the old cash register.

**QUESTION 6 (Cont'd)**

- (6) *Telephone*  
 15% of the telephone costs refer to Sandra's private use.  
 Sandra estimates that 10% of the telephone costs are in respect of private calls made by employees.  
 Sandra has not included the bills in relation to the home telephone amounting to €1,800. 40% of the calls from home relate to business use.
- (7) *Motor Expenses* €  
 Repairs 2,100  
 This figure includes €800 for replacement of faultybrakes. The problem with the brakes was discovered while Sandra and her family were on holidays in France and was paid to a garage in Paris.
- |                                |              |
|--------------------------------|--------------|
| Fuel                           | 1,750        |
| Depreciation of motor vehicles | 3,250        |
| Purchase of van for shop use   | <u>4,700</u> |
|                                | 11,800       |
- Motor vehicles are used 20% of the time for family use.
- (8) *Heat and Light* €  
 Shop premises 1,770  
 Rented property 200  
1,970
- In addition Sandra paid €1,800 for heat and light in respect of her private residence. She estimates that 25% of this amount is business related as part of the house is used as an office and for storage.
- (9) *Rates*  
 This figure includes €200 in respect of Non Principal Private Residence charge and €200 household charges. The balance is business rates.
- (10) *Accountancy Fees*  
 The fee refers to the preparation of VAT, PAYE/PRSI and income tax returns.
- (11) *Sundry*  
 All allowable

**Requirement:**

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

**Total 20 Marks**

# 1st Year Examination: August 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****Barry and Philomena****Income Tax Computation 2012 based on Separate Assessment****Barry**

€

<b>0.5</b>	Sch E	AAA Ltd		17,600	
		BIK		1,050	
<b>2</b>					18,650
		XXX Ltd		38,400	
<b>0.5</b>	1	Train ticket		Exempt	
					38,400
					57,050

## Tax

<b>1</b>	Philomena		32,800	20%	6,560.00
			9,000	20%	1,800.00
<b>3</b>			15,250	41%	6,252.50
					14,612.50

## Tax credit

<b>0.5</b>	Single			1,650	
		PAYE		1,650	
<b>0.5</b>					3,300
					11,312.50

PAYE deducted 4,220.00

<b>1</b>	PAYE deducted	8 months	9,600.00	
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13,820.00

Refund due -2,507.50

**Barry****Company Car BIK**

Business Kilometres in 3 months	9,500
Annual equivalent	38,000
BIK 18%	
MV of car when new	30,000
BIK 18%	5,400
Time apportioned 3 months	1,350
Contribution €100 per month	300
	1,050



**Solution 1 (Cont'd)**

**Philomena**

0.5	Sch E	ZZZ Ltd		20,200		Lower income spouse	
2		Maternity benefit		Exempt		20% rate band	23,800
						Used	20,784
					20,200		
1	Sch D	Case III Interest on Government Securities		550			
1		Case III Credit Union Interest		34			
1		Case IV Deposit Interest	(175/.7)	250		<b>Joint Assessment</b>	
					834	20% rate band	41,800
					21,034	Lower income spouse	20,784
		Tax					62,584
0.5			20,784	20%	4,156.80		
1			250	30%	75.00	<b>Single Assessment</b>	
			21,034		4,231.80	Barry 20% Band Rate	32,800
						Philomena 20% Band Rate	20,784
		Tax credits					53,584
0.5		Single		1,650			
0.5		PAYE		1,650		Transfer to Barry	9,000
					3,300		
					931.80		
0.5		DIRT		75			
0.5		PAYE Paid		1,200			
					1,275		
		Refund due			-343.20		
0.5		Mortgage interest - allowed at source					
0.5		Travelling to and from work - not allowable					

**Total: 20**

**Solution 2**

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



**Solution 3****Marks  
Allocated****(a) Exempt Income****Any 4  
(1 Mark  
Each)**

Social Welfare Child Benefit Payments  
 Statutory Redundancy Payments  
 Lottery and Betting Winnings  
 Life Assurance Proceeds  
 Interest paid on An Post Saving certificates and Instalment Saving Scheme  
 Certain rental income up to €10,000 per annum

**(b) Exempt Benefits****Any 3  
(2 Marks  
Each)**

The provision of living accommodation for an employee required to live on the premises because of the nature or tradition of the trade.

Expenses incurred by an employer in the provision of free or subsidised canteen meals provided to all staff.

Expenses incurred by an employer in providing a monthly bus or train pass to employees.  
 The provision of a bicycle and equipment to an employee.

**(c) Medical Insurance Premiums paid by an employer****6**

The employee will be taxed on the total cost to the employer of paying medical insurance premiums on behalf of employees. As Tax Relief at Source applies the net premium paid by the employer to the medical insurance company is 80% of the gross premium. The employer must pay over the TRS element of the premium to the Revenue Commissioners. The value of the benefit to the employee is the total cost to the employer. A tax credit is given to the employee for the amount of the TRS.

