



**NAMIBIA UNIVERSITY  
OF SCIENCE AND TECHNOLOGY  
FACULTY OF COMMERCE, HUMAN SCIENCES & EDUCATION**

**DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE**

<b>QUALIFICATION : BACHELOR OF ACCOUNTING</b>	
<b>QUALIFICATION CODE: 07BAOC</b>	<b>LEVEL: 7</b>
<b>COURSE CODE: GTA711S</b>	<b>COURSE NAME: TAXATION 310</b>
<b>SESSION: JULY 2024</b>	<b>PAPER: THEORY &amp; APPLICATION</b>
<b>DURATION: 3 HOURS</b>	<b>MARKS: 100</b>

<b>SECOND OPPORTUNITY EXAMINATION QUESTION PAPER</b>	
<b>EXAMINER(S)</b>	Mrs. Y van Wyk, Mr. T Elago & Mrs G Uises
<b>MODERATOR:</b>	Ms. F Haimbala

<b>INSTRUCTIONS</b>
<ol style="list-style-type: none"><li>1. This question paper is made up of FOUR (4) questions.</li><li>2. Answer ALL the questions and in blue or black ink.</li><li>3. Start each question on a new page in your answer booklet.</li><li>4. Draw a line through all unused spaces in your answer booklet.</li><li>5. The names of people and businesses used throughout this examination paper do not reflect reality and may be purely coincidental.</li><li>6. Questions relating to this examination may be raised in the initial 30 minutes after the start of the paper. Thereafter, candidates must use their initiative to deal with any perceived error or ambiguities &amp; any assumption made by the candidate should be clearly stated.</li></ol>

**THIS QUESTION PAPER CONSISTS OF 7 PAGES (excluding this front page)**

**QUESTION 1****(30 MARKS)**

Tanya Adams, a resident of Namibia who completed her master's degree in sports science, started a fitness gymnasium business called Stay-Fit Entity, in Windhoek. She signed a 15-year lease agreement for a gym in Olympia, Windhoek, on 01 August 2023. A monthly rental of N\$10 000 is payable from the commencement of the lease. In addition, she is obliged to improve the gym at a cost of N\$1 500 000. A lease premium of N\$80 000 was also payable on 01 August 2023. The improvements were completed on 01 January 2024 at a cost of N\$1 300 000.

The statement of profit or loss for the year of assessment 2024 revealed a net profit before tax of N\$2 350 000 before the following amounts were taken into account:

**Receipts and Accruals:**

Local dividends were received from Sanlam Namibia, N\$50 000.  
Interest from a loan granted to her lazy brother, N\$11 000.

**Expenses:**

Employee benefits expenses totalling N\$400 000 were paid to employees. This amount consists of:

Permanent employees	N\$ 300 000.
Non-permanent employees	N\$ 17 000.
Pension fund contribution for permanent staff	N\$ 33 000.
Medical aid contributions (employer only)	N\$ 50 000.

**Administrative expenses:**

Rent expenses (Gym in Olympia)	N\$70 000.
Municipality costs	N\$28 000.
Telephone expenses	N\$24 000.
Repairs and Maintenance	N\$18 000.

**Annuities paid to employees:**

On 1 September 2023 one of the employees, Uncle Jay, was killed during the repairs done to the gym. Due to the poor financial status of his widow, the business decided to pay her an annuity of N\$2,000 per month for the next 2 years. On the same day, James, who is currently employed by Stay-Fit Entity was injured in the same accident. Due to the severity of his injuries, he will not be able to take up employment. An annuity of N\$5,000 per month is payable to him.

**Credit losses:**

An interest free loan was granted to Uncle Jay on 1 March 2023 to enable him to do repairs on his private vehicle. Tanya Adams decided not to recover the sum from Uncle Jay's widow. The amount of the loan was N\$50,000.

**Provision for credit losses:**

Stay-Fit considers 5% of the outstanding accounts receivable to be doubtful.

The outstanding accounts receivables (excluding the loan interest relating to Uncle Jay above) for the 2023 year of assessment amounted to N\$75,000 and N\$130,000 for the 2024 year of assessment.

**Other:**

Stay-Fit incurred other tax-deductible expenses of N\$20,000.

