Fundamentals Level – Skills Module

Taxation (United Kingdom)

Thursday 8 September 2016

Paper F6 (UK)

Time allowed: 3 hours 15 minutes

This question paper is divided into three sections:

Section A – ALL 15 questions are compulsory and MUST be attempted

Section B – ALL 15 questions are compulsory and MUST be attempted

Section C – ALL THREE questions are compulsory and MUST be attempted

Rates of tax and tables are printed on pages 2–4.

Do NOT open this question paper until instructed by the supervisor.

Do NOT record any of your answers on the question paper.

This question paper must not be removed from the examination hall.

Think Ahead ACCA

The Association of Chartered Certified Accountants

SUPPLEMENTARY INSTRUCTIONS

1. Calculations and workings need only be made to the nearest £.
2. All apportionments should be made to the nearest month.
3. All workings should be shown in Section C.

TAX RATES AND ALLOWANCES

The following tax rates and allowances are to be used in answering the questions.

Income tax

		Normal rates	Dividend rates
Basic rate	£1 – £31,785	20%	10%
Higher rate	£31,786 to £150,000	40%	32·5%
Additional rate	£150,001 and over	45%	37·5%

A starting rate of 0% applies to savings income where it falls within the first £5,000 of taxable income.

Personal allowance

Personal allowance	£10,600
Transferable amount	£1,060
Income limit	£100,000

Residence status

Days in UK	Previously resident	Not previously resident
Less than 16	Automatically not resident	Automatically not resident
16 to 45	Resident if 4 UK ties (or more)	Automatically not resident
46 to 90	Resident if 3 UK ties (or more)	Resident if 4 UK ties
91 to 120	Resident if 2 UK ties (or more)	Resident if 3 UK ties (or more)
121 to 182	Resident if 1 UK tie (or more)	Resident if 2 UK ties (or more)
183 or more	Automatically resident	Automatically resident

Child benefit income tax charge

Where income is between £50,000 and £60,000, the charge is 1% of the amount of child benefit received for every £100 of income over £50,000.

Car benefit percentage

The relevant base level of CO_2 emissions is 95 grams per kilometre.

The percentage rates applying to petrol cars with CO_2 emissions up to this level are:

50 grams per kilometre or less	5%
51 grams to 75 grams per kilometre	9%
76 grams to 94 grams per kilometre	13%
95 grams per kilometre	14%

Car fuel benefit

The base figure for calculating the car fuel benefit is £22,100.

Individual savings accounts (ISAs)

The overall investment limit is £15,240.

Pension scheme limits

Annual allowance – 2014–15 and 2015–16	£40,000
– 2012–13 and 2013–14	£50,000

The maximum contribution that can qualify for tax relief without any earnings is £3,600.

Authorised mileage allowances: cars

Up to 10,000 miles	45p
Over 10,000 miles	25p

Capital allowances: rates of allowance

Plant and machinery

Main pool	18%
Special rate pool	8%

Motor cars

New cars with CO_2 emissions up to 75 grams per kilometre	100%
CO_2 emissions between 76 and 130 grams per kilometre	18%
CO_2 emissions over 130 grams per kilometre	8%

Annual investment allowance

Rate of allowance	100%
Expenditure limit	£500,000

Cap on income tax reliefs

Unless otherwise restricted, reliefs are capped at the higher of £50,000 or 25% of income.

Corporation tax

Rate of tax	20%
Profit threshold	£1,500,000

Value added tax (VAT)

Standard rate	20%
Registration limit	£82,000
Deregistration limit	£80,000

Inheritance tax: tax rates

£1 – £325,000	Nil
Excess – Death rate	40%
– Lifetime rate	20%

Inheritance tax: taper relief

Years before death	Percentage reduction
Over 3 but less than 4 years	20%
Over 4 but less than 5 years	40%
Over 5 but less than 6 years	60%
Over 6 but less than 7 years	80%

Capital gains tax

Rates of tax – Lower rate	18%
– Higher rate	28%
Annual exempt amount	£11,100
Entrepreneurs' relief – Lifetime limit	£10,000,000
– Rate of tax	10%

National insurance contributions
(Not contracted out rates)

