

**PROFESSIONAL EVALUATION
ENGLISH QUESTION PAPER
1 November 2014**

TIME: 4h30min
MARKS: 200

SECTION A	MULTIPLE CHOICE	MARKS
	TOTAL SECTION A	50
SECTION B		
	CASE STUDY 1	60
	CASE STUDY 2	55
	CASE STUDY 3	35
	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 card 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]

Question 1

Which of the following is a basic force that drives industry competition and which, when combined with other competitive forces, determines the ultimate profit potential in the industry?

- I. Threat of new entrants.
- II. Bargaining power of suppliers.
- III. Favourable access to raw materials.
- IV. Product differentiation.

- a. I only.
- b. I and II only.
- c. III and IV only.
- d. I, II, III, and IV.

Question 2

During an Independent Review a Professional Accountant (SA) uncovers a plan to overstate inventory and thereby increase reported profits for a division. The Professional Accountant has substantial evidence that the divisional manager was aware of, and approved the plan to overstate inventory. There is also some evidence that the manager may have been responsible for the implementation of the plan. The Professional Accountant (SA) should:

- a. Continue to conduct interviews with subordinates until a definite case is made, and then report the case to the audit committee.
- b. Inform senior management and the audit committee of the findings and discuss possible further investigation.
- c. Inform the divisional manager of the Professional Accountant's suspicions and obtain the manager's explanation of the findings before pursuing the matter further.
- d. Document the case thoroughly and report the suspicions to the external auditor for further review.

Question 3

A manufacturing company produces plastic utensils for a particular market segment at the lowest possible cost. The company is pursuing a:

- a. Cost Leadership strategy
- b. Focus strategy
- c. Differentiation strategy
- d. Containment strategy

Question 4

When a multinational firm decides to sell its products abroad, one of the risks that it faces is that the government of the foreign market could charge the firm with dumping, which occurs when:

- a. A product sells at different prices geographically.
- b. A firm charges less than it costs to make a product in order to enter and win market share.
- c. Lower quality versions of a product are sold abroad in order to be affordable.
- d. Transfer prices are set artificially high in order to minimise tax payments.

Question 5

Which of the following is an example of an efficiency measure?

- a. The rate of absenteeism.
- b. The goal of becoming a leading manufacturer.
- c. The number of insurance claims processed per day.
- d. The rate of customer complaints.

Question 6

After three years of steadily decreasing profits in spite of increased sales and a growing economy, which of the following is the preferred course of action for a chief executive officer to take?

- a. Set a turnaround goal of significantly increasing profits within two months.
- b. Reduce staff by 10 percent in every unit.
- c. Reduce staff in the non-value-adding functions by 20 percent.
- d. Encourage innovation at all levels and use an early retirement program to reduce staff size.

Question 7

Which of the following scenarios illustrates an organisation that has become out of balance by focusing too much on efficiency rather than effectiveness?

- a. The job is not completed and resources are wasted.
- b. The job is completed but resources are wasted.
- c. The job is not completed but resources are not wasted.
- d. The job is completed.

Question 8

The Close Corporations Act, 1984 (as amended) allows for an Association Agreement that may be entered into. Which of the following statements are false?

- a. An Association Agreement referred to is in fact a contract between the CC and its members and between the members inter se.
- b. New members admitted to a CC with a pre-existing Association Agreement, can only be bound to such an agreement once they have appended their signatures thereto.
- c. Members are bound to an Association Agreement, even after they cease to be members.
- d. None of the above.

Question 9

An internal audit department adopts a training posture that provides training to management on fraud awareness, including an overview of the corporate fraud policy and hotline. This training posture best demonstrates that the internal audit department is taking which of the following leadership roles?

- a. Path finding, which focuses on "What is our purpose and how will we achieve it?"
- b. Aligning, which focuses on "How do we align systems and processes to achieve our purpose?"
- c. Empowering, which focuses on "How do we cultivate our people to have the right authority, responsibility, and commitment to help us best achieve our purpose?"
- d. Modelling, which focuses on "How do we demonstrate the values to convince others to follow us and take responsibility for achieving our purpose?"

Question 10

During an independent review, a Professional Accountant (SA) is scheduled to audit payroll controls for a company that has recently outsourced its processing to an information service bureau. What action should the Professional Accountant (SA) take regarding the outsourcing decision?