**Solution 3 (Cont'd)****(d) Credit Union Accounts**

An ordinary/regular share account will have no tax deducted from the interest and the interest will be taxed under Case III. Credit Union deposit accounts are liable to DIRT deducted at 30% from the interest paid and taxable under Case IV.

**4****Total : 20**

**Solution 4****Marks  
Allocated****(a)****Nov Dec****Input VAT**

	VAT per purchases book			16,356
2	VAT on Petrol			-184
2	VAT on Imports	48,600	23%	11,178
2	Dec invoices not recorded			1,035
				28,385

**Output VAT**

2	Cash Sales €56,080	VAT content		10,486
2	Credit Sales per Sales Book	€189,500		43,585
2	Invoice incorrectly treated €5,500			1,028
2	VAT on Imports	48,600	23%	11,178
				66,277

<b>1</b>	<b>VAT due</b>			<b>37,892</b>
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**(b)****Self Supply**

A VAT registered person must account for VAT on self supplies.

**5** A self supply will arise when a Vat registered person purchases goods for his business, claims an input credit for the VAT paid on the purchase and subsequently takes the goods out of the business for either:

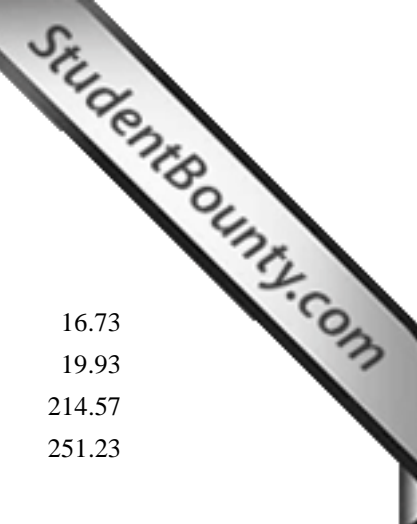
To use the goods personally

or

To use the goods in a VAT exempt activity.

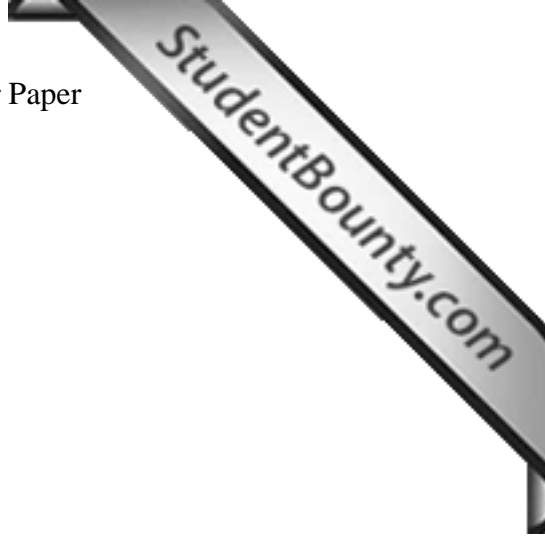
He must account for VAT on the goods as if he sold them.

**Total: 20**



**Solution 5**

Marks Allocated	Finbar Fuerty			Marks Allocated	Take home Pay		Marks Allocated	USC		
	Month 1/3				Month 1			836.33	2%	16.73
					Pay	4,000.00		498.33	4%	19.93
<b>1</b>	Gross Salary incl. BIK €400		4,400.00		Deduct			3,065.34	7%	214.57
	EE PRSI				PRSI EE	154.00	<b>1</b>	4,400.00		251.23
	550.00	0%	0.00		PAYE	958.33				
	3850.00	4%	154.00		USC	251.23				
<b>1</b>	4400.00		154.00							
				<b>0.5</b>		1,363.56				
						2,636.44				
	ER PRSI				Month 2					
	4400	10.75%	473.00		Pay	0.00		1,672.66	2%	33.45
<b>1</b>	Total PRSI		627.00		Deduct			996.66	4%	39.87
	Month 2				PRSI EE	0.00		2,130.68	7%	149.15
	Gross Salary		400.00		PAYE	-541.66		4,800.00		222.47
<b>1</b>	EE			<b>1</b>	USC	-28.76		Paid		251.23
	400.00	0%	0.00		Refund	-570.42	<b>2</b>	Refund		-28.76
						570.42				
	ER				Month 3					
	400.00	4.25%	17.00		Pay	4,000.00		2,508.99	2%	50.18
<b>1</b>	Total PRSI		17.00		Deduct			1,494.99	4%	59.80
					PRSI EE	154.00		5,196.02	7%	363.72
					PAYE	818.33		9,200.00		473.70
					USC	251.23		Paid		222.47
								Due		251.23
<b>4</b>	Form completion			<b>0.5</b>		1,223.56	<b>1</b>			
						2,776.44				



