



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

DEPARTMENT OF ACCOUNTING, ECONOMICS AND FINANCE

QUALIFICATION: BACHELOR OF ACCOUNTING	
QUALIFICATION CODE: 07BOAC	LEVEL: 7
COURSE: TAXATION 310	COURSE CODE: GTA711S
SESSION: JULY 2022	PAPER: THEORY & APPLICATION
DURATION: 180 MINUTES	MARKS: 100

SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINERS:	Mrs. Z van der Walt; Ms Y. Andrew & Mr Y. Elago
MODERATOR:	Mrs F. Haimbala

INSTRUCTIONS TO CANDIDATES
<ol style="list-style-type: none">1. This paper consists of 8 pages (excluding the cover page).2. Answer all the questions in the answer book in blue or black ink.3. Round off all amounts to the nearest Namibian Dollar, where applicable.4. The names of people or businesses used throughout this examination paper do not reflect the reality and may be purely coincidental.5. Questions relating to the examination paper may be raised in the initial 30 minutes after the commencement of the paper. Thereafter, candidates should use their own initiative to deal with any perceived error or ambiguities and any assumptions made by the candidates should be clearly stated.

QUESTION 1**(20 Marks)**

Cookie Lyon, 55-year-old Namibian citizen was an employee of "Empire State Records" since 1 March 2002. During the year she decided she has enough and resigned on 31 January 2022.

Her receipts and accruals for the 2022 year of assessment include:

1. A monthly salary of N\$40 000.
2. She received a motor vehicle allowance of N\$126 000 for the year whilst employed. Cost Price of the vehicle when bought in 2020 was N\$210 000. Fuel costs for the year was N\$24 100, maintenance and insurance were N\$19 000. The total kilometers travelled for the year was 41,000 of which 27,000 was for business purposes.
3. She also received a housing allowance of N\$9 000 per month. An approved housing scheme with the NAMRA is in place.
4. A cellular phone allowance of N\$300 per month. Her business calls amounted to N\$4 000 for the year. Cookie kept all the relevant records.
5. To show appreciation for her long service, Cookie was awarded N\$10 000 during March 2021.
6. On resignation, Cookie received N\$300 000 lump sum from the pension fund and N\$100 000 from ABC Records. She immediately transferred one third of the lump sum to an approved preservation fund.
7. The employer contributed 7% of Cookie's annual basic salary towards a pension fund. Cookie's contribution amounts to 10% of her basic annual salary.
8. She bought a computer from her employer for N\$2 000. The cost price when purchased in 2020, was N\$6 000 and the current market value is N\$3 000.
9. A monthly annuity of N\$1 500 as from 1 July 2016 received from Sanlam Namibia. She purchased the annuity for a cash consideration of N\$250 000. Her current life expectancy is 22.65 years.

REQUIRED QUESTION 1:	MARKS
Calculate the normal tax payable by Cookie Lyon for the 2022 year of assessment.	20

QUESTION 2**(10 Marks)**

Wilka (Pty) Ltd (Namibia) is invoiced (INV001) for inventory purchased amounting to 3000 Pula, by Nestor (Pty) Ltd (Botswana) on account on the invoice date. The exchange rate of Namibian Dollar (NAD) to Botswana Pula on the transaction date is 1:0.70. On settlement date, the exchange rate of NAD to Botswana Pula is 1:0.80.

REQUIRED QUESTION 2:

Journalise the above transactions on the following dates:

1. Transaction date
2. Settlement date
3. Assume the exchange rate on the settlement date is 1:0.60, record the journal reflecting this.

QUESTION 3**(30 Marks)**

Lameck supplies you with the following information for the year ended 28 February 2022.

