TAXATION PROGRAMME EXAMINATIONS

CERTIFICATE LEVEL

C4: DIRECT TAXES

THURSDAY 18TH DECEMBER 2014

TOTAL MARKS – 100: TIME ALLOWED: THREE (3) HOURS

INSTRUCTIONS TO CANDIDATES

1. You have fifteen (15) minutes reading time. Use it to study the examination paper carefully so that you understand what to do in each question. You will be told when to start writing.

2. This question paper consists of FIVE (5) questions of twenty (20) marks each. You MUST attempt all the FIVE (5) questions.

3. Enter your Student number and your National Registration Card number on the front of the answer booklet. Your name must **NOT** appear anywhere on your answer booklet.

4. Do **NOT** write in pencil (except for graphs and diagrams).

5. The marks shown against the requirement(s) for each question should be taken as an indication of the expected length and depth of the answer.

6. All workings must be done in the answer booklet.

7. Present legible and tidy work.
8. Graph paper (if required) is provided at the end of the answer booklet.

9. A taxation table is provided on pages 2 and 3 of this paper.

TAXATION TABLE FOR THE CHARGE YEAR 2014

1 **Income tax**

Personal Income tax rates	*Chargeable income (Kwacha)*	*Rate (%)*
First	36,000	0
Next	9,600	25
Next	25,200	30
Excess over	70,800	35
Income from farming for individuals		
First	36,000	0
Excess over	36,000	10
Gratuity (Qualifying)		
First	36,000	0
Over	36,000	25
Terminal benefits	35,000	0
First	35,000	10
Over		

2 **Company Income tax rates**

On income from manufacturing and other	35
On income from farming	10
On income of Banks and other Financial Institutions	35
On income from mining operations	

(Variable profit tax) $y = 30\% + [a - (ab/c)]$

Where: y = the tax rate to be applied per annum

a = 15%

b = 8%

$c = \frac{\text{Assessable Income}}{\text{Gross sales}} \times 100\%$

3 **Capital allowances**

(a) Implements, plant and machinery and commercial vehicles:

Wear and Tear allowance:	Used normally	25
	Used in manufacturing, tourism, farming, leasing	50

(b) **Non-Commercial vehicles**

Wear and Tear allowance	20

(c) **Industrial Buildings**:

Wear and Tear allowance	5
Initial allowance	10
Investment allowance	10

(d) **Low Cost Housing:** (Cost up to K20,000)

	Wear and Tear allowance	10
	Initial allowance	10
(e)	**Commercial Buildings**	
	Wear and Tear allowance	2
(f)	**Farming**	
	Development allowance	10
	Farm Works allowance	100
	Farm Improvement allowance	100

4 **Property Transfer Tax**

Rate of tax on realised value of property including mining rights	10

5 **Presumptive taxes**

Turnover tax	3

Presumptive tax for transporters

Seating capacity	*Tax per annum* K	*Tax per day* K
Less than 12 passengers and taxis	600	1.60
From 12 to 17 passengers	1,200	3.30
From 18 to 21 passengers	2,400	6.60
From 22 to 35 passengers	3,600	10.00
From 36 to 49 passengers	4,800	13.00
From 50 to 63 passengers	6,000	16.40
From 64 passengers and over	7,200	19.70

ATTEMPT ALL FIVE (5) QUESTIONS

QUESTION ONE

GHT PLC is a manufacturing company which prepares accounts to 31 December each year. The company's summarised results for the year to 31 December 2014 are presented below:

		K	K
Gross Profit			3,560,000
Income from investments:			
Dividends (gross)		90,000	
Treasury bill interest (gross)		150,000	
Fixed deposit interest (gross)		65,000	
			305,000
			3,865,000
Expenses:			
Depreciation		121,000	
Legal and accountancy fees	Note 1	691,000	
Entertainment expenses	Note 2	111,000	
General operating expenses	Note 3	1,700,500	
			(2,623,500)
Profit before taxation			1,241,500

The following additional information is available:

Note 1: Legal and accountancy fees

These were in relation to the following:

	K
Compensation paid for wrongful dismissal of employees	120,000
Fees for audit and taxation services	490,000
Legal fees in connection with acquisition of land	30,000
Fees in connection with recovery of loan from former employees	51,000
	691,000

Note 2: Entertainment expenses

These were in relation to the following:

	K
Gifts to customers of food and drinks costing K50 each	28,000
Entertaining suppliers	18,000
Entertainment expenditure for company's directors	65,000
	111,000

Note 3: General operating expenses

These were in relation to the following:

	K
Salaries and wages	780,000
Penalty for late payment of provisional income tax	17,000
Trade debts written off	67,000
Loans to former employees written off	88,000
Sundry allowable expenses	748,500
	1,700,500

Note 4: Buildings, implements plant and equipment

The company acquired a second hand factory building during the tax year 2014, which was brought into use on 1 January 2014. The cost of the building was made up of the following items:

	K
Land	300,000
Staff welfare building	500,000
Factory	900,000
Administration offices	400,000
Total cost	2,100,000

The income tax value of assets qualifying for capital allowances at 1 January 2014 were as follows:

	Income Tax Value	Original Cost
	K	K
Nissan Navarra Van	112,500	150,000
Toyota fortuner car	28,000	140,000
Manufacturing Equipment	250,000	500,000

The Toyota fortuner car which has a cylinder capacity of 3000cc was sold during the year for K40,000 and was replaced by a Toyota Prado car which was acquired at a cost of K160,000 and has a cylinder capacity of 3000cc. Both cars were used by the Managing Directors on personal to holder basis. Private use by the Managing Director in each car in the tax year 2014 was determined to be 60%.

Note 5- Provisional income tax

The provisional company income tax paid by the company during the year was K340,000.

Required:

(a) Calculate the maximum amount of capital allowances claimable by GHT Plc in respect of its buildings, implements, plant and machinery for the tax year 2014. (9 marks)

(b) Calculate the final tax adjusted business profit for GHT Plc. You should start with the profit before taxation figure of K1,241,500. (7 marks)

(c) Calculate the income tax payable by GHT Plc for the tax year 2014. (4 marks)

[Total: 20 marks]

QUESTION TWO

(a) Explain the differences in the tax treatment of gratuity paid to pensionable permanent employees and gratuity paid to employees under a fixed term contract. (4 marks)

(b) Dennis Mweemba was retrenched on 31 August 2014, as part of a restructuring programme undertaken by TYH Plc where he was employed. On his retrenchment, he was paid his accrued Leave pay of K12,000, repatriation pay of K56,000, Salary in lieu of notice of K36,000 and compensation for loss of office of K48,000. He also received a total sum of K88,000 as pension refund. Half of this amount was a refund of employee's pension contribution and the remaining amount was an employer's pension contribution.

His annual basic salary in the final year of employment was K144,000 and he was also entitled to a housing allowance of 20% of his annual basic salary, a transport allowance of 10% of his annual basic salary and a utility allowance of 2.5% of his annual basic salary.

TYH Plc also paid for educational fees for his school going children totalling K18,000 and medical expenses of K10,800 in the tax year 2014.

The only other income received by Dennis in the tax year included royalties of K21,250 and interest from his savings bank account of K850. These were the actual amounts received in both cases.

Dennis made the following Payments during the tax year 2014:

	K
Pay As You Earn	67,429
NAPSA	7,200
Mortgage interest	16,000
Golf club subscription	1,600

Donation to approved charity	7,000
Donation to political party	5,000

Required:

Calculate the tax payable by Dennis for the Tax year 2014. (16 marks)

[Total: 20 marks]

QUESTION THREE

(a) Twiza runs a retail business and prepares accounts to 31 December each year. The estimated taxable business profit for the year ended 31 December 2014, was K1,560,000.

The actual net profit as per accounts for the year ended 31 December 2014, was K1,200,550 which was generated from a turnover of K8,600,000. This profit figure was arrived at after taking into account the following items:

1. Wages and salaries for workers amounting to K850,000. These included her annual salary of K350,000.

2. She took goods at a cost of K15,000 for personal use. She makes a mark-up of 20%. This transaction has not been recorded in the books.

3. Motor car running expenses of K45,000. It has been agreed with the Commissioner General that 20% of these expenses related to Twiza's private mileage.

4. Maintenance expenses of K120,000. These included K9,800 incurred in repainting and decorating of her retail shops, K70,000 incurred on making alterations to her existing retail shops to comply with health and safety regulations and K40,200 for making extensions to a shop she recently acquired.

5. General expenses of K750,000, which included depreciation on assets of K78,900, a loan to a supplier of K67,000 written off, increase in general provision for bad debts of K26,000, an increase in specific provision of bad debts of K33,000 and a donation to a political party of K350. The remaining balance relate to general business expenses which were incurred wholly and exclusively for business purposes.