- a. Review the controls over payroll in both the company and the service bureau.
- b. Review only the company's controls over data sent to and received from the service bureau.
- c. Review only the controls over payments to the service bureau based on the contract.
- d. Cancel the engagement, because the processing is being performed outside of the organisation.

Question 11

A manager in a government agency supervises a section of clerical employees who review license applications for approval or denial. The clerical jobs are well-defined procedurally and are subject to government regulations. In this situation, what is the best leadership style for the manager?

- a. Directive
- b. Supportive
- c. Participative
- d. Achievement oriented

Question 12

During a review of purchasing operations, a Professional Accountant (SA) found that procedures in use did not agree with stated company procedures. However, audit tests revealed that the procedures in use represented an increase in efficiency and a decrease in processing time, without a discernible decrease in control. The Professional Accountant (SA) should:

- a. Report the lack of adherence to documented procedures as an operational deficiency.
- b. Develop a flowchart of the new procedures and include it in the report to management.
- c. Report the change and suggest that the change in procedures be documented.
- d. Suspend the completion of the engagement until the engagement client documents the new procedures.

Question 13

Nationalisation, expropriation, and terrorism are best categorised as examples of:

- a. Economic risk.
- b. Political risk.
- c. Operational risk.
- d. Environmental risk.

Question 14

Upon obtaining factual documentation of unethical business conduct by the director to whom the chief audit executive (CAE) reports, the CAE should:

- a. Conduct an investigation to determine the extent of the vice president's involvement in the unethical acts.
- b. Confront the vice president with the facts before proceeding.
- c. Schedule an audit of the business function involved.
- d. Report the facts to the chief executive officer and the audit committee.

Question 15

Which of the following control procedures would be the **least** effective in preventing frauds in which purchase orders are issued to fictitious vendors?

- a. Require that all purchases be made from an authorised vendor list maintained independently of the individual placing the purchase order.
- b. Require that only preapproved vendors be paid for purchases, based on actual production.
- c. Require contracts with all major vendors from whom production components are purchased.
- d. Require that total purchases from all vendors for a month not exceed the total budgeted purchases for that month.

Question 16

Controls result from:

- a. Implementation of standard procedures
- b. Corporate enforcement of international standards
- c. Planned and thoughtful intervention by management to achieve a specific end
- d. Regular audits

Question 17

Corporate Governance is the responsibility of:

- a. The Board of Directors and the Audit Committee
- b. The Board of Directors, Management and Internal Audit
- c. Management, Shareholders and Internal Audit
- d. Shareholders, managers and the Board of Directors

Question 18

You are given the cost and volume information below:

Volume	Cost
1 unit	R 15
10 units	R 150
100 units	R1 500

What type of a cost is given?

- a. Fixed cost
- b. Variable cost
- c. Step cost
- d. Mixed cost

Question 19

With reference to Regulation 26 (1) (d) of the Companies Act, Act 71 of 2008, an Independent Accounting Professional is;

- a. Any person who is a member of a member body of IFAC, even if such a person is in the fulltime employ of the Company concerned
- b. Exclusively Registered Auditors with IRBA
- c. A person who is qualified to accept appointment of Accounting Officer to a Close Corporation
- d. None of the above

Question 20

Which of the following are elements that will influence the Public Interest Score of an entity prescribed by the Companies Act, Act 71 of 2008?

- a. Loans made to a Company by its shareholders
- b. Gains made by a Company on the disposal of non-current assets
- c. Where a shareholder of a Company is a Trust, the number of Trustees of such Trust
- d. Where a shareholder of a Company is a Trust, the number of Beneficiaries of such Trust

Question 21

Coed Novelties manufactures key chains for college bookstores. During 2013, the company had the following costs:

Direct materials used	R 31 000
Direct labour	R 18 000
Factory rent	R 12 000
Equipment depreciation – factory	R 2 000
Equipment depreciation – office	R 750
Marketing expense	R 2 500
Administrative expenses	R 40 000

There were 35 000 units produced in 2013. What is the product cost per unit?

