

Admission to ACCA membership under the European Communities (Recognition of Professional Qualifications) Regulations (Directive 2005/36/EC)



This factsheet is intended to provide information about how to become an ACCA member (and, where appropriate, a UK registered auditor or insolvency practitioner) under the terms of the European Communities (Recognition of Professional Qualifications) Regulations 2005.

These regulations constitute the UK domestic legislation which implements Directive 2005/36/EC (Recognition of Professional Qualifications).

The Directive provides for a General System for recognition of professional qualifications. The General System has been established with the purpose of enabling individuals to transfer their qualifications and skills between Member States.

The General System is founded on the premise that an individual qualified in one Member State to exercise a given profession should be treated, in principle, as qualified to exercise that same profession or occupation in another Member State, without having to re-qualify from the beginning. Where there are substantial differences between the education and training, the migrant is asked to compensate for these differences.

The principle behind the system is that of accredited prior learning – but with the important proviso that the applicant for recognition must be treated as a qualified professional with some gaps in his or her training, not as a student.

RECOGNITION IN THE UK

The Recognition of Professional Qualifications Directive controls access by individuals who hold certain qualifications obtained in Member States to professional activities in the UK governed by a number of professional bodies including those incorporated by Royal Charter, such as ACCA.

ACCA is a designated authority under the implementing rules of Directives 2005/36/EC; as such it must ensure that its rules to access the profession of accountancy as a Chartered Certified Accountant meet the criteria set out by the instruments implementing the Recognition of Professional Qualifications Directive.

KEY POINTS OF THE 2005/36/EC DIRECTIVE

In order to be covered by the General System you must be:

- a national of one of the EU Member States or of Iceland, Liechtenstein, Norway or Switzerland
- fully qualified to practise the profession of accountancy in one of these states
- wishing to practise that profession in another Member State.

The 2005/36/EC Directive applies to qualifications of a higher-education 'diploma' level awarded on completion of professional education and training of at least three years' duration.

If another Member State qualification confers the same right in respect of the taking up and pursuit of a regulated profession ie registered auditor or insolvency practitioner, it is deemed to be of equivalent level to a 'diploma' even if it does not involve training of at least three years' duration, but does involve successful completion of education and training received in the EU.

The education and training attested by the diploma must have been received mainly in the EU, or the holder must have three years' professional experience certified by the Member State that recognised a third-country diploma, certificate or other evidence of formal qualification.

If you received part of your professional education and training in a non-EU country you will still be covered by the General System provided that the following two requirements are both met:

- your profession must be regulated in the home Member State (the term 'home Member State' means that in which you obtained your professional qualifications)
- your professional education and training has to have been received mainly in the home Member State, ie the proportion received there must be greater than that received in the non-EU country.

You can also still be covered by the General System if you received your education and training outside the EU, provided that the following four requirements are all met:

- your professional qualifications have already been recognised in a Member State
- those qualifications permit you to practise a regulated profession in that Member State
- you have actually practised that profession there for three (or, in some cases, two) years
- you have a certificate, issued by that Member State, attesting to that period of practice.

ACCA IN THE UK

ACCA is a member of the Consultative Committee of Accountancy Bodies (CCAB). The other members are: the Institute of Chartered Accountants in England and Wales (ICAEW); the Institute of Chartered Accountants in Ireland (ICAI); the Institute of Chartered Accountants of Scotland (ICAS) and the Chartered Institute of Public Finance Accountants (CIPFA). Only ACCA, ICAEW, ICAI and ICAS are able to authorise appropriately qualified individuals to conduct both audit and insolvency work.

Only individuals authorised by recognised supervisory bodies can call themselves registered auditors and conduct audits of limited liability companies under the terms of the UK Companies Act 2006, as well as other entities required by Statute to be audited by a registered auditor. Similarly, you also need to be appropriately authorised by a recognised professional body to accept insolvency appointments in compliance with the UK Insolvency Act 1986 and the Insolvency (Northern Ireland) Order 1989.

In the UK, anybody can call themselves an accountant. The title 'accountant' is not protected. However, employers will generally expect applicants for professional posts to hold a CCAB qualification – advertisements for jobs often state that an organisation is looking for a CCAB-qualified individual.

ABOUT ACCA

ACCA was founded in 1904. It is the governing body for Chartered Certified Accountants and operates under Royal Charter. The mission of ACCA is to:

- provide professional opportunities and access to people of ability around the world and to support them throughout their working careers in accounting, business and finance
- achieve and promote the highest professional, ethical and governance standards
- advance the public interest
- be a global leader in the profession.

The ACCA Qualification is recognised by statute and ACCA is a Recognised Supervisory Body under the UK Companies Act 2006, and a Designated Professional Body under the Financial Services and Markets Act 2000 and a Recognised Professional Body under the UK Insolvency Act 1986 and the Insolvency (Northern Ireland) Order 1989. ACCA is committed to achieving high professional standards in the public interest through a system of self-regulation coupled with independent oversight.