6. Profit on disposal of non-current assets of K33,500 and dividends received from shares she owns in a quoted company of K21,500 (net).

Additional information

Capital allowances on implements, plant and machinery for the tax year 2014 were agreed with the Commissioner General to be K130,000.

Required:

(a) Explain the reasons why Twiza will be required to pay provisional income tax. (3 marks)

(b) Calculate Twiza's actual taxable business profit for the tax year 2014. (8 marks)

(c) Calculate the amount of provisional tax paid by Twiza in respect of the tax year 2014 and state the due dates and amounts paid on each due date. (5 marks)

(d) Calculate the final amount of income tax payable by Twiza for tax year 2014 and state the due date for the payment of this tax. (4 marks)

(Total: 20 marks)

QUESTION FOUR

(a) Property Transfer Tax is chargeable whenever qualifying property is transferred in the Republic of Zambia, on the realised value of the property transferred.

Required:

(i) State what qualifies as property under the Property Transfer Act (2 marks)

(ii) Explain how the realized value of any of the **three (3)** types of property you have stated in (a) (i) above is determined. (3 marks)

(b) Describe the nature of each of the following types of taxes and provide an example in each case:

(i) Direct taxes (2 marks)

(ii) Progressive taxes (2 marks)

(iii) Regressive taxes (2 marks)

(iv) Revenue taxes (2 marks)

(c) In attempt to broaden the tax base, the Zambian Government through the Zambia Revenue Authority introduced presumptive taxes for individuals carrying on public passenger transportation businesses.

Required:

(i) Explain **four (4)** advantages that presumptive taxes for public transporters have over the regular income tax system. (4 marks)

(ii) State **three (3)** weaknesses generally associated with presumptive taxation. (3 marks)

[Total: 20 marks]

QUESTION FIVE

(a) Describe any **five (5)** qualities of a good tax system. (5 marks)

(b) Inyambo commenced in business on 1 August 2013 and will prepare the first accounts to 31 December 2014. He will then prepare accounts annually thereafter. The tax adjusted business profit for the first period of trading to 31 December 2014, will be K1,785,000.

He had the following transactions in capital assets during the period to 31 December 2014:

Date	Asset	Cost/ (Proceeds) K
1 August 2013	Purchased shop building at	150,000
5 August 2013	Purchased Toyota Camry car at	45,000
10 September 2013	Purchased fixtures and fittings at	46,000
16 November 2013	Purchased Mitsubishi light truck at	70,000
17 January 2014	Sold Toyota Camry car for	(50,000)
5 February 2014	Purchased Toyota Prado car	120,000
18 July 2014	Sold fixtures and fittings for	(30,000)

It has been agreed with the Commissioner General that Inyambo had private use in the Toyota Camry car and Toyota Prado car of 30%'

Required:

Compute the final taxable profits for all the relevant tax years, explaining the basis of assessment for each tax year. (15 marks)

[Total: 20 marks]

END OF PAPER

C4 SUGGESTED SOLUTIONS

SOLUTION ONE

(a) COMPUTATION OF CAPITAL ALLOWANCES ON BUILDINGS

K

Total cost	2,100,000
Less :	
Cost of land	(300,000)
	1,800,000

10% of K1,800,000 = K180,000

The cost of the administration offices exceeds K180,000 and therefore does not qualify. (½ marks)

Staff welfare buildings	K
Wear and tear allowance (K500,000 x 5%)	25,000
Factory	
Wear and tear allowance (K900,000 x 5%)	45,000
Administration offices	
Wear and tear allowances (K400,000 x 2%)	8,000
	78,000

COMPUTATION OF CAPITAL ALLOWANCES ON IMPLEMENTS, PLANT AND MACHINERY FOR THE TAX YEAR 2014

	K
Nissan Navarra Van	
Wear and tear allowance	
(K150,000 x 25%)	37,500
Toyota fortuner car	
Balancing charge (K28,000-K40,000)	(12,000)
Toyota Prado	
Wear and tear allowance (K160,000 x 20%)	32,000
Manufacturing equipment	
Wear and tear allowance (K500,000 x 50%)	250,000
	307,500
Total allowances (K78,000 + K307,500)	385,500

