PROFESSIONAL EVALUATION
ENGLISH QUESTION PAPER with Solutions
7 May 2016

TIME: **4h30min**
MARKS: **200**

SECTION A	**MULTIPLE CHOICE**	**MARKS**
	TOTAL SECTION A	**50**
SECTION B		
	CASE STUDY 1	100
	CASE STUDY 2	20
	CASE STUDY 3	15
	CASE STUDY 4	15
	TOTAL SECTION B	**150**
TOTAL		**200**

INSTRUCTIONS TO CANDIDATES

1. Answer all the questions.
2. Please begin each question on a new page.
3. Section A must be answered in pencil on the schedule provided.
4. Section B must be answered in the answer book.
5. No pencil (with the exception of Section A) or tippex may be used.
6. Financial calculators are permitted. Cellular phones may **NOT** be used as calculators.
7. If you wish any part of your work not to be marked, draw a clear line through it.
8. The question paper may be taken with you at the end of the examination.

SECTION A MULTIPLE CHOICE QUESTIONS [50 marks]

Malls of Africa Ltd is a developer of shopping malls all over South Africa. The strategic plan of the company includes building smaller malls in the vicinity of selected train stations and taxi ranks in the less effluent suburbs and townships. Part of the deal with government is that at least 15% of the lettable areas of such township malls be made available to small and micro businesses thereby creating sustainable job creation in the retail sector. These shops are generally clustered together, and is on average 20 m^2 at an initial monthly rental of R100 per m^2 per month plus 2% of calender year certified turnover payable on the last day of January each year.

Your client, Mrs Juju Mbete trading as Hosiery Galore is contemplating to rent such a shop and approached you as a Professional Accountant (SA) and her tax practitioner for the last couple of years, to assist her in making some decisions regarding her business, its growth and possible expansion.

Question 1

As a Professional Accountant (SA), which of the following documents would be the most appropriate to complete, once you have accepted the assignment requested by Hosiery Galore?

a. The Management Representation Letter
b. The Engagement Letter
c. Both the Management Representation Letter and the Engagement Letter
d. Neither the Management Representation Letter nor the Engagement Letter

Question 2

For the tax year ended 29 February 2016, Hosiery Galore reported Turnover of R 600,000. Hosiery Galore strictly maintains a mark-up of 40% on the cost of stock. Assuming that leasing the shop will have no changes to turnover or margins, how much would Hosiery Galore's annualized shop rental payable to Malls of Africa Limited be for the first year of trading, from 1 June 2016 to 31 May 2017 for a shop of 20 m^2?

a. R 24,000
b. R 27,360
c. R 31,000
d. R 36,000

Question 3

Malls of Africa Limited requires every applicant to include a Broad-based Black Economic Empowerment (BBBEE) certificate in their proposal to rent retail space in their malls. In terms of the latest BBBEE legislation, Hosiery Galore, as a measured entity;

a. Cannot be issued with a BBBEE Exempt Micro Entity (EME) certificate because the measured entity is not an entity registered with the Commission for Intellectual Property and Companies (CPIC)
b. Requires a sworn affidavit by Mrs Juju Mbete, attesting to the Turnover of Hosiery Galore for 12 consecutive months and the percentage black person and women ownership holding only
c. Is a level 4 BBBEE contributor because Hosiery Galore is a 100% black woman owned Exempt Micro Entity
d. None of the above

Question 4

Every prospective tenant is required to include the last 3 years annual financial statements in their “Bid for SME-sector retail space”. Which of the following reports would you have to prepare for Hosiery Galore?

a. Compilation Report
b. Agreed-upon Procedure Report
c. Accounting Officers Report
d. Independent Review Report

Question 5

The annual financial statements of any entity or business must be reliable to the users thereof. Which of the following characteristics is **not** an embedded characteristic that promotes the **reliability** of the information contained therein?

a. Faithfully represents the results and events of the economic activities engaged
b. Be neutral and free from bias
c. Be complete as it incorporates and reflects all economic activities for the reporting period
d. Independently prepared and compiled

Question 6

Malls of Africa Limited also requires the “Bid for SME-sector retail space” to include projected cash flows forecasts for the current years as well as for a further 3 years. Mrs Mbete unequivocally told you that she really wants the shop and that you must do whatever it takes to make sure that adequate cash resources are reflected in the Cash Flows Forecast gets her the shop. In evaluating the assignment in terms of your practice’s Quality Control Manual, which of the following threats best describe the threat that you are faced with?

a. Advocacy
b. Intimidation
c. Familiarity
d. Self-Review

Question 7

In order to promote mall branding and enhanced uniformity of smaller shops look and feel, every tenant is contractually bound to engage the services of Malls of Africa Limited’s subsidiary, MoA Shop fitters (Pty) Ltd for the installation of shop fixtures, shop doors signs and windows. Such fixtures and fittings may never be removed by the tenant. MoA Shop fitters (Pty) Ltd quoted R 14,400 inclusive of VAT and is payable within 7 days from the signature of the tenant to the 3-year premises rental agreement. Consistent with the International Financial Reporting Standards for Small, Medium Enterprises (IFRS for SMEs), the amount paid by Hosiery Galore shall be considered;

a. An expense
b. An asset to be written off over the initial lease period
c. A liability, as the tenant is “forced” thereto by virtue of the lease agreement
d. None of the above

Question 8

In transforming her business from a flea-market based entity to a more formal retailer environment, which of the following new corporate entities is the best option for Hosiery Galore to be registered as?

a. A Close Corporation in terms of the Close Corporations Act
b. A Small Business Corporation in terms of the Income Tax Act
c. A Personal Liability Company in terms of the Companies Act
d. A Private Company in terms of the Companies Act

Question 9

As a flea-marketer, Mrs Mbete did not bother with any statutory compliance matters except that she is a provisional taxpayer and is up to date with her IRP6 and ITR12 returns submissions. She pays her neighbour's unemployed 25 year old son, Floyd Ndlozi, R 100 per day for every Saturday (8 hours) and Sunday (5 hours). Floyd helped her religiously for the last 20 months. Hosiery Galore should have been registered with;

a. The Compensation Fund
b. The Unemployment Insurance Fund
c. The Employment Incentive Scheme
d. Both (a) and (b) above