- a. approximately R1.24
- b. R1.80
- c. approximately R3.04
- d. R1.40

Question 22

The time value of money focuses on

- a. accounting net income
- b. earnings per share
- c. cash flow
- d. current earnings

Question 23

The Unique Bookshelf Company is considering the purchase of a custom delivery van costing approximately R 50 000. Using a discount rate of 20%, the present value of future cost savings is estimated at R 51 200. To yield the 20% return, the actual cost of the van should not exceed the R 5 000 estimate by more than:

- a. R 50 000
- b. R 51 200
- c. R 25 000
- d. R 1 200

Question 24

The Cape Cod Cotton Candy Company had the following information available regarding last year's operations:

Sales (100,000 units)	R 200 000
Variable costs	R 100 000
Contribution margin	R 100 000
Fixed costs	R 50 000
Net Income	R 50 000

If sales were to increase by 200 units, what would the effect be on net income?

- a. R400 increase
- b. R200 increase
- c. R150 increase
- d. R100 increase

Question 25

A property holding company was deregistered by CIPC due to non-submission of Annual Returns. Which of the following is not a pre-condition for the restoration of such company?

- a. Tax Clearance Certificate from SARS
- b. Clearance Letter from the Department of the National Treasury
- c. Clearance Letter from the Department of Public Works
- d. Newspaper advertisement of the intention to apply for restoration with CIPC

SECTION B CASE STUDY QUESTIONS

Case Study 1

[60 marks]

The financial manager of *Ram Slam Ltd*, Mr. Lance Kluse, has heard that you are preparing for the current SAIPA professional exam. As a result, Mr. Lance Kluse has approached you to assist with three specific issues relating to *Ram Slam Ltd* as he is unsure of the accounting implications thereof. The financial year end of the company is 28 February 2014.

Part A

Ram Slam Ltd has entered into a lease agreement with Miller Bank to lease an item of machinery on 1 March 2013. The cost of the item of machinery was R276 000. As per the lease agreement between the two parties, the following lease payments need to be made:

Date of payment	R
1 March 2013	60 000
1 March 2014	73 920
1 March 2015	90 318
1 March 2016	109 584

The above payments were determined taking into account an effective interest rate of 12% per annum. On 1 March 2016, the ownership of this item of machinery will be transferred to *Ram Slam Ltd*. The estimated useful life of the item of machinery is 4 years with a negligible scrapping value.

The depreciation rate as per the company policy is to depreciate machinery over its estimated useful life on the straight line basis. The standard rate of tax is 28% for all periods presented. The South African Revenue Services allows the lease payments as a deduction only when it is paid.

You are required to:

Prepare in so far as the information is available:

- Extracts of the disclosure of the lease in the financial statements (Statement of Profit or Loss and other Comprehensive Income and Statement of Financial Position) of *Ram Slam Ltd*,
- the notes thereto for the year ended 28 February 2014,
- including the effect on Taxation, and
- any other disclosures that you deem relevant from the given information
- Include the Accounting Policies applied for Leased Assets and Deferred Tax.
- Include the Notes to the Financial Statements for Capitalised Leased Assets, Machinery and Deferred Tax.

(34 marks)

Part B

Ram Slam Ltd sold a flat screen 3D Smart LED TV set together with a BluRay DVD to *Walmart Inc.* under a 12-month instalment sale agreement on 1 March 2013. The cost of the TV set and BluRay DVD was R21 000 and the mark up was 20% on cost. *Walmart Inc.* was required to pay a deposit of 10% on 1 March 2013 and the first instalment was due and payable on 31 March 2013. The prime interest rate at the date of sale was 9% per annum and customers of *Ram Slam Ltd* are charged interest at prime plus 1% per annum.

Walmart Inc. made the first payment on 31 March 2013 as per the agreement. On 30 April 2013 *Walmart Inc.* failed to pay the subsequent instalment. On 1 May 2013, the TV set and BluRay DVD were repossessed by *Ram Slam Ltd*, and was still held in stock at the financial year-end.

You are required to:

Prepare all the journal entries (narrations are not required) for the year ended 28 February 2014 in the records of *Ram Slam Ltd* in respect of the transaction with *Walmart Inc.* (Ignore the effects of taxation).

(26 marks)

Case Study 2

[55 marks]

This question consists of 3 unrelated parts

Part A

You are the tax partner in the firm of accountants Naidoo & Ngubane. You recently received the following VAT queries from three separate clients that are all companies that are resident in the Republic. All the clients are registered VAT vendors and they make a 100% taxable supplies. All three companies are Category B vendors.