(b) GHT PLC

COMPUTATION OF TAX ADJUSTED BUSINESS PROFIT FOR THE TAX YEAR 2014

	K	K
Profit before taxation		1,241,500
Add		
Depreciation	121,000	
Legal Fees in connection with land purchase	30,000	
Legal fees-recovery of former employee loans	51,000	
Gifts to customers	28,000	
Entertaining suppliers	18,000	
Penalty for late payment of tax	17,000	
Loans to employees written off	88,000	
Personal to holder motor car benefit	20,000	
		373,000
		1,614,500
Less		
Dividends	90,000	
Treasury bill interest	150,000	
Fixed deposit Interest	65,000	
Capital allowances	385,500	
		(625,500)
		989,000

(c) GHT PLC
INCOME TAX COMPUTATION FOR THE TAX YEAR 2014

	K
Taxable business profit	989,000
Fixed deposit interest	65,000
Taxable profit	1,054,000
Company income tax (35% x K1,054,000)	368,900
Less:	
Provisional income tax	(340,000)
WHT on fixed deposit interest (K65,000 x 15%)	(9,750)
Company income tax payable	19,150

SOLUTION TWO

(a) **Taxation of gratuity paid to pensionable permanent staff**
Where gratuity is paid to permanent and pensionable staff, then the first K35,000 is exempt from tax. The balance is taxable at the rate of 10%.

Taxation of gratuity paid on a fixed term contract

Where gratuity is paid under a fixed-term contract it is taxed separately at the rate of 25% on the amount that exceeds the tax free pay of K36,000, provided it is a qualifying gratuity (i.e. as long as the contract term and completed term is at least two years and the amount of gratuity is not more than 25% of the cumulative basic pay).

Where the gratuity is not qualifying in respect of a fixed term contract, it is added to the employee's other regular emoluments and taxed under the normal PAYE system.

(b) DENNIS

INCOME TAX COMPUTATION FOR THE TAX YEAR 2014

	K	K
Emoluments		
Salary (K144,000 x 8/12)		96,000
Housing allowance (K96,000 x 20%)		19,200
Transport allowance (K96,000 x10%)		9,600
Utility allowance (K144,000 x 8/12) x 2.5%)		2,400
Educational fees		18,000
Accrued leave pay		12,000
Salary in lieu of notice		36,000
Refund of employer's pension contribution (K88,000 x ½)		44,000
		237,200
Investment income		
Royalties (K21,250 x 100/85)		25,000
		262,200
Less: allowable deductions		
NAPSA contribution (restricted to maximum)	3,060	
Donation to approved charity	7,000	
		(10,060)
		252,140
Less tax free income		(36,000)
		216,140
Income tax		
K9,600 x 20%		2,400
K25,200 x 25%		7,560
K181,340 x 35%		63,469
		76,579
Less tax already paid		
PAYE		(67,429)
Income tax payable on regular income		6,000
Tax on Terminal dues		
Repatriation pay	56,000	
Compensation for loss office	48,000	

	104,000	
Less tax free amount	(35,000)	
	69,000	
Income tax (K69,000 x 10%)		6,900
Income tax on refunded employee's NAPSA Contributions (K44,000 x 10%)		4,400
Total income tax payable		17,300

SOLUTION THREE

(a) Reasons why Twiza will be required to pay provisional income tax:

1. She carries on a business whose annual turnover is above K800,000.
2. The amount of the taxable profit from her business is expected to be over the tax free income of K36,000 in the tax year 2014.
3. The amount of the business profit is not chargeable to income tax under the Pay as Earn System.

(1 mark for each valid point up to a maximum of 3 marks)

(b) COMPUTATION OF ACTUAL TAXABLE BUSINESS PROFIT FOR THE TAX YEAR 2014

	K	K
Net profit as per accounts		1,200,550
Add:		
Twiza's salary	350,000	
Goods for own use (K15,000 x 120/100)	18,000	
Motor car running expenses (K45,000 x 20%)	9,000	
Alterations to shops	70,000	
Shop extensions	40,200	
Depreciation	78,900	
Loan to supplier written off	67,000	
Increase in general provision	26,000	
Donation to a political party	350	
		659,450
		1,860,000
Less:		
Profit on disposal of capital assets	33,500	
Dividends	21,500	
Capital allowances	130,000	
		(185,000)
Actual tax adjusted business profit		1,675,000

(c) The provisional income tax payable by Twiza on the provisional amount of taxable income of K1,560,000.