Question 10

Mrs Juju Mbete is married in community of property to Mr Nelson Mbete, who is full-time employed as cleansing department supervisor with the City of Cape Town, currently earning a normal monthly salary of R 6,500. He is not directly involved with his wife's business activities and do not earn any income from it. Identify the correct statement

a. Despite the couple's marital regime, no taxable income accrues, as a result of his wife's trading activities, to Mr Nelson Mbete to be declared in his annual return to SARS
b. Due to the couple's marital regime, Mr Nelson Mbete has to declare 50% of Hosiery Galore's nett profit after Mrs Mbete's annual drawings
c. Due to the couple's marital regime, Mr Nelson Mbete has to declare 50% of Hosiery Galore's nett profit before Mrs Mbete's annual drawings
d. Due the couple's marital regime, Mr Nelson Mbete has to be registered as a Provisional Taxpayer as his wife is registered as such

Question 11

Assume that Mrs Juju Mbete trading as Hosiery Galore is currently registered with the South African Revenue Services in the Turnover Tax regime. Should she elect not to register her business into any type of corporate entity whatsoever, then

a. She may not elect to register as a VAT Vendor, even though her annual turnover may be more than R1million for a consecutive 12-month period
b. She may not deduct the rent paid as a taxable deduction from taxable turnover
c. Despite the increase of turnover as a result of the shop rented in the next fiscal year to R1,8m, she will remain a Turnover Tax payer
d. All of the above will hold true

Question 12

Sabie and Rabia Furnishers have three product lines - A, B, and C.

	A	B	C	Total
Sales	10 000	9 000	12 000	31 000
Variable Costs	4500	7000	6000	17 500
Contribution Margin	?	?	?	?
Fixed Costs	3500	6000	3000	12500
Net Income	2000	?	3000	1000

Product line B appears unprofitable, and management is considering discontinuing the line. How would the discontinuation of Product line B affect net income?

a. increase by R 4,000
b. decrease by R 4,000
c. increase by R 2,000
d. decrease by R 2,000

Question 13

Yahya Saib and Son (Pty) Ltd prepares monthly performance reports for each department. The budgeted amounts of wages for the Finishing Department for the month of August and for the eight-month period ended August 31 were R 12,000 and R 100,000, respectively. Actual wages paid through July were R 91,500, and wages for the month of August were R 11,800. The month and year-to-date variances, respectively, for wages on the August performance report would be:

a. R 200 Favourable; R 8,500 Favourable
b. R 200 Favourable; R 3,300 Unfavourable
c. R 200 Unfavourable; R 3,300 Unfavourable
d. R 200 Unfavourable; R 8,500 Favourable

Question 14

Nadeem Falcon Blanket Company produced 20,000 blankets in June to be sold during the holiday season. The manufacturing costs were:

Direct materials	R 125,000
Direct labour	R 55,000
Factory overhead	R 60,000

Management has decided that the mark-on percentage necessary to cover the product's share of selling and administrative expenses and to earn a satisfactory profit is 30%. The selling price per blanket should be:

a. R 31.20
b. R 23.60
c. R 15.60
d. R 12.00

Bits 'n Pieces (Pty) Ltd, a non-owner managed company, is the exclusive distributor of a leading brand microwave oven, in Mpumalanga. Top management, being 4 persons of whom 2 are shareholders, is entitled to a performance bonus of R 50,000 each, if the actual net profit before tax of the entity for the year ended 29 February 2016 exceeds the prior year net profit before tax by R 1million. You have prepared and compiled the draft financial statements, which indicates that the net actual net increase, year-on-year is R 950,000. The Chief Executive, who is also a shareholder, then instructed you, a Professional Accountant (SA), to reduce the Provision for Warranty Expenses by R 70,000 citing that the overall Provision for Warranty Expenses of R 350,000 is an adequate reserve, All parties is very much aware that the existing reserve is historically proven to be a bit on the conservative side.

Question 15

Which of the following is the most appropriate action expected from the Professional Accountant (SA)?

a. Obey the instruction and increase the reported net profit before tax to R 1,020,000
b. Ignore the instruction and face disciplinary action for insubordination
c. Obey the instruction only after you have amended the Accounting Policy for Warranty Expenses Provision to match the reduction thereof
d. Obey the instruction and highlight your concerns in writing to the Non-Executive Chairman of the Board

Question 16

Provisions for future expenses, such as Warranty Expenses for products sold during a given financial year and which may be utilized in future financial years are considered to be;

a. A tax planning tool
b. A tax avoidance scheme
c. A recognition of probable expense
d. All of the above

Question 17

In calculating the Public Interest score, as defined in the Regulations to the Companies Act, of Bits ‘n Pieces (Pty) Ltd, which of the following components will **not** influence that PI score?

a. The turnover of R 51million for the year
b. The cash and cash equivalents held at year-end
c. The bank overdraft at year-end
d. The number of beneficial shareholders in the Company

Question 18

Given that the turnover of Bits ‘n Pieces (Pty) Ltd for the year ended 29 February 2016 was R 51million, the annual duty payable to CIPC, within 30 business days from the Company Anniversary date of 14 April, shall be

a. R 100
b. R 450
c. R 2,000
d. R 3,000

Question 19

The overdraft facilities letter, signed by the Company and its bankers, requires that the Company forward 6-monthly unaudited financial statements to the Bank by 30 September and 31 March each year. It is part of your job description to prepare such financial statements. Pursuant to sec 29 of the Companies Act, Act 71 of 2008, you must;

a. On the front page insert your name and professional designation as the compiler thereof
b. Insert the phrase “Independent Accounting Professional”
c. Indicate who the Company’s Bankers are
d. Do none of the above

Question 20

Which of the following statements regarding Continuous Professional Education for the Professional Accountant (SA) is false

a. Continuous Professional Development is a specific activity which may affect the Good Standing status of the Professional Accountant (SA) with the Institute
b. Continuous Professional Development is intended only for Professional Accountants (SA) after 3 year from being admitted to the Institute
c. At least half of the minimum required Continuous Professional Education hours must be structured hours
d. Members of Recognized Controlling Bodies accredited in terms of the Tax Administration Act must maintain Continuous Professional Development

Question 21

On 1 May 2011, the Companies Act, Act 71 of 2008, became implementable in South Africa. Which of the following statement/s is/are true?

a. Entities registered as Close Corporations by law became Private Companies automatically
b. Accounting Officers appointed in terms of the Close Corporations Act ceased to have the duties so imposed by the latter Act
c. No new Close Corporations may be formed and registered from 1 May 2011
d. All of the above