**Solution 5 (Cont'd)**

**Sheila Condron**

<b>1</b>	Gross Pay		355.00
	PAYE		
	355.00	20%	71.00
	Tax Credit		62.69
<b>1</b>			8.31
	EE PRSI		
	127.00	0%	0.00
	228.00	4%	9.12
<b>1</b>	355.00		9.12
	USC		
	193.00	2%	3.86
	115.00	4%	4.60
	47.00	7%	3.29
<b>1</b>	355.00		11.75
	Take Home		
	Pay	355.00	
	PAYE	8.31	
	EE PRSI	9.12	
	USC	11.75	
<b>1</b>		325.82	

**Total 20**

**Solution 6**

**Adjusted Profit Computation Question**  
**Sandra**  
**Accounts for the year ended 31st July 2012**  
**Schedule D Case I**

	€	€	
Net Profit per accounts		44,185	
Add backs/(deduct)			
Dividends received	(6,500)		0.5
Rent received	(8,600)		0.5
Depreciation of fittings	3,725		0.5
Staff Costs			
Drawings	19,500		0.5
Health and safety course Patricia	300		1
Peter's wage	-		1
Child-minder	1,085		1
	20,885		
<b>Advertising</b>			
Rented premises	200		0.5
Child-minder	250		1
	450		
<b>Legal Fees</b>			
Setting up limited company	550		1
Letting agreements	160		0.5
	710		
<b>Interest</b>			
Term loan and Mortgage	-		1
Credit union interest	450		1
	450		
<b>Repairs</b>			
New shelving	2,500		0.5
Cash register	2,000		1
	4,500		
<b>Telephone</b>			
Sandra's private use	2,200*15%	330	1
Employee calls	-		0.5
Home telephone	1,800*40%	-720	1
		(390)	
<b>Motor expenses</b>			
Faulty brakes	-		1
Depreciation	3,250		0.5

Taxation ROI

August 2013

per

**Solution 6 (Cont'd)**

Van		4,700	
Private use	(2,100+1,750)*20%	770	
			8,720
<b>Heat and Light</b>			
Rented Property		200	0.5
Private residence	1,800*25%	-450	1
			-250
<b>Rates</b>			
Non PPR and Household Charge		400	1
			24,100

**Schedule D Case I - tax adjusted profits** **68,285**

**Total: 20**

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# 1st Year Examination: August 2013

## Taxation ROI

### Examiner's Report

Statistical Analysis – By Question						
Question No.	1	2	3	4	5	6
Average Mark (%)	51%	39%	34%	42%	52%	60.5%
Nos. Attempting	102	102	92	34	74	97

Statistical Analysis - Overall	
Pass Rate	47%
Average Mark	46%
Range of Marks	Nos. of Students
0-39	33
40-49	22
50-59	30
60-69	10
70 and over	8
<b>Total No. Sitting Exam</b>	<b>103</b>
<b>Total Absent</b>	<b>54</b>
<b>Total Approved Absent</b>	<b>5</b>
<b>Total No. Applied for Exam</b>	<b>162</b>

#### General Comments:

The pass rate in this examination was 47% . This compares to the pass rate of 51% achieved in the autumn 2012 examination.



**Question 1**

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

The solutions were well presented and easy to follow however, very few candidates made reference to separate assessment and most computations presented were based on single assessment.

A large number of candidates have problems quantifying the amount of assessable BIK. This is disappointing as this topic features regularly in income tax questions and will continue to do so in future examinations.

Common errors included:

- Incorrect treatment of the monthly train ticket provided and the maternity benefit received.
- Incorrect rate bands used particularly at the 20% rate
- Failure to include a 30% rate band due to the deposit interest received

**Question 2**

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

**Question 3**

This narrative question tested the candidates understanding of a number of topics relevant to Income Tax.

Overall the solutions presented were very poor. It is clear that many candidates find difficulty in presenting narrative type solutions. Time should be taken in planning an answer to such questions to ensure that the salient points are covered in solutions presented.

It is a feature of this examination that candidates will be required to present narrative answers and it is suggested that practice is needed on the part of candidates in preparing for this type of question.

**Question 4**

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

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

Many candidates displayed a lack of knowledge of the basics of VAT.

- (b) This part of the question required students to explain the term self-supply.

Solutions presented were mixed with a failure of many to provide relevant examples.

**Question 5**

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

Solutions were generally poor with many candidates having difficulty calculating the correct amount of USC payable. Very few calculated the USC on a cumulative basis.

It was disappointing to note the number of candidates who were unable to correctly complete the tax deduction card.

**Question 6**

This question required the preparation of an adjusted profit computation.

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

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

- Incorrect treatment of the health and safety course. Very many candidates added back the cost of Patricia attending the course.
- Failure to add back the cost of setting up a limited company.
- Incorrectly adding back the term loan and mortgage interest.
- Failure to correctly quantify the correct add back for motor expenses. This seems to be a feature in recent examinations.