	N\$
Annuity received	22 000
Cattle Sales	840 000
Maize sales	120 000
Grazing fees received	4 000
Land rentals received	8 000
Construction of dam - wages paid	8 000
Construction of dam - material purchased	13 900
Purchase of machinery - used for construction of dam	17 000
Cost of erection of fences	6 100
Cattle purchased	652 000
Interest paid on loan (<i>See note 3 below</i>)	6 000
General farming expenses - all deductible	210 000
Motor vehicle expenses (<i>See note 2 below</i>)	408 000

Notes:

1. Lameck received a refund of pension contributions on 1 March 2021 of N\$264 000 on withdrawal from the fund. He used N\$120 000 to purchase an annuity which will pay out for a period of 10 years at N\$2 000 per month as from 30 April 2021. His life expectancy at that date was 14,61 years. He used another N\$60 000 of the pension fund and paid it into an approved Provident fund.
2. He purchased a Toyota Hilux 4 x 4 during the year for N\$390 000 (including VAT). He used it on the farm as well as going on holiday and private and business trips to Otjiwarongo, Swakopmund, Windhoek etc. His logbook shows the following: Farm use 12 000 km. Holidays 15 000 km, going to town for business and private purposes 50/50. His total kilometer reading on 28 February 2022 was 63 000 km. He spent N\$18 000 on fuel, oil and maintenance during the year.
3. A loan was acquired to purchase the new Toyota Hilux 4 x 4 in note 2 above.

REQUIRED QUESTION 3:	MARKS
Calculate the taxable income of Lameck for the 2022 year of assessment.	30

QUESTION 4

(25 Marks)

Automated Fun Cars Ltd ("AFC") is a Namibian resident with a 31 December year end. It specializes in the manufacture and sale of various vehicles and vehicle accessories. **Ignore any VAT implications.**

The company recorded an accounting profit of N\$4 193 814, however, the bookkeeper has been known to make certain errors in respect of record keeping and IFRS compliance.

The company's Statement of Profit or Loss and Other Comprehensive Income for the year ending 31 December 2021 is shown below:

Line Item	Note	N\$
Revenue	1	16 058 935
Cost of Sales	2	(6 390 088)
Gross Profit		9 668 847
Patent	3	(25 000)
Salaries and Wages		(1 445 000)

Legal Expenses	4	(50 000)
Depreciation	5	(170 833)
Bad Debts Expense	6	(1 552 200)
Penalty paid to NamRA for late submission of tax returns	7	(220 000)
Warranty Provision Expense	8	(2 012 000)
Operating Profit		4 193 814
Net Profit		4 193 814

NOTES:

- On 1 November 2021 the company received a large payment to supply a security company with 2 custom made security trucks in the 2022 year. The upfront payment of N\$950 000 was received in cash to supply one security truck in March 2022 and one in August 2022. The full N\$950 000 was included by the bookkeeper. The other revenue in the Statement of Profit or Loss and other Comprehensive Income is correctly calculated in terms of accounting.
- The following could be relevant for the cost of sales line item:
 - The company purchased trading stock of N\$6 444 551 during the year.
 - As per the trial balance, the opening balance of trading stock was N\$2 300 500 and the closing balance N\$2 354 963.
- The company registered a patent in January 2021 and paid N\$25 000. The useful life of the patent is estimated at 10 years.
- The legal expenses were incurred to sue a newspaper for damage to the company's brand and public image after the newspaper made false and disparaging remarks about defects in AFC's vehicles. The dispute is ongoing at year-end.
- This depreciation relates to the following assets:

Asset	Cost	Current MV	Date of acquisition	Accounting Write off Period	Residual Value
Delivery truck	800 000	650 000	30-Jun-21	6 years	12 000
A 1 000 sqm manufacturing facility	750 000	750 000	01-Dec-21	20 years	90 000

Note: The manufacturing facility is used to manufacture motor vehicles and accessories.

6. The opening balance of the list for doubtful debts was N\$450 000 and by the end of the year the balance of the list had increased to N\$1 800 000 and related entirely to customer debt. The bookkeeper created an allowance for the movement of R1 350 000.

The following were the debts that had been written off during the year of assessment:

Name of Debtor	Type of Debt	Amount
East Rand Motors	Trading Debt	180 000
TK Distributors	Trading Debt	20 000
John Tshikambe	Employee Loan	1 000
John Tshikambe	Interest on loan given to employee	200

7. Penalty paid to NamRA for late submission of tax returns.
8. This provision was raised due to the warranty that was attached to the vehicles that were sold by AFC and the possibility that customers may bring products in for repairs at AFC's expense under this warranty. Therefore, AFC may incur future expenses in satisfying this obligation.