Question 22

Dolly Dawn Taxis CC was formed in 1995 and has 4 members, being 2 married couples, each holding 25% of the entity. In 2005, Dolly Paxton and Tony Paxton got divorced, but both continued to be members of the CC. Tony Paxton remarried after the divorce order was granted and he sadly passed away in 2015, bequeathing the whole of his estate to his current wife Felicity Mbuza-Paxton. Dolly Paxton is livid as she refuses to have anything to do with Felicity Mbuza-Paxton. Which of the following remedies is the most economical and ethical approach available to Dolly?

a. Refuse to give written consent to admit Felicity as a member to Dolly Dawn Taxis CC
b. Back date and sign a proposed Association Agreement which were never signed back in 1995
c. Contest Tony's last will and testament in Court
d. Tony Paxton has spoken from his grave, and Dolly and Felicity is forced to stick it out in Dolly Dawn Taxis CC together

Question 23

Production costs behave differently. Such costs are normally identified as being either fixed or variable or semi-variable. Which of the following options is an example of semi-variable costs?

a. Maintenance of mechanical parts of plant contract with an external service provider for a fixed monthly fee plus parts
b. Production department wages is fixed per week irrespective of production output and overtime is payable at overtime rates
c. Both (a) and (b)
d. Neither (a) nor (b)

Question 24

The duties of Accounting Officer as contemplated in the Close Corporations Act implies that, the Accounting Officer

a. Must compile the Annual Financial Statements of the Close Corporation
b. Must prepare a Fixed Asset Register for the Close Corporation
c. Must report to the CIPC when the liabilities of the Close Corporation exceeds its assets fairly valued
d. All of the above

Question 25

As a Professional Accountant (SA), you may accept the office of Accounting Officer to;

a. Non-Profit Organizations registered with the Director: Non-profit Organizations
b. Micro-lenders under certain specific conditions
c. Sectional Title Body Corporates with fewer than 10 units
d. All of the above

SECTION B CASE STUDY QUESTIONS

CASE STUDY 1: **[100 MARKS]**

Aljix (Pty) Ltd (hereafter referred to as Aljix) was established during 1996 as part of the governments business and economic empowerment policies. The company started as a family business in the retailing of personal goods and electronic gadgets. Since its inception the company has grown from a small suburban outlet struggling to survive its initial years to a national wholesaler with a retail outlet in selected areas throughout the country. The business model of the company is built on the simple concept of integrating African cultures with international products and designs. Aljix has a financial year end that ends on the last day of February. Aljix produces 100% taxable supplies and is a Category B vendor for VAT purposes. The company's turnover for the 2015 and 2016 financial year end was R18 000 000 and R25 000 000 respectively. The company is owned by Mr Alstead and his two sons, namely Chris and John who are all South African residents. Mr Alstead is also the managing director. Chris is the operations director and John is the chief financial officer.

The company's business process involves the following:

- importing products from the Far East as well as purchasing products from local manufacturers as part of its BBBEE strategy;
- testing all products to ensure they meet the quality standards of the company; and
- selling the products singularly or as a combination set.

Notes

1. The company designed its own quality assurance systems through which the products are tested. The machine used in the testing process has a cost of R800 000 (excluding VAT) which is depreciated on a straight-line basis to a zero residual value over an estimated useful life of 8 years. At 1 March 2015 the machinery had a remaining useful life of 6 years. Management is of the opinion that the company can be classified as a Small Business Corporation for tax purposes and would therefore be granted the accelerated capital allowance – namely, 50%, 30% and 20% over a three year period. However, the accounting officer informed management that the business cannot be classified as a Small Business Corporation with effect from 1 March 2015.

2. The goods are imported from foreign suppliers on the following basis:
   (i) high value goods are imported from China via an agent, and
   (ii) low value goods are imported directly by the business from Namibia.

This was part of the risk management strategy of the business. The following is a summary of the goods imported from foreign suppliers for the VAT period ended 29 February 2016:

	R
Goods imported via the agent	1 600 000
Goods imported directly by the business from Namibia	750 000

The goods imported by the company via the agent had a customs duty value of the rand equivalent of R1 800 000. Import surcharges of R64 000 were levied. The goods imported directly by the business from Namibia had a customs duty value of R750 000 and no non-refundable import duties or taxes were incurred.

3. The company values its inventory at the lower of cost or net realisable value using the first-in-first-out method. The following information was presented by management about the results of the quality tests over the past 5 years:
   (i) An estimate of 4% of the goods imported failed the quality tests for which there is no return policy with the foreign suppliers. These defective goods are donated to charitable organisations as part of the company's CSR policy. The defective goods that cost R75 000 were donated to charitable organisations on the last day of the company's financial year end. The market value of these goods amounted to R90 000 on this day. Aljix received the s18A certificates from all the charitable organisations that they donated to.
   (ii) An estimate of 2% of the goods acquired from local manufacturers failed the quality tests, but these goods are returned to the suppliers as part of the sales agreement.

   During the current reporting period ended 29 February 2016 indicated that goods with an aggregate value of R120 000 purchased from a foreign supplier was damaged. After investigations it was discovered that these goods were damaged as a result of the warehouse staff stacking the goods incorrectly.

4. Management is also aware that pilferage of goods by the staff but does not believe it warrants the implementation of security systems as it is not worth the losses incurred. The accountant recognise the estimated loss of pilferage as an operating risk and therefore reported it as part of the operating expenses.

5. Management decided that it can increase its footprint in the suburban market by implementing a lay-away sales policy. The policy stipulated that customers who have not paid more than 15% of the sales value and default on three consecutive payments are penalised by the cancellation of the lay-away agreement. Management are also confident that lay-away customers who pay more than 50% of the sales value, then the obligations of such agreements will be fulfilled resulting in actual sales. Furthermore, management implemented a policy of delivering the goods to the lay-away customers when 80% of the sales value has been received in cash. Management will only allow customers to cancel agreements when customers have paid between 20% and 80% of the sales value but will charge 5% of the sales value as commission on termination. When customers cancel the agreements, the financial manager recommended that in order to improve the cash flow of the business, the goods required for the lay-away sales needs only be purchased from the suppliers when the receipts of the customers reach the 80% threshold – this will also reduce the risk of pilferage and inventory management. The following information was extracted from the records provided by the accountant responsible for maintaining the lay-away sales:

	2016			**2015**	
	Cash received	**Sales value**	**Cost of sales**	**Cash received**	**Sales value**
	R	**R**	**R**	**R**	**R**
Cash received for agreements terminated as a result of defaults (received less than 15% of sales value)	47500	145000	100000	31800	87000
Cash received for less than 80% of the sales value (excluding agreements terminated or cancelled)	398700	450000	375000	234700	325000
Cash received for 80% or more of the sales value	458500	508000	440000	345200	400000
Cash received for sales cancelled (excluding the agreements terminated)	82700	154000	110000	102900	210000

6. One of the major customers concluded an agreement whereby a total quarterly order is placed by delivery taking place when required. In terms of the agreement the customer pays a retainer amount of R20 000 and settles the quarterly monthly invoice amount after 60 days. If the customer settles the account within 30 days then a 7.5% discount is granted. The sales order for the quarter June to August 2015 amounted to R2 400 000 (excluding VAT) of which R1 200 000 and R600 000 was delivered during June and July 2015.