Query 1

The financial manager has queried the accuracy of the following journal entry that was processed one day before Metfin Limited's financial year end (28 February 2014). His concern is that the value-added tax (VAT) implications of this journal entry may have been incorrectly dealt with by Metfin Limited. The journal entry is as follows:

Dr. Accommodation and meals	4 928	
Dr. Airfares	5 000	
Dr. Car hire	1 800	
Dr. VAT input account	1 642	
Cr. Creditor		13 370

Being an accrual for a three-day 'out-of-town' local business trip undertaken by the managing director during the last week of February.

You are required to:

To provide Metfin Limited with a schedule of journal entry or journal entries (supported with brief explanations) that should be put through its books so as to correct possible errors contained in the above journal entry. Round off to the nearest rand.

(8 marks)

Query 2

Pretty Bags (Pty) Ltd manufactures ladies handbags. The newly appointed financial accountant is unsure of certain value-added tax (VAT) implications. During its two month VAT period (which ended on 31 October 2013), it completed, amongst others, the following transactions:

1. On 31st October 2013 wrote off two debtors after numerous unsuccessful attempts to recover the debts from the debtors:
 - Debtor B a local customer that owed R 11 400.
 - Debtor X a foreign customer that owed R20 520.
2. On 1 October 2013, Pretty Bags (Pty) Ltd purchased a second hand machine from a non registered VAT vendor for R 80 000 cash. The open market value of the machine is R70 000.

You are required to:

Prepare the necessary journal entries to record the above transactions in the books of Pretty Bags Pty (Ltd). The narration to each journal entry must clearly indicate the VAT consequences that arise out of the transaction. Round off to the nearest rand.

(10 marks)

Part B

Bella Starr is a resident of the Republic of South Africa. She is single and has no dependants. She is 28 years old. She runs a successful modelling agency known as 'Top Model', which she has run as a sole proprietor since 2009. Bella Starr is a registered provisional taxpayer.

Certain details of Bella's tax transactions from previous years of assessment as well as the current year of assessment are as follows:

2012 Taxable Income.	R750 000
2012 Tax assessment was received on 1 March 2013.	
2013 Taxable Income.	R960 000
2013 Tax assessment was received on 1 November 2013.	
The 2013 taxable income calculation includes a taxable capital gain of R90 000.	
2014 Taxable Income.	R???
2014 Tax return (form ITR12) will be efiled on 15 August 2014.	

Additional information regarding the 2014 year of assessment:

1. Bella has a taxable income from Top Model of R425 000.
2. Bella received net fees (after tax deductible expenses have been taken into account) of R114 000 from being a Pilates trainer (she operated as a sole proprietor) at a local gym. She is not an employee of the gym and therefore no employees' tax has been deducted from the net fees.

3. Bella also worked for the last 5 years at Amor Limited (Amor), a manufacturer of designer shoes. She worked in the marketing department of the company. On 31 July 2013, she resigned from employment of Amor. Bella decided to resign to concentrate on her modelling agency business, Top Model. It has been a lifelong dream of Bella to be the number one modelling agency in South Africa. She wants to open several branches of Top Model in the major cities in South Africa. In order to do this she needs to travel extensively and a full time job will hinder her dream of expanding her modelling agency business and becoming number one in South Africa.
4. Bella's cash salary from 1 March 2013 to the date of her retirement was R20 000 per month.
5. On 19 August 2013, Bella received a lump sum of R300 000 from Amor's provident fund of which she had been a member for the entire period that she was employed with Amor. During this period, her contributions to the fund were 8% of her monthly cash salary. Her employer, Amor, also contributed 8% of her monthly cash salary to the provident fund. Provident fund contributions made by Bella not allowed as a deduction for tax purposes up to 28 February 2013 amounted to R76 000.
6. Employees' tax withheld by the provident fund on the provident fund lump sum paid on her retirement on 19 August 2013 was R75 000.
7. Bella has not previously received any lump sum benefits.
8. She does not receive any other benefits from her employment other than what is mentioned above.
9. Employees' tax withheld on her salary received to the date of resignation was R15 567.

Other Information:

- Neither Bella nor Top Model is a registered VAT vendor.
- Amor Limited adheres strictly to the requirements of the Fourth Schedule in relation to payments of employees' tax.