	K

Estimated taxable profits	1,560,000
Less tax free income	(36,000)
	1,524,000
Provisional Income Tax	
K9,600 x 25%	2,400
K25,200 x 30%	7,560
K1,489,200 x 35%	521,220
Provisional tax payable	531,180

Provisional income tax for the tax year 2014 will be payable as follows

Due date	Amount K
31 March 2014	132,795
30 June 2014	132,795
30 September 2014	132,795
31 December 2014	132,795
	531,180

(d) COMPUTATION OF FINAL INCOME TAX PAYABLE BY TWIZA FOR THE TAX YEAR 2014

	K
Actual tax adjusted business profit	1,675,000
Less tax free income	(36,000)
	1,639,000
Income Tax	
K9,600 x 25%	2,400
K25,200 x 30%	7,560
K1,604,200 x 35%	561,470
	571,430
Less provisional income tax	(531,180)
Final income tax payable	40,250

The final income tax payable of K40,250 should be paid by 30 June 2015. (1 mark)

SOLUTION FOUR

(a) (i) Qualifying property for Property Transfer Tax purposes include:

- Any Land in the Republic of Zambia (including any building on the land)
- Buildings, structures, or other improvements thereon; and
- Any shares issued by a company incorporated in Zambia that are not listed on the Lusaka Stock Exchange.
- Mining rights

(ii) **Realised Value of land and buildings**

The realised value of land and buildings is the price at which it could, at the time of its transfer, reasonably have been sold on the Open Market as determined by the Commissioner General and is generally taken as the higher of:

- contract price agreed by the transferor and transferee and the
- open market value

Realised Value of shares

The realised value of shares is the higher of:

- the open market value of those shares as determined by the Commissioner General and
- the nominal value of those shares

Realised value of mining rights

The realised value is taken as the open market value of the mining rights, or the actual price paid if this is higher than the market value.

(b) **Direct Taxes**

These are taxes that are levied directly on the income and gains. Normally a percentage of the income or gain is paid in the form of a tax. Examples of direct taxes are Income Tax, Mineral Royalty Tax and Property Transfer Tax.

Progressive Taxes

These are taxes that represent a larger proportion of the person's income as that person's income rises. The average rate of taxation rises. The rates of tax for lower income levels are less than the tax rates for higher income levels.

Income tax is generally an example of a progressive tax where it is levied at different tax rates such that low income is taxable at lower rates.

Regressive Taxes

These are taxes that represent a smaller proportion of a person's income as the income of that person rises. The average rate of tax falls. The amount paid as tax is the same on the good whether that good is bought by a rich person or by a poor person.

Examples include Value Added Tax, customs duty and excise duty.

Revenue Taxes

These are taxes which are levied on revenue receipts. A revenue receipt is a receipt arising from a sale of a non-capital item. Items acquired with a view to subsequent resale are non-capital items. When they are sold, the amount received is a revenue receipt or income and is subjected to a revenue tax. An example of a revenue tax is income tax and turnover tax.

(c) (i) Advantages of Presumptive Taxes for Transporters:

Simplified process
The process of dealing with taxes has been simplified. There is no requirement to file returns, no requirement to keep proper business and accounting records and the taxes payable are predictable and therefore ease the cash flow planning process.

Cash flow friendly
Since operators find it fairly easy to pay a whole range of fees on a daily basis, such as loading fees, because the amounts look small and do not seriously disrupt their daily cash flow position, the same principle of small regular payments of tax has been adopted in the presumptive tax approach.

The levies can be broken down into smaller amounts to be paid more regularly, for example, on a daily basis, monthly basis or even quarterly basis.

No need for professional consultancy services
Paying the levies is straight forward as paying loading fees or other fees currently in place. Therefore, there is very little intellectual or professional effort required. The driver and/or conductor make arrangements for presumptive tax to be paid without involving the proprietor.

Equity
As the system is made simpler, all transporters are expected to pay their part hence there are no 'free riders' as the case was before the introduction of presumptive tax. As presumptive tax is a levy, there is no longer a need to keep records for tax purposes and as such no audits will be conducted on a

transporter's business. The only requirement will be for the transporter to pay his presumptive tax as stated in the law.

Allowance for break-downs
The levies are only charged for vehicles that are on the road during the tax accounting period.