7. The following information was presented by the warehouse manager in respect of two categories of products:

Product A, a products servicing a specific need of unique niche customers, has an inventory valuation of R135 000. The inventory records indicated that was one of the slow moving inventory items as a result of the high level of competition in the market. The business maintains a mark-up of 120% on these products. Management estimates that the future cost of the goods will be R 150 000. The business can return the goods to the supplier at a value of R90 000. The business received an offer from a customer to purchase the goods at R200 000. Management is of the opinion that this product is no longer part of its strategic plan and plans to phase the product out from its product range.
Product B, a product that is rapidly increasing the competitive advantage of the business, has an inventory valuation of R78 000. The supplier has indicated that the price of this product will increase by 15% in the upcoming months. The company received an offer from a new customer who established a retail outlet in an area where the business does not have a footprint. The offer price was 10% below the average market of 60%.

8. Chris paid a cash bribe in the amount of R30 000 on 15 February 2016 to a government official to secure a government contract whereby the government would purchase promotional items for conferences for municipal workers. The R30 000 has been allocated to entertainment expenses in the statement of comprehensive income.

9. Aljix has a policy of declaring dividends on an annual basis. Aljix declared and paid a dividend of R450 000 cash on 27 February 2016 to its three shareholders.

10. To meet the increasing demands for its goods, the company acquired additional machinery in terms of a lease agreement. Details of the lease were as follows:

Lease commencement date	01 September 2015
Lease rental payments	R 145 000 payable half yearly in arrears
Lease period	4 years
Estimated useful life	5 years
Effective interest rate	13%

<u>You are required to:</u>

<u>FINANCIAL REPORTING:</u> **(50 MARKS)**

(a) Discuss how the lay-away sales mentioned in note 5 above should be recognised in the accounting records in compliance with the accounting standards. The discussion must cover (i) the recognition of the lay-away sale, (ii) the cancellation of agreements if less than 20% is received in the form of cash and (iii) the administration fees charged.

(5 marks)

(b) Record the transactions (including cash and cost of goods sold) in the journal for the lay-away sales outlined in note 5 for the reporting period 29 February 2016. The transaction should recognise (i) terminated agreements, (ii) cancelled agreements, (iii) lay-away sales recognised and (iv) cash received from in respect of agreement of 2015. (16 marks)

(c) Discuss how the transaction outlined in note 6 should be recognised and measured in the financial statements for the reporting period 29 February 2016. The discussion must include the recognition and measurement at (i) initial recognition and (ii) recognition subsequent to initial recognition. (6 marks)

(d) Discuss the information that should be considered when the accountant is determining how the lease outlined in note 10 should be recognised in the financial statement for the reporting ended 28 February 2016. (5 marks)

(e) Disclosure the lease outlined in note 10 in the statement of financial position together with the appropriate notes in compliance with the accounting standards for the reporting period ended 28 February 2016. The disclosure must report on (i) statement of financial position, (ii) statement of financial position (lease machinery and lease liability), (iii) accounting policy (lease agreements and leased asset) and (iv) notes to the financial statements (leased assets and leas liability)

(18 marks)

SUGGESTED SOLUTION

Financial Reporting: **50 marks**

(a) Recognition of lay-away sales

Lay-away sales can only be recognized if it is probable the transaction will materialize into a revenue transaction & the revenue amount can be measured reliable.	
The probability of the transaction is determined when there is certainty that the revenue transaction will be fulfilled – sale obligations will be fulfilled based on historical trends or conditions of the lay-away transaction	**1**
Revenue can only be recognized if the goods are available and have been identified for the lay-away customer – must be set aside for the customer	**1**
Revenue should not be recognized when 50% of the sales value is received in terms of the lay-away agreement as the goods are only identified and available when 80% of the cash is received	**1**
Lay-away sales for which less than 20%(15%) of the cash is received must be recognized as a gain as the amount received is not refunded	**2**
The administrative fees charged for cancelled agreements must be recognized as income received (other income) rather than revenue from the sale of goods as no goods were transferred/delivery to the customer	**1**
	1
	[Max: 5 marks]

(b) Journal entries – lay-away sales

	Debit	Credit	**Marks**
Bank	987 400		**2**
Lay-away sale deposit		987 400	**2**
[Recognition of cash received for sales]			
Lay-away sale deposit	47 500		**1**
Gains from cancellations		47 500	**2**
[Lay-away sales terminated]			
Lay-away sale deposit	82 700		**1**
Administrative fees income		4 135	**1**
Bank		78 565	**2**
[Refund of sales cancelled]			
Accounts receivable	49 500		**2**
Lay-away sale deposit	458 500		**2**
Revenue		508 000	**1**
[Recognition of revenue]			
Cost of goods sold	440 000		**1**
Inventory		440 000	**1**
[Recognition of cost of goods sold]			
			[Max: 16 marks]

(c) Recognition of bill-and-hold sale

The transaction is a bill-and-hold sale agreement which must be recognized when the goods are available and the customer has acknowledged receipt of the invoice – customer accepts risks and rewards associated with the sale.	**2**
The revenue is recognized for the full amount when the invoice even through delivery will take at different dates after the invoice is issue – no revenue is recognized when the goods are delivered at a later date.	**2**
The settlement discount must be assessed at the date of the revenue transaction to determine the probability that it will be granted to the customer – based on the customer's payment history.	**1**
If the likelihood is that the customer will settle within the discount period then the settlement discount must be recognized at the date of the revenue transaction, if not then the discount is recognized at the payment date.	**2**
If payment is made within the settlement discount then the provision recognized for the settlement discount must be eliminated, if not then it must be reversed against the revenue.	**2**
The transaction should measured reliably	**1**
	[Max: 6 marks]

Recognition is about reliability of measurement and probability of the benefits and should both aspects not be incorporated in solution?