The following information has not yet been included in the Statement of Profit or Loss and other Comprehensive Income above, as the company's financial accountant is unsure of the correct accounting treatment:

- The company entered into a new lease for a building to store motor vehicles until they were sold. In terms of the lease which commenced on 1 September 2021 and ends on 30 August 2041, AFC would have to make improvements to the building to the value of N\$300 000. The improvements were completed on 30 November 2021 at a cost of N\$350 000. The lease rental is N\$43 478 per month and in terms of the lease AFC would have to pay an upfront premium of N\$150 000.
- During the year the company donated N\$60 000 to S O S Children's Village Association of Namibia (Registered as a Welfare Organization). The bookkeeper did not capture the transaction yet.
- On 1 December 2021 the company sold a luxury passenger vehicle that was used by the Managing Director. The vehicle was used since June 2020 when the cost price was N\$560 000. The vehicle was sold for N\$550 000. Depreciation is charged over 6 years, not apportioned and not in year of disposal. The bookkeeper did not account for any part of this transaction.

- The company needed new premises for the management and administration staff. AFC signed a 2-year rental contract on 1 October 2021. The contract required monthly payments of N\$13 680, payable on the last day of the month,

Additional Information:

NamRA considers manufacturing of vehicles to be a process of manufacture.

REQUIRED QUESTION 4:	MARKS
Starting with accounting net profit, calculate AFC's final taxable income for the 2021 year of assessment. Give reasons where applicable, including where no adjustment is needed.	25

QUESTION 5

(20 Marks)

YaToivo (Pty) Ltd ("YaToivo") manufactures and distributes Cuca beer. YaToivo has been registered for VAT since 2019. Mrs. Kaarina, a director of the company, wants to appoint you as the new Accountant; however, she first wants to test your VAT knowledge as it is an important attribute required from their Accountants. During YaToivo's current two-month VAT period (which ended on 30th November 2021) it entered into, amongst others, the following transactions.

1. Ya-Toivo sold three hundred crates of Cuca beer for cash to Shikulmbwati Bar in Windhoek.
2. Ya-Toivo sold three truckloads (a truckload consists of 700 crates) on credit to Protea (Pty) Ltd situated in Swakopmund.
3. Ya-Toivo sold and exported a 200 hundred crates of Cuca beer on credit to Singari (Pty) Ltd in Ruanda, Angola.
4. On the 15 November Ya-Toivo purchased two new vehicles. (1.) A new Hilux pickup truck for a Sales rep amounting N\$375 000 (VAT exclusive), that will be used in making taxable supplies. (2.) A new Mercedes Benz for the marketing manager, costing N\$265,000 (VAT exclusive). Ya-Toivo will pay Pupkewitz Toyota 30 days after the invoice date.
5. Wages for the cleaner amounted to N\$4,000 per month.
6. Advertising, printing, re-labeling and marketing costs relating to the new improved Cuca brands amounted to N\$555,350 (VAT inclusive)
7. Mrs. Kaarina adopted the practice where she will provide the employees with free office refreshments; this will create more productive employees. The costs of this benefit amount to N\$3,500 per month (VAT Inclusive). These expenses are paid out of the petty cash register.

NOTE:

Price list	Amount (Incl. VAT)
One crate	N\$200.00

REQUIRED QUESTION 5:	MARKS
1. What are the requirements to register as a VAT vendor in Namibia?	5
2. Calculate YaToivo's VAT liability relating to the above transactions for the two-month VAT period ending 30 November 2021.	15

Annexure A

Individual Income Tax

All individuals (incl. deceased estates and trusts) other than companies.

Taxable Income N\$	Rates of tax from years of assessment ending 2021/22 (N\$)
0 - 50 000	Not taxable
50 001 - 100 000	18% for each N\$ above 50 000
100 001 - 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 loans and mortgage subsidies

Housing loans provided to employees at a subsidised rate are taxable to the extent that the interest rate payable by the employee is less than 12% per annum (p.a.). The taxable value of housing benefits comprising free or subsidised housing is determined with reference to the location and size of the housing, as indicated in the following table:

	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 FINAL EXAMINATION – FIRST OPPORTUNITY