Class 1	Employee	£1 – £8,060 per year	Nil
		£8,061 – £42,385 per year	12%
		£42,386 and above per year	2%
Class 1	Employer	£1 – £8,112 per year	Nil
		£8,113 and above per year	13·8%
		Employment allowance	£2,000
Class 1A			13·8%
Class 2		£2·80 per week	
		Small profits threshold	£5,965
Class 4		£1 – £8,060 per year	Nil
		£8,061 – £42,385 per year	9%
		£42,386 and above per year	2%

Rates of interest (assumed)

Official rate of interest	3%
Rate of interest on underpaid tax	3%
Rate of interest on overpaid tax	0·5%

Section A – ALL 15 questions are compulsory and MUST be attempted

Please use the grid provided on page two of the Candidate Answer Booklet to record your answers to each multiple choice question. Do not write out the answers to the MCQs on the lined pages of the answer booklet.

Each question is worth 2 marks.

1 On 1 July 2014, Sameer made a cash gift of £2,500 to his sister.

On 1 May 2015, he made a cash gift of £2,000 to a friend.

On 1 June 2015, he made a cash gift of £50,000 to a trust.

Sameer has not made any other lifetime gifts.

In respect of Sameer's cash gift of £50,000 to the trust, what is the lifetime transfer of value for inheritance tax purposes after taking account of all available exemptions?

A £48,500
B £44,000
C £46,000
D £46,500

2 On 31 March 2016, Angus sold a house, which he had bought on 31 March 2002.

Angus occupied the house as his main residence until 31 March 2007, when he left for employment abroad.

Angus returned to the UK on 1 April 2009 and lived in the house until 31 March 2010, when he bought a flat in a neighbouring town and made that his principal private residence.

What is Angus' total number of qualifying months of occupation for principal private residence relief on the sale of the house?

A 72 months
B 54 months
C 114 months
D 96 months

3 Abena has made the following gross contributions to her personal pension scheme over the past three tax years:

Tax year	£
2012–13	52,000
2013–14	37,000
2014–15	28,000

What is the maximum gross contribution which Abena can make to her personal pension scheme for the tax year 2015–16 without giving rise to an annual allowance charge?

A £63,000
B £40,000
C £65,000
D £55,000

4 Triangle Ltd is registered for value added tax (VAT) and uses the annual accounting scheme.

For the year ended 31 December 2015, the net VAT payable by Triangle Ltd was £73,500.

For the year ended 31 December 2014, the net VAT payable by Triangle Ltd was £47,700.

What monthly payments on account of VAT must Triangle Ltd make in respect of the year ended 31 December 2015 prior to submitting its VAT return for that year?

A Nine monthly payments of £7,350
B Nine monthly payments of £4,770
C Ten monthly payments of £4,770
D Ten monthly payments of £7,350

5 Lili Ltd commenced trading on 1 January 2015. The company incurred the following expenditure prior to 1 January 2015:

		£
30 November 2007	Initial market research	15,000
6 June 2010	Research into competitors	12,000
31 July 2014	Entertaining potential customers and suppliers	8,000
15 December 2014	Donation to local school fair in exchange for advertising	2,000

What is the amount of Lili Ltd's deductible pre-trading expenditure in respect of the year ended 31 December 2015?

A £10,000
B £14,000
C £27,000
D £29,000

6 Paloma has been trading for a number of years. Her tax adjusted trading profit for the year ended 31 May 2015 was £48,000 and for the year ended 31 May 2016 was £43,200.

What is the amount of class 4 national insurance contributions (NIC) payable by Paloma for the tax year 2015–16?

A £3,121
B £3,595
C £3,105
D £3,201

7 **Which of the following statements is/are true?**

(1) Corporation tax is a direct tax on the turnover of companies
(2) National insurance is a direct tax suffered by employees, employers and the self-employed on earnings
(3) Inheritance tax is a direct tax on transfers of income by individuals
(4) Value added tax is a direct tax on the supply of goods and services by businesses

A 1 and 3 only
B 2 only
C 1, 2, 3 and 4
D 1, 2 and 4 only

8 Which of the following statements concerning self-assessment tax returns for individuals is true?

A Individuals with tax payable of less than £1,000 for a tax year are not required to file a tax return
B Individuals are only required to file a tax return for a tax year if they receive a notice to deliver from HM Revenue and Customs (HMRC)
C All individuals who submit a tax return on time are able to have their tax payable calculated by HM Revenue and Customs (HMRC)
D The tax return for an individual covers income tax, class 1, class 2 and class 4 national insurance contributions and capital gains tax liabilities

9 In certain circumstances an individual is automatically not resident in the UK.

Which of the following two individuals, if either, is automatically not resident in the UK for the tax year 2015–16?