You are required to:

Determine the minimum payment that Bella Starr was required to make so as to avoid additional tax, penalties and interest for the following provisional tax payments and state by when these payments should have been made:

- First provisional tax payment for the year of assessment ended 28 February 2014.
(9 marks)
- Second provisional tax payment for the year of assessment ended 28 February 2014.
(20 marks)

Show your detailed workings, providing brief reasons for entries with a Rnil effect on the tax calculation.

Part C

Jim Greedy is a resident of the Republic and is sixty years old. He has run a successful scrap metal business for the last twenty years. He operates the scrap metal business from his only scrap yard in central Limpopo and runs the business as a sole proprietor. He is not a registered VAT vendor.

Jim Greedy has built a successful business primarily from selling of scrap metal that he obtains from the local residents within the Republic at a very cheap price and through some very questionable means. He sometimes buys copper from residents that do not present a valid identity document as required by law. Over the last year, this has become a practice of Jim's and he is known in the illegal copper trade as the 'the man to go to' to sell your illegal copper to. Jim prides himself on being an astute businessman and has built up quite a network in the illegal copper trade. He has also built up a big clientele waiting to buy the copper at a reduced price from him.

Most recently Jim Greedy was arrested for the sale of copper that he obtained illegally. He was subsequently convicted for these sales. He was however granted a reduced sentence by the South African Police Services as he gave up the names of the key individuals in the illegal copper trade. His sales from illegal copper amounted to R600 000 for the year of assessment ended 28 February 2014. He received R500 000 during the 2014 year of assessment. The balance of R100 000 was still outstanding as at 28 February 2014.

Jim Greedy received his final tax assessment for the year of assessment ended 28 February 2014 on 18 July 2014. The South African Revenue Service (SARS) included the R600 000 illegal copper sales in his gross income for the 2014 year of assessment. Jim Greedy is extremely concerned about his assessment. He wants to object to the assessment but has no tax knowledge.

You are required to:

Motivate whether the R600 000 or any other amount should be included in the gross income of Jim Greedy for the year of assessment ended 28 February 2014 with reference to the Income Tax Act. Your motivation may include referencing to relevant case law.

(8 marks)

Case Study 3

[35 marks]

Nqobani formed a sole proprietorship, Nqobani Traders on 1 August 2013. Nqobani Traders imports shadelite awnings (a product used to protect doors from the sun) from China and sells them to residents of a number of Johannesburg townships. The head office of Nqobani Traders is located in Alexandra.

Nqobani contributed R260 000 of which R60 000 will be paid back to him on 30 November 2013.

The accountant of Nqobani Traders has presented the following financial information pertaining to the accounting records and budgets of Nqobani Traders for the period:

1 August 2013 to 31 December 2013.

<u>Details</u>	<u>Actual</u>		<u>Budgeted</u>		
	August	September	October	November	December
Income	R	R	R	R	R
Cash Sales	250 000	275 000	302 500	332 750	366 025
Credit sales	480 000	528 000	580 800	638 880	630 168
Expenses					
Purchases (All Credit)	350 000	367 500	404 250	444 675	489 143
Wages and salaries	38 000	40 000	40 500	40 500	41 000
Operating Expenses (excluding Depreciation)	78 000	80 000	75 000	85 000	83 300
Assets					
Equipment	500 000	500 000	400 000	400 000	480 000

1. The bank account had a debit balance of R134 000 as at 30th September 2013.
2. Sales and purchases were expected to increase by 10% monthly.
3. Credit sales are collected as follows:

- 50% during the month of the sale
 - 30% during the month following the sale
 - 15% during the second month after the sale
 - 5% of debts are expected to be uncollectible
4. Some of the equipment on hand in September will be sold for R100 000 cash during October 2013 in order to buy new equipment. The new equipment (to replace this), will be purchased during December 2013 for R80 000 cash.
 5. Wages and salaries are paid in the same month they have been incurred.
 6. Operating expenses are paid one month after they have been incurred.
 7. Creditors are paid during the month of the credit purchase.