(ii) **Shortcomings of Presumptive Taxation**

A system of presumptive taxation has the following shortcomings:

(1) It may encourage profitable businesses not to maintain proper accounting records as such entities would be aware that taxation authorities would not at any time conduct any tax audits to determine whether they are liable to pay income tax in the normal way.

(2) A system of presumptive taxation allows taxation authorities a great deal of discretion in estimating tax assessments. This may encourage collusion between the tax collectors and individuals seeking to have a lower tax assessment.

(3) The taxes may be too high or too low for certain periods of time if it is not frequently adjusted to reflect changes in economic activity in the nation.

QUESTION FIVE

(a) Qualities of good Taxation

(1) Certainty - The tax which each individual is bound to pay ought to be certain, and not arbitrary. This means tax rules should not be complex but be easy to understand by tax payers. The time of payment, the manner of payment, the quantity to be paid, ought all to be clear and plain to the contributor, and to every other person.

(2) Convenience and administrative simplicity - The tax should be easy and inexpensive to administer. Taxes should be cheap and easy to collect and fall directly on the ultimate payer and at the same time, every tax ought to be levied at the time, or in the manner, in which it is most likely to be convenient for the contributor to pay it.

(3) Fairness - The tax system should be fair in its treatment of different individuals. Taxes should bear equally so as to give no individual an advantage. This means that taxes should be levied on the basis of ability to pay. The subjects of every state ought to contribute towards the support of the Government, as nearly as possible, in proportion to their respective

abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state.

(4) Light burden on production - Taxes should not be so high that they make production very expensive, every tax ought to be so contrived as both to take out and to keep out of the pockets of the people and organizations as little as possible over and above what it brings into the public treasury of the state.

(5) Efficiency - the tax system should not hinder efficiency, but should involve the least loss of efficiency. The tax should not prevent efficient allocation of resources.

(6) Flexibility- the tax system should be flexible to changes in economic conditions, for example it should automatically adjust to changes (rises and falls) in the rate of inflation.

(7) Compatibility with other tax systems - the tax system should be compatible with other foreign tax systems in the region such as those of other SADC and COMESA member states.

(b) Basis of assessment:

Since the first accounting period is made up of more than twelve months (i.e. seventeen months) the period will be split into two notional accounting periods for tax purposes and profits for the seventeen months period allocated to the two notional periods on a time basis.

The first period will consist of less than twelve months (i.e. five months from 1 August 2013 to 31 December 2013). The current year basis of assessment will therefore apply and profits for this period will be assessed in the tax year 2013.

The second period should consist of exactly twelve months (i.e. from 1 January 2014 to 31 December 2014). Profits for this period will therefore be assessed in the tax year 2014.

COMPUTATION OF FINAL TAXABLE PROFITS FOR THE TAX YEAR 2013

	K
Taxable profits before capital allowances (K1,785,000 x 5/17)	525,000
Less capital allowances (W)	(38,300)
Final taxable profits	486,700

COMPUTATION OF FINAL TAXABLE PROFITS FOR THE TAX YEAR 2014

	K
Taxable profits before capital allowances (K1,785,000 x 12/17)	1,260,000
Less capital allowances (W)	(35,500)

Final taxable profits	1,224,500

COMPUTATION OF CAPITAL ALLOWANCES ON IMPLEMENTS PLANT AND MACHINERY FOR THE TAX YEAR 2013

	K
Shop building	
Wear and tear allowance (K150,000 x 2%)	3,000
Toyota Camry car	
Wear and tear allowance (K45,000 x 20%) x 70%	6,300
Fixtures and fittings	
Wear and tear allowance (K46,000 x 25%)	11,500
Mitsubishi light Truck	
Wear and tear allowance (K70,000 x 25%)	17,500
	38,300

COMPUTATION OF CAPITAL ALLOWANCES ON IMPLEMENTS, PLANT AND MACHINERY FOR THE TAX YEAR 2014

	K
Shop building	
Wear and tear allowance (K150,000 x 2%)	3,000
Toyota Camry car	
Balancing charge (K36,000 – K45,000)x 70%)	(6,300)
Fixtures and fittings	
Balancing allowance (K34,500 – K30,000)	4,500
Mitsubishi light Truck	
Wear and tear allowance (K70,000 x 25%)	17,500
Toyota Prado	
Wear and tear allowance (K120,000 x 20%) x 70%	16,800
	35,500

END OF SUGGESTED SOLUTIONS