FINAL EXAMINATION – AY 2014 – 2015, SEMESTER II

COURSE CODE: BAAC4206
COURSE TITLE: TAXATION ACCOUNTING

INSTRUCTIONS TO THE CANDIDATES

- ALL the questions are compulsory and MUST be answered.
- Use only PEN for writing answers. Writing with Pencil is not allowed except for diagrams.
- Observe correct spelling.
- Copying by any means will be strictly awarded Zero.

Level : B.Tech (Accounting)

Date and Time 14th April 2015 (Tuesday) Time 09.00 am – 11.00 am

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<th>Question Type</th>
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TOTAL MARKS SECURED IN WORDS ________________________________

Marked by: 

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I. MULTIPLE CHOICE QUESTIONS

(4 X 1 Mark = 4 Marks)

Choose the most appropriate answer from the choices given after each statement. Tick [✓] the letter box at the right side of the chosen answer.

1. Which of the following are the objectives of taxation by the Government?
   
   i) Raising revenue for the state
   ii) To maintain economic stability
   iii) To remove disparities in the distribution of income

   A) i) and ii)
   B) i) only
   C) i) and iii)
   D) i), ii) and iii)

2. Income tax is payable on

   A) Earned income
   B) Every income
   C) Taxable income
   D) All of the above

3. Which of the following expenses is generally not deductible against income from employment?

   A) A contribution to an occupational pension scheme
   B) The cost of travel between home and work
   C) The subscriptions to a relevant professional body
   D) A donation made under payroll giving scheme

4. Which of the following types of income in UK is not specifically exempt from Income tax?

   A) Premium bond prizes
   B) Interest on National Savings and Investments Certificate
   C) Any benefit in kind provided to employees by an employer
   D) All of the above
II. TRUE OR FALSE QUESTIONS (6 x 1 Mark = 6 Marks)

Tick [✓] the word TRUE if the statement is correct and FALSE if the statement is wrong.

1. Tax is a legal enforcement. Failure to pay is punishable under the act.

2. Indirect taxes help to check the consumption of harmful goods.

3. As per UK income tax law, Interest arising from Individual Savings Accounts are taxable under Savings Income.

4. The basic rate of income tax on non-savings income for the tax year 2010 – 2011 is 10%.

5. Dividend received by an Omani company is chargeable to tax in Oman.

6. Permanent establishment of a foreign person is one of the taxable entities in Oman.

III. Short Answer Questions. (4 x 2.5 Marks = 10 marks)

Discuss each item briefly. Limit your ideas or points as required in each question or statement.

1. What do you mean by ‘Goods and Services Tax’? (2.5 Marks)

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2. What do you mean by Income tax in UK? Write any four types of income chargeable to tax in UK. (1.5 + 1 = 2.5 Marks)

3. State the provisions regarding beneficial loans for computing taxable income in UK. (2.5 Marks)
4. Mr. Jacob lets a furnished flat for £750 per month. The following expenses accrued in 2010/2011.
   a) Cleaning and maintenance £50 per month.
   b) Water tax £100 per annum
   c) Cost of furniture £2,000

Compute taxable property business income. (2.5 Marks)
IV. Analytical type questions (4 x 7.5 = 30 Marks)

1. Mr. Hamish is an employee. He received a salary of £150,000 in the tax year 2010-11.
   In addition to his salary, the other income received by Mr. Hamish in the tax year was:
   a) Dividend from UK company £1800
   b) Interest received from Building Society £1,700
   Mr. Hamish pays interest of £1,400 in 2010/11 on a loan to invest in a Partnership.

Compute income tax liability by Mr. Hamish for the tax year 2010-2011. (7.5 Marks)
2. Ms. Stella is an employee of large manufacturing company. She received a salary £128,000 in the tax year 2010-2011. In addition to her salary she has been provided the following benefit by her employer.

   a) Living accommodation worth £180,000. The annual rental value is £14,000 p.a. the property was furnished by the company at a cost of £9,000

   b) Petrol engine motor car which cost £15,000 its Co₂ emissions are 197g/km. The employer spent £500 on insurance, repairs and a license.
c) The company pays the following ancillary services on behalf of the employee.

   Electricity bill £1600, Gas Bill £400

**Note:** Company’s official rate of interest is 4% per annum.

**Compute her taxable earnings.** (7.5 Marks)
3. Al Nida Trading Company’s Income Statement has shown RO 156,000 for the year 2011. Since the accountant of the company is new to Oman and not aware about all the rules of Law of Income Tax on Omani Companies, Indeed he is not sure about treatment the following transactions he has recorded in the company account books.
   a) During the year the company purchased Machinery worth RO 32,000. The amount was deducted as expense. The Machinery attracts 15% as depreciation.
   b) Donation paid by the company RO 4,800 already deducted as expenses. The gross income of the company amounts to RO 60,000
   c) Provision for bad debts RO 1,500 taken as expenses in the current year.
d) During the year the company earned business income RO 10,200 which is not recorded in the accounts.

e) During the year the company received RO 16,000 as dividend income from Galfar engineering company. This amount was already accounted as income.

Calculate Income chargeable to tax  

(7.5 Marks)
4. Ms. Margaret is an employee. Her employer provided Margaret with the use of free accommodation for the whole of the tax year in 2010 – 2011. The accommodation was deemed to be job related. The accommodation cost £84,000 and has an annual value of £5,000. The company pays electricity bill of £1,790, a gas bill of £1,110. She makes a monthly contribution of £100 for her accommodation. She earns a gross salary of £20,000. During the tax year she received a bonus £2,500 for better performance of her service. Ms. Margaret contributed subscriptions to professional bodies £800.

**Calculate Ms. taxable employment income for 2010-2011** assuming that the official rate of Interest is 4% per annum.  

(7.5 Marks)
GOOD LUCK!