You are required to:

1. Prepare a Cash Budget for the month of October, November and December 2013.

(25 marks)

2. List the audit procedures to verify that the sales are correctly recorded

(10 marks)

Hint : Start with the debtors collection schedule

END OF EXAM

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 28 FEBRUARY 2014

Taxable Income		Rates of Tax	
Exceeds	But does not exceed	R	
R	R		
0	165 600	0 + 18% of each R1	
165 600	258 750	29 808 + 25% of the amount above	165 600
258 750	358 110	53 096 + 30% of the amount above	258 750
358 110	500 940	82 904 + 35% of the amount above	358 110
500 940	638 600	132 894 + 38% of the amount above	500 940
638 600		185 205 + 40% of the amount above	638 600

TABLE 2

TURNOVER TAX DUE BY MICRO BUSINESSES IN RESPECT OF YEARS OF ASSESSMENT ENDING 28 FEBRUARY 2014

Turnover		Rates of Tax	
Exceeds	But does not exceed	R	
R	R		
0	150 000	0	
150 000	300 000	0 + 1% of the amount above	150 000
300 000	500 000	1 500 + 2% of the amount above	300 000
500 000	750 000	5 500 + 4% of the amount above	500 000
750 000	and above	15 500 + 6% 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 2014

<u>Type of company</u>	<u>Rate of tax</u>
Small business corporations	
Taxable income:	
R0 – R67 111	0%
R67 112 – R365 000	7% of the amount over R67 111
R365 001 – R550 000	R20 852 + 21% of the amount over R365 000
Exceeding R550 000	R59 702 + 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**

	2014
	R
Primary	12 080
Secondary (65 years of age or older)	6 750
Tertiary (75 years of age or older)	2 250

TABLE 5

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

Under 65 years	2014 R
Taxpayer only	242 per month
Taxpayer plus one dependent	484 per month
Additional dependants	162 per month

For 65 years and older there are no medical scheme fees tax credits.

TABLE 6**SCALE OF VALUES - TRAVEL ALLOWANCE**

Where the value of the vehicle		Fixed Cost	Fuel Cost	Maintenance Cost
Exceeds R	But does not exceed R	R	c	c
0	60 000	19 310	81.4	26.2
60 000	120 000	38 333	86.1	29.5
120 000	180 000	52 033	90.8	32.8
180 000	240 000	65 667	98.7	39.4
240 000	300 000	78 192	113.6	46.3
300 000	360 000	90 668	130.3	54.4
360 000	420 000	104 374	134.7	67.7
420 000	480 000	118 078	147.7	70.5
480 000		118 078	147.7	70.5

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 28 FEBRUARY 2014

Taxable amount	Rate of tax
Up to R315 000	0% of taxable income
Exceeds R315 000 but not R630 000	R0 + 18% of taxable amount above R315 000
Exceeds R630 000 but not R945 000	R56 700 + 27% of taxable amount above R630 000
Exceeds R945 000	R141 750 + 36% of taxable amount above R945 000

TABLE 9

TABLE OF TAX LIABILITY ON RETIREMENT LUMP-SUM WITHDRAWAL BENEFITS IN RESPECT OF YEARS OF ASSESSMENT ENDING 28 FEBRUARY 2014

Taxable amount	Rate of tax
not exceeding R22 500	0% of taxable income
Exceeds R22 500 but not R600 000	R0 + 18% of taxable amount above R22 500
Exceeds R600 000 but not R900 000	R103 950 + 27% of taxable amount above R600 000
Exceeds R900 000	R184 950 + 36% of taxable amount above R900 000

TABLE 10

PRESCRIBED INTEREST RATES FOR FRINGE BENEFITS (per annum)

From 1/03/2007	10%
From 1/09/2007	11%
From 1/03/2008	12%
From 1/09/2008	13%
From 1/03/2009	11.5%
From 1/06/2009	9.5%
From 1/09/2009	8.5%
From 1/09/2009	8%
From 1/10/2010	7%
From 1/03/2011	6.5%
From 1/08/2012	6%
From 1/02/2014	6.5%

TABLE 11

Interpretation Note No 47 (previously Practice Notes No 15, 19 and 39)