(d) Classification of leases

The classification of the lease must be based on the intention of the lessee and the substance of the transaction.	**1**
The following factors must be taken into account when classifying a financial lease:	
• Intention of acquiring ownership – assets is transferred to the lessee at the end of the lease at a price which is less than the market value	**1**
• Period of the lease – if the lease period is more that 75% of the useful life of the asset (lessee has total use of the asset)	**1**
• Cash value – if the present value of the lease payments is more than 90% of the cash value (represent a financed purchase)	**1**
• Nature of asset – if the asset is unique and can only be used by the lessee (no other user for the asset)	
	1
	[Max: 5 marks]

It ought to be indicated that this is a financial lease and not an operating lease

(e) Disclosure of lease

	Cash value [145,000 @ 12% for 8 periods]		900,420		
		Balance	Interest	Rental	Balance
28-Feb-16	Liability	900,420	54,025	145,000	809,445
31-Aug-16	Liability	809,445	48,567	145,000	713,012
29-Feb-17	Liability	713,012	42,781	145,000	610,793
	Current liability		91,347	290,000	198,653
31-Aug-17	Liability	610,793	36,648	145,000	502,440
28-Feb-18	Liability	502,440	30,146	145,000	387,587

31-Aug-18	Liability	387,587	23,255	145,000	265,842
28-Feb-19	Liability	265,842	15,951	145,000	136,792
31-Aug-19	Liability	136,792	8,208	145,000	-
	Long-term liability		114,207	725,000	610,793

Statement of financial performance for the reporting period ended 28 February 2016			**Marks**
Expenses – Depreciation		90,042	**1**
Finance costs		54,025	**1**
Statement of financial position at 28 February 2016			
Non-current assets			
Property, Plant and equipment	2	810,378	**2**
Non-current liabilities			
Finance lease liability	3	610,793	**2**
Current liabilities			
Finance lease liability	3	198,653	**2**

Notes to the financial statement for the reporting period 28 February 2016				
2. Property, Plant and machinery				
		Cost	900,420	**2**
Accumulated depreciation			90,042	**1**
Carrying amount			810,378	
Machinery with a carrying amount of R 810,378 is subject to a finance lease.				
3. Finance lease liability				
The finance lease liability is measured at the present value of the minimum future lease payments discounted at the effective interest rate of 12%. The liability is repayable in half-yearly instalments of R 145,000 for the next three and a half year.			809,446	**3**
Less: current portion of liability			198,653	**2**
Non-current liability			610,793	**2**
	Capital	Interest	Rental	
Non-current liability	610,793	114,207	725,000	**2**
Current liability	198,653	91,347	290,000	**2**
Total	809,446	205,554	1,015,000	**1**

Max 18 marks

INCOME TAXATION SECTION: **(35 MARKS)**

(f) Discuss how the capital allowance relating to the machinery used in the testing process as outlined in note 1 above must be accounted for tax purposes for the period ended 29 February 2016 as a result of the change in the entity's status as a Small Business Corporation.

(5 marks)

(g) Discuss, supported by calculations, the output and input VAT implications for the VAT period ended 29 February 2016 for the goods imported as per note 2 above. (11 marks)

(h) Discuss the income tax implications of the goods donated by the company for the year of assessment ended 29 February 2016 as outlined in note 3. (5 marks)

(i) Discuss how the cash received outlined in note 5 above should be accounted for in terms of output VAT for the tax year of assessment ended 29 February 2016. (5 marks)

(j) Discuss the income tax implications of the bribe of R30 000 paid to the government official as mentioned in note 8 for the 2016 year of assessment. (2 marks)

(k) Calculate the dividends tax to be withheld for the tax year of assessment 28 February 2016, if any, for the dividends declared and payable by Aljix as outlined in note 9.

(2 marks)

(l) Discuss when the dividends tax, if any, will be paid over to the South African Revenue Service by Aljix. (5 mark)

SUGGESTED SOLUTION

TAXATION:

(f) Small Business Corporations (SBC)

	Marks
The **SBC status is determined at the end of the year of assessment** and is applicable for **the immediate preceding year only** – the evaluation and must be performed for **each year of assessment**.	1 1 1
If the status of the entity changes during the year of assessment (e.g. no longer meet the criteria), **then the business will not be recognized as a SBC for the year of assessment**	1
The **capital allowance will continue in terms of the legislation applicable when the assets was brought into use for the first time**	1
Or	
The capital allowance will be written off in terms of s11(e)	1
Available	**5**
Maximum	**5**

(g) VAT implications for imports

	Marks
Output tax is levied on goods imported from China and Namibia however **where a clearing agent is used no output tax will be reflected on the VAT 201 as the clearing agent collects the VA**T from Aljix and pays the VAT levied on the transaction over to SARS. s7(1)(b)	**1** **1** **1**
Output tax levied on the goods imported from Namibia **will be reflected on the VAT 201 as no clearing agent is used therefore it will be paid directly by Aljix**	**1**
= R750 000 x **14%** = R105 000	**1**
As Aljix is a registered vendor, they will be able to claim an input tax deduction on the importation of the goods as follows	**1**
Goods imported from China using a clearing agent	**1**
R1 800 000 + (**R1 800 000 x10%)** + (**R64 000**) = R2 044 000 x **14%** = R286 160.	**1,1** **1**
Goods imported from Namibia without using a clearing agent	
= **R105 000**	**1P**
Therefore total input tax that can be claimed is R286 160 + R105 000 = **R391 160**	**1P**
Available	**12**
Maximum	**11**

(h) Income tax implications for donations

	Marks
The cost of defected goods are **included in the cost of inventory** based on the **absorption costing method** – this is allowed as the cost of inventory for income tax purposes. The **cost of normal wastage is included in the cost of finished goods** and thus the defective goods are deemed to have **a zero cost** – thus the cost of the defective goods donated will **not be considered as a deduction (cost in included in the cost of goods sold).** **Or** Aljix donated trading stock to charitable organizations and received a s18A certificate, therefore Aljix **will receive a s18A deduction** The s18A deduction is based on **10% of taxable income before the s18A deduction** but **limited to the cost of the goods ie. R75 000**	**1** **1** **1** **1** **1** **1** **1** **1**
Available	**5**
Maximum	**5**

(i) VAT implications lay-away sales

	Marks
VAT is accounted for on the **earlier of invoice or receipt of payment.** s9(1)	1
For the deposits received**, it will be regarded as consideration if the deposits are applied,** ie**. forfeited or where the debt is reduced.**	1,1
The cash received for the lay aways is **either forfeited or reducing the debt therefore it is regarded as a consideration** and **output tax** will be accounted for on **R987 400** x **14/114 = R121 260**	1 1 1,1
Available	**7**
Maximum	**5**

