



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

QUALIFICATION: BACHELOR OF ACCOUNTING	
QUALIFICATION CODE: 08BOAH	LEVEL: 8
COURSE CODE: ATX812S	COURSE NAME: ADVANCED TAXATION
DATE: JANUARY 2025	PAPER: THEORY AND CALCULATIONS
DURATION: 3 HOURS	MARKS: 100

2nd OPPORTUNITY EXAMINATION	
EXAMINER(S)	Dr. Moses Nyakuwanika
MODERATOR:	Mrs. Marian Amakali

INSTRUCTIONS
<ol style="list-style-type: none">1. Capture your full name, student number, mode of entry and assessment number on the first page2. Answer ALL the questions and manage your time properly.3. Number each page correctly4. Write clearly and neatly.5. Do not write in pencil and do not use tip-ex, as this will not be marked.6. The names of people and businesses used throughout this assessment do not reflect the reality and may be purely coincidental.7. SHOW ALL WORKINGS!

THIS QUESTION PAPER CONSISTS OF 5 PAGES (including the front page)

QUESTION 1

You are presented with the accounts of Chorley Ltd for the year ended 31 December 2023. Chorley Ltd runs a small printing business and the managing director wishes to know the amount of the companies adjusted trading profit for the year ended 31 December 2023.

	N\$	N\$
Gross profit from trading		25 620
Profit on sale of business premiss (1)		<u>1 750</u>
		27 370
Advertising	642	
Irrecoverable debts	75	
Depreciation	2 381	
Light and heat	372	
Miscellaneous expenses (2)	347	
Motor Car expenses (3)	555	
Rates	1 057	
Repairs and renewals (4)	2 598	
Staff wages (5)	12 124	
Telephone	351	
Total expenses		<u>(20 502)</u>
Profit before tax		<u>6 868</u>

Notes

- 1) The profit on the sale of premises relates to the sale of a small freehold industrial unit in which the company stored paper before building the extension.
- 2) Miscellaneous expenses included:

Subscription to printers' association	45
Contribution to local enterprise agency	50
Gifts to customers:	
Company calendars costing N\$ 7.5 each	75
Two food humpers	95

- 3) A director uses the motor car 75% for business purposes and 25% for private purposes.
- 4) Repairs and renewals comprise the following expenditure:

Refurbishing second hand press before it could be used in the business	522
Redecorating administration offices	429
Building extension to enlarge paper store in February 2023	<u>1 647</u>
	<u>2 598</u>

- 5) Staff wages include an amount of N\$182 for a staff Christmas lunch.

REQUIREMENT

You are required to calculate Chorley Ltd.'s adjusted trading profit for the year ended 31 December 2023 [25 marks]

NB: You should indicate using zero any items in accounts for which no adjustment is required.

QUESTION 2

- a) What are the options available to estate planning and what are the merits and drawbacks to each option [9 marks]
 - b) What are the objectives and importance of estate planning [9 marks]
 - c) What are the characteristics of a good estate plan [7 marks]
- TOTAL MARKS [25 marks]

QUESTION 3

- (a) Briefly explain how partners are assessed regarding their share of a partnership's trading profit. [5 marks]
- (b) Anne and Betty have been in partnership since 1 January 1997 sharing profits and losses equally. On 30 June 2020, Betty resigned as a partner and was replaced on 1 July 2020 by Chloe. The profits were then split in the ratio of 2:1 between Anne and Chloe. The partnership's trading profit is as follows:

	N\$
Year ended 31 December 2020	60, 000
Year ended 31 December 2021	72, 000

Anne and Betty each have unrelieved overlap profits of N\$3,000.

You are required to calculate the trading profit assessments of Anne, Betty and Chloe for 2020/21 and 2021/22. [10 marks]

- (c) Daniel and Elvis have been in partnership since 6 April 1995, making up accounts to 5 April. On 31 December 2020 Elvis resigned as a partner and was replaced on 1 January 2021 by Frank. For 2020/21 the partnership made a trading loss of N\$40,000, and this has been allocated between the partners as follows:

	N\$
Daniel	(20, 000)
Elvis	(15, 000)
Frank	(5, 000)

Each of the partners has investment income. None of them have any capital gains.

You are required to discuss how Daniel, Elvis and Frank can relieve their Trading losses for 2020/21.

[10 marks]

TOTAL MARKS

[25 marks]

QUESTION 4

The following is the statement of comprehensive income of a farmer for the year of assessment ended 29 February 2024:

	N\$
Livestock on hand: 28 February 2024	10 810
Sales:	
Bean crop	15 000
Livestock	78 040
Maize	168 000
Meat	19 755
Livestock on hand: 1 March 2023	11 270
Administration and general expenses (all allowable)	31 340
Depreciation of motor car and office furniture	1 250
Donations	100
Fertilizer	4 850
Foodstuff for livestock	4 200
Grain bags	3 000
Maintenance and repairs:	
Farm buildings	6 710
Implements	650
Lorries and tractor	1 100
Maize and potato seed	11 750
Petrol, oil and grease	1 300
Livestock purchases	48 000
Railage and transport	815
Rations for workers	2 450
Seed spray	3 500
Veterinary surgeon's fees	400
Wages – domestic servants	2 400
Wages – farm labourers	13 500
Net surplus	143 020

a) Details of livestock regulations (standard values elected by the taxpayer)

	Opening stock	Purchases	sales	Closing stock
Bulls	3@N\$50= \$150		1@N\$1 140	2N\$@50= \$100
Cows				
(3 years and over)	140@N\$40=\$5600	10@\$1 100=11 000	50@\$1 090=54 500	120@\$40=4 800
Oxen	30@\$40= \$1 200	10@\$1 050=10 500		55@\$40=2 200

Tollies and heifers				
(1-2 years)	100@\$30= \$3 000	50@530=26 500	40@\$560=22 400	90@\$30=2 700
(2-3 years)	80@\$14= \$1 120			55@\$14=770
Calves				
(under 1 year)	50@\$4= \$ 200			60@\$4=240
	403 \$11 270	70 \$48 000	91 \$78 040	382 \$10 810

- b) During the year the farmer and his wife consumed produce and livestock to an estimated cost of \$3 600.
- c) The following capital expenditure was incurred during the year:

New implements for farm	\$7 100
New tractor for farm	\$18 200
New irrigation equipment	\$6 000
New borehole	\$3 500
- d) The depreciation shown in the account exceeds the wear-and tear allowed by the Commissioner by \$100.
- e) At 28 February 2024 there was crop of maize growing on the land. It is estimated that the expenditure laid out on this crop and claimed in the statement of comprehensive income is \$850.
- f) There was no produce on hand at the beginning or end of the year of assessment.
- g) Expenditure on petrol, oil and grease includes \$650 for private motor-car expenses

REQUIREMENT:

Calculate the taxable income of the farmer for the year of assessment ending 28 February 2024. **[25 marks]**