Asset	Proposed write-off period (in years)	Asset	Proposed write-off period (in years)
Adding machines	6	Incubators	6
<i>Air conditioners:</i>		Ironing and pressing equipment	6
Window type	6	Kitchen equipment	6
Mobile	5	Knitting machines	6
Room unit	10	Labouratory research equipment	5
<i>Air conditioning assets (excluding pipes, ducting and vents):</i>		Lathes	6
Air handling units	20	Laundromat equipment	5
Cooling towers	15	Law reports: Sets (Legal practitioners)	5
Condensing sets	15	Lift installations (goods/passengers)	12
<i>Chillers:</i>		Medical theatre equipment	6
Absorption type	25	Milling machines	6
Centrifugal	20	Mobile caravans	5
Aircraft: Light passenger or commercial helicopters	4	Mobile cranes	4
Arc welding equipment	6	Mobile refrigeration units	4
Artefacts	25	Motors	4
Balers	6	Motorcycles	4
Battery chargers	5	Motorised chainsaws	4
Bicycles	4	Motorised concrete mixers	3
Boilers	4	Motor mowers	5
Bulldozers	3	Musical instruments	5
Bumping flaking	4	Navigation systems	10
Carports	5	Neon signs and advertising boards	10
Cash registers	5	Office equipment – electronic	3
Cell phone antennae	6	Office equipment – mechanical	5
Cell phone masts	10	Oxygen concentrators	3
Cellular telephones	2	Ovens and heating devices	6
Cheque writing machines	6	Ovens for heating food	6

Cinema equipment	5	Packaging and related equipment	4
Cold drink dispensers	6	Paintings (valuable)	25
Communication systems	5	Pallets	4
Compressors	4	Passenger cars	5
<i>Computers</i>		Patterns, tooling and dies	3
Main frame / servers	5	Pellet mills	4
Personal	3	Perforating equipment	6
<i>Computer software (main frames)</i>		Photocopying equipment	5
Purchased	3	Photographic equipment	6
Self-developed	1	Planers	6
Computer software (personal computers)	2	Pleasure craft etc.	12
Concrete mixers (portable)	4	Ploughs	6
Concrete transit mixers	3	Portable safes	25
Containers (large metal type used for transporting freight)	10	Power tools (hand-operated)	5
Crop sprayers	6	Power supply	5
Curtains	5	Public address systems	5
Debarking equipment	4	Pumps	4
Delivery vehicles	4	Race horses	4
Demountable partitions	6	Radar systems	5
Dental and doctors equipment	5	Radio communication equipment	5
Dictaphones	3	Refrigerated milk-tankers	4
Drilling equipment (water)	5	Refrigeration equipment	6
Drills	6	Refrigerators	6
Electric saws	6	Runway lights	5
Electrostatic copiers	6	Sanders	6
Engraving equipment	5	Scales	5
Escalators	20	Security systems (removable)	5
Excavators	4	Seed separators	6
Fax machines	3	Sewing machines	6
Fertiliser spreaders	6	Shakers	4
Firearms	6	Shop fittings	6

Fire extinguishers (loose units)	5	Solar energy units	5
Fire detection systems	3	Special patterns and tooling	2
Fishing vessels	12	Spin dryers	6
Fitted carpets	6	Spot welding equipment	6
Food bins	4	Staff training equipment	5
Food-conveying systems	4	Surge bins	4
Fork-lift trucks	4	<i>Surveyors:</i>	
Front-end loaders	4	Instruments	10
Furniture and fittings	6	Field equipment	5
Gantry cranes	6	Tape-recorders	5
Garden irrigation equipment (movable)	5	Telephone equipment	5
Gas cutting equipment	6	Television and advertising films	4
Gas heaters and cookers	6	Television sets, video machines and decoders	6
Gearboxes	4	Textbooks	3
Gear shapers	6	Tractors	4
Generators (portable)	5	Trailers	5
Generators (standby)	15	Traxcavators	4
Graders	4	Trolleys	3
Grinding machines	6	Trucks (heavy duty)	3
Guillotines	6	Trucks (other)	4
<i>Gymnasium equipment:</i>		Truck-mounted cranes	4
Cardiovascular equipment	2	Typewriters	6
Health testing equipment	5	Vending machines (including video game machines)	6
Weights and strength equipment	4	Video cassettes	2
Spinning equipment	1	Warehouse racking	10
Other	10	Washing machines	5
Hairdressers' equipment	5	Water distillation and purification plant	12
Harvesters	6	Water tankers	4
Heat dryers	6	Water tanks	6
Heating equipment	6	Weighbridges (movable parts)	10
Hot water systems	5	Wire line rods	1
		Workshop equipment	5
		X-ray equipment	5