Tanya also purchased a gym equipment at a cash price of N\$200,000. Delivery and transport charges were N\$5,000 and a total amount of N\$ 15 000 has been paid as import duties (customs and exercise) on the gym equipment.

**Depreciation:**

PPE ITEM	Purchase date	Cost Price	Depreciation policy
Honda Bike	1/8/2023	25,000	5 years, straight line method
Gym Equipment	1/7/2022	200,000	2 years, straight line method
Office Furniture	1/1/2024	100,000	4 years, reducing balance method

**REQUIRED:**

Calculate the taxable income of Tanya Adams for the year of assessment ending 29 February 2024. Commence your answer with the Net Profit before tax of N\$2 350 000. Provide reasons for the exclusion of any amount from your calculation. Show all workings. Round off all amounts to the nearest Namibian dollars (N\$). **(35)**

**QUESTION 2**

**(25 MARKS)**

Mr. Shikomba is a Namibian resident, he is a full-time farmer, farming in Omangetti area in the Northern side of Namibia. Mr. Shikomba never attended a formal University; therefore, he has no clue on Taxation of Farming. During the 2024 year of assessment, NamRA organized a seminar aimed at equipping all farmers on the importance of Taxation of Farming. It was at this Seminar, that you were approached by Mr. Shikomba to assist him with all the taxation issues on his farming business, subsequently you have agreed to assist.

Mr. Shikomba provided you with the following information for the 2024 year of assessment:

1. On the 28 February 2023, Mr. Shikomba together with his employees did a manual stock take of the animals. They counted 7 bulls, 250 cows, 125 oxen, and tollies and heifers were 170. 160 were also counted on the same day.
2. During the year under review, the area where Mr. Shikomba farms received good rainfall, which resulted in 210 calves being born.
3. In August 2023, Mr. Shikomba's Grandfather passed on due hyperkalemia. As a norm Mr. Shikomba took 20 cows for himself, that were owned by the deceased. He also had to transfer 20 tollies and heifers and 95 calves to the Otjimbingwe farm. In the same month he received 40 cows, 8 oxen and 30 tollies and heifers as result of the transfer to his farm.
4. In September, he sold 100 Oxen and 40 cows at price of N\$7 500 and N\$5 000 respectively. He intended to sell 10 calves but unfortunately, they got stolen at the selling pan.
5. Mr. Shikomba donated 3 oxen to the Queen of Ondonga kingdom, her majesty Adelheid Nangolo.
6. During the current year of assessment, he slaughtered 2 oxen for home consumption and lost 10 calves and 4 tollies and heifers due to foot and mouth disease. He decided to replace them at a price of N\$3 500 and N\$2 500, respectively.
7. The following are a list of balance of Mr. Shikomba's Receipts and Accruals:

	N\$
Road construction paid	(7 000)
Fencing expenses	(10 000)
Cottage for farm workers paid	(250 000)
Income from leasing farm tractor	5 000
Land rentals received	20 000
Accounting fees paid	(3 500)
Bank charges	(450)
Fuel and oil	(2 300)
Ration for workers	(1 800)
New tractor acquired	(350 000)
Veterinary surgeons' fees	(900)
Wages	(4 000)
Telephone expenses	(630)
Grazing fees received	30 000
Subsidy received on sale of cows	7 500
Insurance paid	(3 000)

**REQUIRED:**

Calculate the taxable income of Mr Shikomba's farming operations for the year of assessment ending 29 February 2024. Your answer should comply with the Namibian Tax legislation relating to farming operations. Show all workings. Round off all amounts to the nearest Namibian dollars (N\$). (25)

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**QUESTION 3****(30 MARKS)**

A few years ago, while on vacation, Mike, John and Andy decided to start a partnership called MJA Stationers. They sell stationery and are located in Windhoek. The partners share profits and losses in a ratio of 4:2:3.

**An extract from the Statement of Profit and Loss for the 2024 year of assessment follows:**

Revenue	987 500
Other Income (Note 1)	54 000
Profit on disposal of assets	6 000
<b>Expenses</b>	
Salaries	
Mike	263 000
John	187 000
Andy	202 000
Depreciation (Note 2)	146 000
Bad debts	11 000
Rent paid (Note 3)	165 000
Interest on capital	
Mike	7 000
John	5 000
Andy	6 000
Retirement annuity fund contribution (Note 4)	162 000
Insurance policy (Note 5)	20 000

**Notes:**

1. Included in other income is an amount of N\$5 000 interest received from First National Bank of Namibia in favour of John. There is also an amount of N\$8 500 received from a debtor who was previously written off as a bad debt. The rest of the other income relates to printing services that MJA Stationers provides at an ad hoc basis.