(j) Income tax relating to bribes

	Marks
The bribe of R30 000 **is not deductible** in terms of s23(o) which **specifically prohibits** expenditure incurred in respect of unlawful activities	1 1
Available	**2**
Maximum	**2**

(k) Calculation of dividend tax

	Marks
The three shareholders of Aljix are natural persons. They are **not exempt from dividends tax** in terms of s64F.	1
R450 000 x **15%** = R67 500 s64(E), s64(J)	1
Therefore Aljix will withhold R67 500 dividends tax from the R450 000 dividends paid to their three shareholders.	
Available	**2**
Maximum	**2**

(l) When the dividends tax will be paid to SARS

	Marks
The dividends paid by an **unlisted company** are deemed to be paid on **the earlier of the date on which the dividend is paid or becomes due and payable.** s64E(2)(a)(ii)	1 1
Declared does not mean due and payable therefore **the earlier is the date the dividend was paid.**	1 1
Therefore, the dividends are deemed to be paid **on 27 February 2016,** the dividends tax of R67 500 must be paid to SARS **by 31 March 2016; the last day of the month following the month in which the dividend is paid.** s64K(1)(c))	1 1 1
Available	**7**
Maximum	**5**

MANAGEMENT ACCOUNTING & AUDITING: (15 MARKS)

(m) Discuss how the cost of the goods damaged or those that failed the quality control tests as per note 3 above would affect the cost per unit calculations, if the company uses the full absorption costing method.

(5 marks)

(n) Discuss which of the procedures outlined in note 4 above would achieve management's objective of reducing the level of pilferage in the warehouse.

(5 marks)

(o) Advise management whether the offers received for the goods outlined in note 7 above should be accepted. Support you answer using relevant costing principles.

(5 marks)

SUGGESTED SOLUTION

MANAGEMENT ACCOUNTING & AUDITING

(m) Cost of wastage

The cost of wastage must be recognized based on its classification between normal and abnormal wastage.	1
For normal wastage the cost of the goods must be recognized as part of the cost of the finished goods when determining the cost per unit – absorbed into the unit cost. However, when these goods are sold the proceeds limited to the cost of the goods damaged must be reversed against the cost of finished goods.	2
For abnormal wastage the cost of the goods must be accounted for as an expenses – cost of damaged goods which is recognized separately from the finished goods. The sale of the goods must be recognized as the sale of a second revenue stream.	2
[Max: 5 marks]	

(n) Procedures to minimize inventory theft

The risk of pilferage in the warehouse can be minimized by:	
• Maintaining accurate records (inventory records) for all movements (inward and outward) of goods in the warehouse	1
• Regular inventory counts to reconcile the physical goods in the warehouse with the inventory records and investigate all variances	1
• Physical check of the goods received with the purchase order and supplier's delivery which are agreed to the inventory records – ensure all goods received are taken into stock	2
• Physical check of all goods dispatched with sales order and delivery notes only goods ordered which are agreed to the inventory records – ensure only goods dispatched are removed from stock	2

• Implement security mechanism and control procedures – CCTV and other procedures 1 mark for every other relevant procedure	1
[Max: 5 marks]	

(o) Relevant costing

The offer received from the customer is less than the normal selling price – mark-up of the offer is 48% compared to the average of 120%. However, as the goods will no longer be used in the business operations the relevant cost is considered to be zero and thus the offer represents a favourable one which must be considered. The fact that the goods can be returned to the supplier at a reduced price, the opportunity costs (200,000 – 90,000 = 100,000 gain) will be taken into consideration when making the decision – accept the offer.	3
The decision made must be based on the future economic benefits – long-term business relationship. The fact that the offer is 10% below the normal market up (78,000 + 50% = 117,000) which indicated a decrease in the profit earned. The relevant cost for the goods is represented by the future/replacement cost (78,000 + 15% = 89,700) which represents the minimum cost the must be recovered to break-even. The offer is higher than the relevant cost and must be accepted.	3
1 mark for every other relevant qualitative factor	
[Max: 5 marks]	

CASE STUDY 2: [20 MARKS]

You are a junior tax consultant at Naidoo and Mlambo. You have been allocated to help the senior tax partner, Mr Ndlovu, for this week. As Mr Ndlovu's diary is filled with client consultations and meetings, he requested you to address the following client queries:

Jemma Usher is a South African resident who is 48 years old. She is married out of community of property to Phillip Usher, also a South African resident, who is 56 years old. They live in Cape Town. Jemma is an advocate and also completed her MBA postgraduate degree in 2000. Jemma has been a senior partner in the law firm of Beckett and Hatcher for the last 10 years. Jemma and Phillip do not have any children.

Jemma had taken out a loss of income policy with Origin Insurance Limited in 2004. When she joined Beckett and Hatcher, the law firm decided to pay the monthly premiums for Jemma. Beckett and Hatcher paid R700 per month for this policy from 1 March 2015 to 29 February 2016

Jemma was provided with exclusive use of a Toyota Corolla GLS (a motor car as defined for VAT purposes) from 1 March 2015. It was purchased by Beckett and Hatcher for R342 000 (including VAT) on 1 March 2015, which is the same as its retail market value. The motor vehicle was purchased with a full maintenance plan. Jemma does not contribute towards the maintenance costs. All other costs in respect of the motor vehicle are borne by her employer. She is allowed to take the motor vehicle home each night and also has unlimited weekend use of it. Jemma did not keep a log book. Beckett and Hatcher is a registered vendor for VAT purposes. She used the motor car for the entire 2016 year of assessment.

Jemma's grandmother unexpectedly died on 14 November 2015 and left her an amount of R60 000 in cash. Jemma wants to use R15 000 to buy an antique vase and she also heard about the new 'tax-free investments' and is considering investing the remaining R45 000 in the 'Sansure Invest Tax Free Plan', an approved plan in terms of section 12T of the Income Tax Act.

On 25 March 2016, Jemma received a non-pensionable performance bonus of R575 000 for the period 1 March 2015 to 29 February 2016 which is Beckett and Hatcher's 2016 year of assessment.