Eric, who has never previously been resident in the UK. In the tax year 2015–16, he was in the UK for 40 days.

Fran, who was resident in the UK for the two tax years prior to the tax year 2015–16. In the tax year 2015–16, she was in the UK for 18 days.

A Eric only
B Fran only
C Both Eric and Fran
D Neither Eric nor Fran

10 Max is employed by Star Ltd. On 6 April 2014, Star Ltd provided Max with a camera for his personal use. The camera had a market value of £2,000 on 6 April 2014.

On 6 April 2015, Star Ltd gave the camera to Max for free. The camera had a market value of £1,400 on 6 April 2015.

What is Max's taxable benefit in respect of the camera for the tax year 2015–16?

A £1,000
B £1,400
C £2,000
D £1,600

11 Cora made a cash gift of £300,000 to her niece on 30 April 2010.

She then made a cash gift of £500,000 to her nephew on 31 May 2011.

Both of these amounts are stated after deducting available exemptions.

Cora subsequently died on 31 October 2015.

What amount of inheritance tax was payable as a result of Cora's death in respect of the cash gift of £500,000 to her nephew?

A £190,000
B £110,000
C £114,000
D £105,000

12 Rajesh is a sole trader. He correctly calculated his self-assessment payments on account for the tax year 2015–16 and paid these on the due dates.

Rajesh paid the correct balancing payment of £1,200 for the tax year 2015–16 on 30 June 2017.

What penalties and interest may Rajesh be charged as a result of his late balancing payment for the tax year 2015–16?

A Interest of £15 only
B Interest of £36 only
C Interest of £36 and a penalty of £60
D Interest of £15 and a penalty of £60

13 Oblong Ltd has had the following results:

	Year ended 31 March 2015	Year ended 31 March 2016
	£	£
Trading profit/(loss)	79,400	(102,800)
Property business income	6,800	10,100
Qualifying charitable donations	(1,600)	(1,300)

If Oblong Ltd makes a claim to relieve its trading loss of £102,800 for the year ended 31 March 2016 against total profits for the year ended 31 March 2015, how much of this loss will remain unrelieved?

A £6,500
B £16,600
C £9,400
D £23,400

14 Putting an asset into joint names with a spouse (or a partner in a registered civil partnership) prior to the asset's disposal can be sensible capital gains tax (CGT) planning.

Which of the following CANNOT be achieved as a direct result of using this type of tax planning?

A Making the best use of annual exempt amounts
B Deferring the CGT due date
C Reducing the amount of CGT payable
D Making the best use of capital losses

15 Eva's income tax liability and class 4 national insurance contributions (NIC) for the tax year 2015–16 are £4,840. Her income tax liability and class 4 NICs for the tax year 2014–15 were £6,360.

What is the lowest amount to which Eva could make a claim to reduce each of her payments on account for the tax year 2015–16 without being charged interest?

A £4,840
B £0
C £3,180
D £2,420

(30 marks)

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Section B begins on page 10.

Section B – ALL 15 questions are compulsory and MUST be attempted

Please use the grid provided on page two of the Candidate Answer Booklet to record your answers to each multiple choice question. Do not write out the answers to the MCQs on the lined pages of the answer booklet.

Each question is worth 2 marks.

The following scenario relates to questions 16–20.

Adana died on 17 March 2016, and inheritance tax (IHT) of £566,000 is payable in respect of her chargeable estate. Under the terms of her will, Adana left her entire estate to her children.

At the date of her death, Adana had the following debts and liabilities:

(1) An outstanding interest-only mortgage of £220,000.

(2) Income tax of £43,700 payable in respect of the tax year 2015–16.

(3) Legal fees of £4,600 incurred by Adana's sister which Adana had verbally promised to pay.

Adana's husband had died on 28 May 2006, and only 20% of his inheritance tax nil rate band was used on his death. The nil rate band for the tax year 2006–07 was £285,000.

On 22 April 2006, Adana had made a chargeable lifetime transfer of shares valued at £500,000 to a trust. Adana paid the lifetime IHT of £52,250 arising from this gift. If Adana had not made this gift, her chargeable estate at the time of her death would have been £650,000 higher than it otherwise was. This was because of the subsequent increase in the value of the gifted shares.