2. Depreciation was calculated as follows:
  - N\$30 000 for furniture and fittings that were acquired two years ago at a cost price of N\$150 000 with a depreciation rate of 20% per annum.
  - N\$116 000 on a vehicle that was purchased for N\$ 290 000 two years ago which a depreciation rate of 20%. During the year, the motor vehicle was sold for N\$180 000.
3. In April 2023 the business moved to new premises that are located at a more strategic location.

They entered into a lease agreement for a period of 60 months. As part of the agreement, they had to pay a lease premium of N\$50 000 and were obliged to do leasehold improvements to the value of N\$300 000. The improvements were completed on 30 June 2023 for a total sum of N\$250 000. The monthly rental is N\$15 000.
4. The partners make contributions to a Retirement Annuity Fund of N\$4 500 per partner per month.
5. Insurance premiums are paid in respect of a partnership survival policy.

**REQUIRED:**

Calculate the taxable income of Mike, John and Andy for the 2024 year of assessment. Provide reasons for amounts excluded in your calculation. Show all workings. Round off all amounts to the nearest Namibian dollars (N\$). **(30)**

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**QUESTION 4**

**(10 MARKS)**

Dress Mania, a manufacturer of clothing in Windhoek imports their raw material from India and China in order to make dresses, pants and other clothing. Dress Mania has a 30 June year-end, assume that this also represents their tax year.

During the year, the company imported a machine from England which will industrialize their current manufacturing process. The cost of the machine was US\$ 20,300.

The machine arrived in Walvisbay on 01 May 2023. Assume that on this date the risks & rewards have transferred to Dress Mania. The creditor will be paid in instalments of 50% each; the first instalment being due on 30 June 2023 and the 2<sup>nd</sup> instalment being due on 31 August 2023.

During the financial year, Dress Mania has also purchased 800 kilograms of white silk at Rupee (₹) 100/kg and 500 kilograms of Crimson coloured Silk at Rupee (₹) 120/kg. This shipment arrived on 30 November 2022, when the risks and rewards were transferred. The creditor was paid on 20<sup>th</sup> of December 2022.

The following exchange rates have been provided:

	N\$ to 1 US\$	N\$ to 1 Indian Rupee(₹)
30 June 2022	17.00	5.00
30 November 2022	16.50	5.50
20 December 2022	16.00	5.20
01 May 2023	17.50	4.80
30 June 2023	18.00	4.90
31 August 2023	16.50	4.50

**REQUIRED:**

Calculate the foreign exchange gain or loss that Dress Mania should take into account in their taxable income calculation for the year of assessment ending 30 June 2023. Clearly indicate whether the gain or loss is taxable or tax deductible. Show all workings. Round off all amounts to the nearest Namibian dollars (N\$). **(10)**

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## TAX TABLES

INDIVIDUAL INCOME TAX	
TAXABLE INCOME (N\$)	RATES OF TAX FROM YEARS OF ASSESSMENT ENDING 2023/ 2024 (N\$)
0 – 50 000	Not taxable
50 001 – 100 000	18% for each N\$ above 50 000
100 000 – 300 000	9 000 + 25% for each N\$ above 100 000
300 001 – 500 000	59 000 + 28% for each N\$ above 300 000
500 001 – 800 000	115 000 + 30% for each N\$ above 500 000
800 001 – 1 500 000	205 000 + 32% for each N\$ above 800 000
Above 1 500 000	429 000 + 37% for each N\$ above 1 500 000

## HOUSING BENEFITS

	1 room	2 room	3 room	4 room	5 room	6 room	7 room	8 room	8+ room
Windhoek	500	750	1,000	1,400	1,800	2,200	2,800	3,400	4,000
Walvis Bay	350	550	750	1,000	1,300	1,700	2,100	2,550	3,000
Large Towns	250	375	500	700	900	1,100	1,400	1,700	2,000
Small Towns	125	175	250	300	450	550	700	850	1,000

**END OF EXAMINATION PAPER**