YOU ARE REQUIRED TO:

a) Advise Jemma, supported by reasons, of the normal tax implications of the loss of income policy premiums paid by Beckett and Hatcher for her 2016 year of assessment. (4 marks)

b) Calculate, with reasons, the PAYE implications for the right of use of the motor car for March 2015. (6 marks)

c) Advise Jemma, supported by reasons, as to whether she should invest the R45 000 in the Sansure Invest Tax Free Plan. (6 marks)

d) Advise Jemma, supported by reasons, as to when she will be taxed for normal tax purposes on the non-pensionable performance bonus of R575 000. (4 marks)

SUGGESTED SOLUTION

20 marks

a).	Marks
• The loss of income policy premiums of **R8 400** (R700 x12) paid by Beckett and Hatcher will be **included in her gross income for the 2016 year of assessment**.	1
• This is a **taxable fringe benefit** in terms of paras 2(k) and 12C of the Seventh Schedule	1
• The premiums paid in respect of these policies **are not deductible from the Jemma's income for the 2016 year of assessment** in terms of s23(r) **which specifically prohibits this.**	1 1
Maximum	4
b).	Marks
R342 000	1
Determined value is **retail market value**	1
X	
3.25%	1
Maintenance plan	1
x	
80%	1
No logbook kept or s**he is not able to prove that at least 80% of her travel is business related**	1
= R8 892	
Maximum	6
c).	Marks
• **Interest and dividends earned** from tax free investments in terms of s12T **are exempt from income tax.**	1 1
• However, **I will not advise** Jemma to invest the full R45 000 in the tax free investment.	1
• A natural person can only invest in tax free investments **up to a maximum of R30 000 per year**.	1
• Any excess above R30 000, which in Jemma's case will be R15 000, will result in an **additional amount of normal tax payable** by Jemma calculated as R15 000 x **40%** = R6 000.	1 1

Maximum	6
d).	Marks
• A **bonus is defined as variable remuneration** in terms of s7B(1).	1
• If a taxpayer is determining his taxable income during a year of assessment, any amount to which an employee becomes entitled from an employer in respect of variable remuneration, **is deemed to have accrued to the employee, on the date of payment of the amount by the employer to the employee** (s 7B(2)).	1
• The timing of the accrual of the bonus of R575 000 will therefore be on the payments basis and will therefore only be included in the income of the Jemma on the date of payment**, which is 25 March 2016** and therefore be taxed for normal tax purposes in the **2017 year of assessment.**	1 1
Available	4
Maximum	4

CASE STUDY 3: [15 MARKS]

One of your clients has approached you for advice. Their core business is marketing low cost stationery packs to government schools.

The sales function is handled by a Piet Molooi, who was recently employed as sales manager. He holds a teachers diploma in primary education which was awarded 1990. In addition to a fulltime teaching job he has worked in door-to-door sales to supplement his income. He has wide experience in door-to-door sales for a number of distributor companies. Prior to joining your client, Piet held a similar sales position at the regional level for a cosmetic sales company for five years. Everyone agrees that Piets's main strengths lie with his ability to get along well with people and great attention to detail.

As sales manager he is responsible for the recruiting, training, compensation, supervision, performance and general management of the company's door-to-door sales team. He also oversees the sales forecasting, promotions and advertising. Along with these responsibilities, he has a mandate to develop the general sales plan budget, and financial management of the sales department.

Your client has identified that the sales department is a problem area and that the internal control environment is ineffective.

Required:

- What primary risk factors would you include in conducting the risk evaluation and how would this impact on the sales area?
- What types of controls would be most appropriate to mitigate these risk factors?

Please tabulate your answer using the suggested guide below.

Risk factor	Impact	Controls
Financial exposure	Losses due to selling below normal retail prices	Monitoring of sales price trends

(15 Marks)

SUGGESTED SOLUTION

Risk factor	Impact	Controls
Major changes in operations	Changes in procedure with the introduction of management can lead to confusion in the sales force and lost sales	Clear procedures for the sales force and adequate training
Complexity of transactions	Sales falling through because of poor understanding of legislative requirements	Adequate training for sales staff on requirements of legislation such as public finance act
Competency of management	Sales team will take direction from new management who may be weak in experience of home sales	Crash course for Joe on house sales techniques
The liquidity of assets	With piet responsible for compensation, erroneous	Segregated duties and remove compensation from Piets's For responsibilities

	commission payments could lead to high losses	
Quality of internal controls	Poor controls can lead to lost sales and overpayments on commissions	Controls must address the appropriate risky areas and be properly managed and scrutinized
Potential for adverse publicity	Adverse publicity over the quality of homes built our promises made by the sales team could lead to a reputation risk-	Homes built must be of the highest quality and the sales team must not over-sell the product
Reputation risk	If credibility of the company is lost, sales will decline even further	Customer satisfaction surveys should be carried out in order to ensure there's no loss of reputation of the company over a period of time
Quality of sales staff	Sales of largely dependent on the quality of sales staff and failures in this area will lead to loss of sales and profitability	Adequate training of sales staff
Areas of sole control	Joe has multiple areas directly under his control which may lead to him giving inadequate attention to any specific area in addition to the risks of mistakes being made with no additional checks	Segregated all duties whatever possible with independent monitoring whereIf segregation is not possible
The time and results of the last audit	If it is known that an audit is unlikely, the standard of performance of controls can slip drastically	Ensure the audit takes place Memo format n a regular basis

1 mark per identified risk up to a maximum of 5 risks

1 mark per identified impact up to a maximum 5 for the impact

1 mark per identified control up to a maximum of 5 based on the risk

CASE STUDY 4: [15 MARKS]

PATRICE MINING (PTY) LIMITED is a company owned by three university colleagues and is engaged in the mining of magnesium in the Eastern Cape. The major assets used by the company consist of heavy-duty machinery which has an estimated useful life of 10 years. The company adopted an accounting policy for the heavy duty machinery which reads as follows: "Machinery measured using the historical cost model and is depreciated to its residual value on a straight-line basis over an estimated useful life".

The machinery was acquired at an aggregate cost of R 26,000,000 on 01 September 2010. Management estimated the residual value to be R 3,000,000.

On 01 March 2013 management realised that it was facing financial distress and required debt funding in the form of a bank loan to ensure that its can fully realise the business opportunities available. The financial manager stated that the financial statements do not reflect the true value of the business as the historical cost method is used to measure the assets. The financial manager recommended that the business adopts the fair value method to prepare its financial statements.

Based on the recommendations of the financial manager it was decided by management to implement the fair value model resulting in Property, Plant & Equipment being measured using the revaluation model – gross replacement cost method. The revalued amount of the heavy duty machinery at 01 March 2013 amounted to R 33,000,000.

At 28 February 2016 the recoverable amount of the heavy duty machinery was estimated to be R 9,500,000.