16 What is the maximum nil rate band which will have been available when calculating the IHT of £566,000 payable in respect of Adana's chargeable estate?

A £325,000
B £553,000
C £390,000
D £585,000

17 What is the total amount of deductions which would have been permitted in calculating Adana's chargeable estate for IHT purposes?

A £263,700
B £268,300
C £43,700
D £220,000

18 Who will be responsible for paying the IHT of £566,000 in respect of Adana's chargeable estate, and what is the due date for the payment of this liability?

A The beneficiaries of Adana's estate (her children) on 30 September 2016
B The beneficiaries of Adana's estate (her children) on 17 September 2016
C The personal representatives of Adana's estate on 30 September 2016
D The personal representatives of Adana's estate on 17 September 2016

19 How much of the IHT payable in respect of Adana's estate would have been saved if, under the terms of her will, Adana had made specific gifts of £400,000 to a trust and £200,000 to her grandchildren, instead of leaving her entire estate to her children?

A £240,000
B £160,000
C £0
D £80,000

20 How much IHT did Adana save by making the chargeable lifetime transfer of £500,000 to a trust on 22 April 2006, rather than retaining the gifted investments until her death?

A £260,000
B £207,750
C £147,750
D £200,000

The following scenario relates to questions 21–25.

Kitten is the controlling shareholder in Kat Ltd, an unquoted trading company.

Kat Ltd

Kat Ltd sold a freehold factory on 31 May 2015 for £364,000, which resulted in a chargeable gain of £120,700. The factory was purchased on 1 October 2003 for £138,600, and further capital improvements were immediately made at a cost of £23,400 during the month of purchase. Further improvements to the factory were made during the month of disposal. The relevant retail prices indexes (RPIs) are as follows:

October 2003	182·6
May 2015	258·0

Kat Ltd is unsure how to reinvest the proceeds from the sale of the factory. The company is considering either purchasing a freehold warehouse for £272,000, or acquiring a leasehold office building on a 40-year lease for a premium of £370,000. If either reinvestment is made, it will take place on 30 September 2016.

All of the above buildings have been, or will be, used for the purposes of Kat Ltd's trade.

Kitten

Kitten sold 20,000 £1 ordinary shares in Kat Ltd on 5 October 2015, which resulted in a chargeable gain of £142,200. This disposal qualified for entrepreneurs' relief.

Kitten had originally subscribed for 90,000 shares in Kat Ltd on 7 July 2008 at their par value. On 22 September 2011, Kat Ltd made a 2 for 3 rights issue. Kitten took up her allocation under the rights issue in full, paying £6·40 for each new share issued.

Kitten also sold an antique vase on 16 January 2016, which resulted in a chargeable gain of £27,900.

For the tax year 2015–16, Kitten had taxable income of £12,000.

21 What amount of indexation allowance will have been deducted in calculating the chargeable gain of £120,700 on the disposal of Kat Ltd's factory?

A £47,304
B £40,471
C £66,906
D £57,242

22 If Kat Ltd decides to purchase the freehold warehouse and makes a claim to roll over the chargeable gain on the factory under the rollover relief rules, what will be the base cost of the warehouse for chargeable gains purposes?

A £243,300
B £272,000
C £180,000
D £151,300

23 If Kat Ltd decides to acquire the leasehold office building and makes a claim to hold over the chargeable gain on the factory under the rollover relief rules, what is the latest date by which the held-over gain will crystallise?

A Ten years from 31 May 2015
B The date when the office building is sold
C 40 years from 30 September 2016
D Ten years from 30 September 2016

24 What cost figure will have been used in calculating the chargeable gain on Kitten's disposal of 20,000 ordinary shares in Kat Ltd?

A £12,000
B £63,200
C £84,800
D £20,000

25 What is Kitten's capital gains tax (CGT) liability for the tax year 2015–16?

A £17,244
B £22,032
C £20,053
D £18,924

The following scenario relates to questions 26–30.

Alisa commenced trading on 1 January 2015. Her sales since commencement have been as follows:

January to April 2015	£7,500 per month
May to August 2015	£10,000 per month
September to December 2015	£13,500 per month

The above figures are stated exclusive of value added tax (VAT). Alisa only supplies services, and these are all standard rated for VAT purposes. Alisa notified her liability to compulsorily register for VAT by the appropriate deadline.