You are required to:

The journal entries for the above transactions for the reporting period ended on the last day of February 2014 and 2016 in compliance with the accounting standards. (15 marks)

SUGGESTED SOLUTION

					Marks
		Historical cost	Revaluation	Surplus	
01-Jan-10	Cost	26 000 000	33 000 000	7 000 000	
28-Feb-13	Accumulated depreciation	8 050 000	10 500 000	-2 450 000	2
28-Feb-13	Carrying amount	17 950 000	22 500 000	4 550 000	
28-Feb-14	Depreciation	2 300 000	3 000 000		
28-Feb-14	Carrying amount	15 650 000	19 500 000		
28-Feb-16	Depreciation (2015 & 2016)	4 600 000	6 000 000		
28-Feb-16	Carrying amount	11 050 000	13 500 000		2
	Recoverable amount	9 500 000	9 500 000		
	Decrease in carrying amount	1 550 000	4 000 000		1
	Impairment loss		1 550 000		2
	Devaluation – surplus		2 450 000		1
		Debit	Credit		
01-Mar-13	Machinery	7 000 000			1
	Accumulated depreciation		2 450 000		1
	Revaluation surplus (OCI)		4 550 000		1
	[Revaluation of machinery i.t.o. policy]				
28-Feb-14	Depreciation	3 000 000			1
	Accumulated depreciation		3 000 000		1
	[Depreciation for the period]				
28-Feb-16	Depreciation	3 000 000			
	Accumulated depreciation		3 000 000		
	[Depreciation for the period]				
28-Feb-16	Impairment loss	1 550 000			1
	Revaluation surplus (OCI)	2 450 000			1
	Revaluation surplus [SFP]		4 000 000		1
	[Recognition of impair loss]				
				[Max: 15 marks]	

Annexure A - Tax Tables

TABLE 1

RATES OF NORMAL TAX PAYABLE BY PERSONS OTHER THAN COMPANIES AND TRUSTS (BUT INCLUDING SPECIAL TRUSTS AS WELL AS INSOLVENT AND DECEASED ESTATES) IN RESPECT OF YEARS OF ASSESSMENT ENDING 29 FEBRUARY 2016

Taxable Income		**Rates of Tax**
Exceeds **R**	**But does not exceed** **R**	**R**
0	181 900	0 + 18% of each R1
181 901	284 100	32 742 + 26% of the amount above 181 900
284 101	393 200	59 314 + 31% of the amount above 284 100
393 201	550 100	93 135 + 36% of the amount above 393 200
550 101	701 300	149 619 + 39% of the amount above 550 100
701 301		208 587 + 41% of the amount above 701 300

TABLE 2

TURNOVER TAX DUE BY MICRO BUSINESSES IN RESPECT OF YEARS OF ASSESSMENT ENDING 29 FEBRUARY 2016

Turnover		Rates of Tax
Exceeds R	But does not exceed R	R
0	335 000	0
335 001	500 000	0 + 1% of the amount above 335 000
500 001	750 000	1 650 + 2% of the amount above 500 000
750 001	1 000 000	6 650 + 3% of the amount above 750 000

TABLE 3

RATES OF TAX FOR COMPANIES AND CLOSE CORPORATIONS (OTHER THAN MINING COMPANIES AND LONG-TERM INSURERS AND RETIREMENT FUNDS)

Financial years ending during the period of twelve months ending 31 March 2016

Type of company	Rate of tax
Small business corporations	
Taxable income:	
R0 – R73 650	0%
R73 651 – R365 000	7% of the amount over R73 650
R365 001 – R550 000	R20 395 + 21% of the amount over R365 000
Exceeding R550 000	R59 245 + 28% of the amount over R550 000
Personal service provider companies	28%
Companies	28%
Secondary tax on companies	
until 31 March 2012	10%
Dividends Tax (effective from 1 April 2012)	15%

TABLE 4

REBATES: YEARS OF ASSESSMENT ENDED LAST DAY OF FEBRUARY

	2016 **R**
Primary	13 257
Secondary (65 years of age or older)	7 407
Tertiary (75 years of age or older)	2 466

TABLE 5:

MEDICAL SCHEME FEES TAX CREDITS: YEARS OF ASSESSMENT ENDED LAST DAY OF FEBRUARY

Under 65 years	**2016** **R**
Taxpayer only	270 per month
Taxpayer plus one dependent	540 per month
Additional dependants	181 per month

TABLE 6

SCALE OF VALUES - TRAVEL ALLOWANCE

Value of the vehicle	Fixed cost	Fuel cost	Maintenance cost
R	R per annum	c per km	c per km
0 – 80 000	26 105	78.7	29.3
80 001 – 160 000	46 505	87.9	36.7
160 001 – 240 000	66 976	95.5	40.4
240 001 – 320 000	84 945	102.7	44.1
320 001 – 400 000	102 974	109.9	51.8
400 001 – 480 000	121 886	126.1	60.8
480 001 – 560 000	140 797	130.4	75.6
Exceeding 560 000	140 797	130.4	75.6

TABLE 7

Rental value of use of residential accommodation: $(A - B) \times \frac{C}{100} \times \frac{D}{12}$

S10A: Capital portion of a purchased annuity: $Y = \frac{A}{B} \times C$

S10A: Capital portion on termination or commutation: X = A – D

TABLE 8

TABLE OF TAX LIABILITY ON RETIREMENT FUND LUMP-SUM BENEFITS IN RESPECT OF YEARS OF ASSESSMENT ENDING 29 FEBRUARY 2016

Taxable amount	Rate of tax
Up to R500 000	0% of taxable income
Exceeds R500 000 but not R700 000	R0 + 18% of taxable amount above R500 000
Exceeds R700 000 but not R1 050 000	R36 000 + 27% of taxable amount above R700 000
Exceeds R1 050 000	R130 500 + 36% of taxable amount above R1 050 000

TABLE 9

TABLE OF TAX LIABILITY ON RETIREMENT LUMP-SUM WITHDRAWAL BENEFITS IN RESPECT OF YEARS OF ASSESSMENT ENDING 29 FEBRUARY 2016

Taxable amount	Rate of tax
not exceeding R25 000	0% of taxable income
Exceeds R25 000 but not R660 000	R0 + 18% of taxable amount above R25 000
Exceeds R660 000 but not R990 000	R114 300 + 27% of taxable amount above R660 000
Exceeds R990 000	R203 400 + 36% of taxable amount above R990 000

TABLE 10

PRESCRIBED INTEREST RATES FOR FRINGE BENEFITS (per annum)

From 1/03/2011	6.5%
From 1/08/2012	6%
From 1/02/2014	6.5%
From 1/08/2014	6.75%
From 1/08/2015	7%