For each of the eight months prior to the date on which she registered for VAT, Alisa paid £240 per month (inclusive of VAT) for website design services and £180 per month (exclusive of VAT) for advertising. Both of these supplies are standard rated for VAT purposes and relate to Alisa's business activity after the date from when she registered for VAT.

After registering for VAT, Alisa purchased a motor car on 1 January 2016. The motor car is used 60% for business mileage. During the quarter ended 31 March 2016, Alisa spent £456 on repairs to the motor car and £624 on fuel for both her business and private mileage. The relevant quarterly scale charge is £294. All of these figures are inclusive of VAT.

All of Alisa's customers are registered for VAT, so she appreciates that she has to issue VAT invoices when services are supplied.

26 From what date would Alisa have been required to be compulsorily registered for VAT and therefore have had to charge output VAT on her supplies of services?

A 30 September 2015
B 1 November 2015
C 1 October 2015
D 30 October 2015

27 What amount of pre-registration input VAT would Alisa have been able to recover in respect of inputs incurred prior to the date on which she registered for VAT?

A £468
B £608
C £536
D £456

28 What is the maximum amount of input VAT which Alisa can reclaim in respect of her motor expenses for the quarter ended 31 March 2016?

A £108
B £138
C £180
D £125

29 How and by when does Alisa have to pay any VAT liability for the quarter ended 31 March 2016?

A Using any payment method by 30 April 2016
B Electronically by 7 May 2016
C Electronically by 30 April 2016
D Using any payment method by 7 May 2016

30 Which of the following items of information is Alisa NOT required to include on a valid VAT invoice?

A The customer's VAT registration number
B An invoice number
C The customer's address
D A description of the services supplied

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Section C begins on page 17.

Section C – ALL THREE questions are compulsory and MUST be attempted

Please write your answers to all parts of these questions on the lined pages within the Candidate Answer Booklet.

31 Joe is the managing director and 100% shareholder of OK-Joe Ltd. He has always withdrawn the entire profits of the company as director's remuneration, but given a recent increase in profitability he wants to know whether this basis of extracting the profits is beneficial.

For the year ended 5 April 2016, OK-Joe Ltd's taxable total profits, before taking account of director's remuneration, are £65,000. After allowing for employer's class 1 national insurance contributions (NIC) of £5,141, Joe's gross director's remuneration is £59,859.

The figure for employer's NIC of £5,141 is after deducting the £2,000 employment allowance.

Required:

Calculate the overall saving of tax and NIC for the year ended 5 April 2016 if Joe had instead paid himself gross director's remuneration of £8,000 and net dividends of £45,600.

Notes:

1. You are expected to calculate the income tax payable by Joe, the class 1 NIC payable by both Joe and OK-Joe Ltd, and the corporation tax liability of OK-Joe Ltd for the year ended 5 April 2016.
2. You should assume that the rate of corporation tax remains unchanged.

(10 marks)

32 Ashura has been employed by Rift plc since 1 January 2013. She has also been self-employed since 1 July 2015, preparing her first accounts for the nine-month period ended 5 April 2016. The following information is available for the tax year 2015–16:

Employment

(1) During the tax year 2015–16, Ashura was paid a gross annual salary of £56,200.

(2) On 1 January 2016, Ashura personally paid two subscriptions. The first was a professional subscription of £320 paid to an HM Revenue and Customs' (HMRC's) approved professional body. The second was a subscription of £680 to a health club which Ashura regularly uses to meet Rift plc's clients. Ashura was not reimbursed for the costs of either of these subscriptions by Rift plc.

(3) During the tax year 2015–16, Ashura used her private motor car for business purposes. She drove 3,400 miles in the performance of her duties for Rift plc, for which the company paid her an allowance of 55 pence per mile.

(4) During the tax year 2015–16, Ashura contributed £2,800 into Rift plc's HMRC registered occupational pension scheme and £3,400 (gross) into a personal pension scheme.

Self-employment

(1) Ashura's tax adjusted trading loss based on her draft accounts for the nine-month period ended 5 April 2016 is £3,300. This figure is **before** making any adjustments required for:

(i) Advertising expenditure of £800 incurred during January 2015. This expenditure has not been deducted in calculating the loss of £3,300.

(ii) The cost of Ashura's office (see note (2) below).

(iii) Capital allowances.

(2) Ashura runs her business using one of the five rooms in her private house as an office. The total running costs of the house for the nine-month period ended 5 April 2016 were £4,350. No deduction has been made for the cost of the office in calculating the loss of £3,300.

(3) On 10 June 2015, Ashura purchased a laptop computer for £2,600.

On 1 July 2015, Ashura purchased a motor car for £19,200. The motor car has a CO_2 emission rate of 137 grams per kilometre. During the nine-month period ended 5 April 2016, Ashura drove a total of 8,000 miles, of which 2,500 were for self-employed business journeys.

Other information

Ashura's total income for the previous four tax years is as follows:

Tax year	**Total income**
	£
2011–12	10,700
2012–13	10,400
2013–14	48,800
2014–15	54,300

Required:

(a) State TWO advantages for Ashura of choosing 5 April as her accounting date rather than a date early in the tax year such as 30 April. (2 marks)

(b) Calculate Ashura's revised tax adjusted trading loss for the nine-month period ended 5 April 2016. (6 marks)

(c) Explain why it would not be beneficial for Ashura to claim loss relief under the provisions giving relief to a loss incurred in the early years of trade.

Note: You should assume that the tax rates and allowances for the tax year 2015–16 also applied in all previous tax years. (2 marks)

(d) Assuming that Ashura claims loss relief against her total income for the tax year 2015–16, calculate her taxable income for this tax year. (5 marks)

(15 marks)

33 Mable is a serial entrepreneur, regularly starting and disposing of businesses. On 31 July 2015, Tenth Ltd, a company owned by Mable, ceased trading. On 1 October 2015, Eleventh Ltd, another company owned by Mable, commenced trading. The following information is available:

Tenth Ltd

(1) For the final four-month period of trading ended 31 July 2015, Tenth Ltd had a tax adjusted trading profit of £52,400. This figure is **before** taking account of capital allowances.

(2) On 1 April 2015, the tax written down value of the company's main pool was £12,400. On 3 June 2015, Tenth Ltd purchased a laptop computer for £1,800.

On 31 July 2015, the company sold all of the items included in the main pool at the start of the period for £28,200 and the laptop computer for £1,300. None of the items included in the main pool was sold for more than its original cost.

(3) On 31 July 2015, Tenth Ltd sold the company's freehold office building for £180,300. The building was purchased on 3 May 2011 for £150,100, and its indexed cost on 31 July 2015 was £164,500.

(4) During the four-month period ended 31 July 2015, Tenth Ltd let out one floor of its freehold office building which was always surplus to requirements. The floor was rented at £1,200 per month, but the tenant left owing the rent for July 2015 which Tenth Ltd was unable to recover. The total running costs of the office building for the four-month period ended 31 July 2015 were £6,300, of which one-third related to the let floor. The other two-thirds of the running costs have been deducted in calculating Tenth Ltd's tax-adjusted trading profit of £52,400.

(5) During the four-month period ended 31 July 2015, Tenth Ltd made qualifying charitable donations of £800.

Eleventh Ltd

(1) Eleventh Ltd's operating profit for the six-month period ended 31 March 2016 is £122,900. Depreciation of £2,580 and amortisation of leasehold property of £2,000 (see note (2) below) have been deducted in arriving at this figure.

(2) On 1 October 2015, Eleventh Ltd acquired a leasehold office building, paying a premium of £60,000 for the grant of a 15-year lease. The office building was used for business purposes by Eleventh Ltd throughout the six-month period ended 31 March 2016.

(3) On 1 October 2015, Eleventh Ltd purchased two motor cars. The first motor car cost £12,600, and has a CO_2 emission rate of 110 grams per kilometre. This motor car is used as a pool car by the company's employees. The second motor car cost £13,200, and has a CO_2 emission rate of 60 grams per kilometre. This motor car is used by Mable, and 45% of the mileage is for private journeys.

(4) On 1 October 2015, Mable made a loan of £100,000 to Eleventh Ltd at an annual interest rate of 5%. This is a commercial rate of interest, and no loan repayments were made during the period ended 31 March 2016. The loan was used to finance the company's trading activities.

Required:

(a) Calculate Tenth Ltd's taxable total profits for the four-month period ended 31 July 2015. (7 marks)

(b) Calculate Eleventh Ltd's tax adjusted trading profit for the six-month period ended 31 March 2016. (8 marks)

(15 marks)

End of Question Paper