In Europe, ACCA is active as a founder member of the Federation des Expert Comptables Europeens (FEE).

The ACCA Qualification is a 'diploma' level qualification. Therefore, to be eligible to apply for ACCA membership under Directive 2005/36/EC, you must have successfully completed a post-secondary course of at least three years' duration (or of an equivalent qualification duration part-time) at a university or establishment of higher education. You must, in addition, have successfully completed any professional training required to enable you to practise the profession concerned.

ACCA offers considerable professional support to members to enable them to meet the high standards that are required of them. This is achieved through an extensive range of services including a wide programme of continuing professional development courses; newsletters, factsheets and technical updates; the opportunity for members to share experience and expertise through a network of local societies and sector-specific members' networks; ethical and technical advisory help lines; and a practice advisory service.

ACCA is the global body for professional accountants. We support our 13,500 members and 362,000 students throughout their careers, providing services through a network of 82 offices and active centres. ACCA plays an influential role in the accountancy profession in the UK and internationally.

Further information about ACCA is available on ACCA's website, at www.accaglobal.com

HOW ACCA MEMBERS ARE REGULATED

ACCA insists on the highest standard of ethical and professional conduct from all members and will investigate and deal with complaints about members. It is required to supply details of its regulatory processes to the Professional Oversight Board and Insolvency Service.

Members who engage in public practice work must obtain an annual certificate to practise from ACCA. Members who wish to perform audits or carry out insolvency work require additional licences. All such members are regularly monitored by ACCA. ACCA's disciplinary systems are fast, firm, fair and effective. Disciplinary hearings are conducted in public.

ACCA is committed to the principle of self-regulation coupled with independent oversight and has played an influential role in moves to establish the Professional Oversight Board which is responsible for overseeing the manner in which all the professional accountancy bodies in the UK regulate their members.

ELIGIBILITY TO APPLY FOR ACCA MEMBERSHIP THROUGH DIRECTIVE 2005/36/EC OR THE 8TH COMPANY LAW DIRECTIVE 2006/43/EC ON STATUTORY AUDITS OF ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Under the revised provisions of the 8th Directive, only the general accountancy profession falls under the General System 2005/36/EC, mentioned above, whereas the training and recognition of individuals to undertake statutory audit is now regulated by the updated 8th Directive.

Holders of the accountancy qualifications recognised under these Directives and who are fully-registered members of the following professional bodies, may be eligible to apply for ACCA membership (if you hold a European accountancy qualification, which meets the terms of these Directives, but is excluded from this list, please contact operational delivery members lifecycle at ACCA to confirm your eligibility):

Belgium	Institut des Réviseurs d'Entreprises Institut des Experts-Comptables*
Denmark	Foreningen af Statsautoriserede Revisorer (FSR)
Finland	KHT – Yhdistys Foreningen CGR
France	Ordre des Experts-Comptables Compagnie Nationale des Commissaires aux Comptes
Germany	Wirtschaftsprüferkammer Steuerberaterkammer*
Greece	Soma Orkoton Elengton (SOE)
Iceland	Félag Loggiltra endurskooenda
Ireland	The Institute of Certified Public Accountants in Ireland
Italy	Consiglio Nazionale dei Dottori Commercialisti Ed Esperti Contabili
Luxembourg	Ordre des Experts-Comptables Luxembourgeois Institut des Réviseurs d'Entreprises
Netherlands	Koninklijk Nederlands Instituut van Registeraccountants (NivRA) Nederlandse Ordre van Administratieconsulenten (NOvAA)
Norway	Der Norske Revisorforening
Portugal	Ordem dos Revisores Oficiais de Contas
Romania	Body of Expert and Licensed Accountants of Romania
Spain	Institut de Contabilidad y Auditoria de Cuentas (ICAC)
Sweden	Foreningen Auktoriserade Revisorer
Switzerland	Treuhandkammer

* Members of these bodies are entitled to seek ACCA membership and to enter into practice but are not entitled to UK registered auditor status under MRD. Members of these bodies seeking to become UK registered auditors must comply with the procedures applicable to ACCA members under the terms of the Companies Act 2006. Further details are available from customer services at ACCA.

HOW TO REGISTER AS AN APPLICANT UNDER THE RECOGNITION OF PROFESSIONAL QUALIFICATIONS OR THE 8TH COMPANY LAW DIRECTIVES

Applicants may either apply for ACCA membership only or, if they intend to undertake work reserved for registered auditors, insolvency practitioners or otherwise covered under ACCA's

definition of public practice, they should apply for ACCA membership and to obtain a practising certificate. Applicants who do not currently perform work under ACCA's definition of public practice, but who may do so in the future, are strongly recommended to apply for a practising certificate at the initial application stage.

The Chartered Certified Accountants' Global Practising Regulation 4(1) defines the circumstances in which a member will be regarded as being in public practice, and therefore required to hold a practising certificate or practising certificate and audit qualification issued by ACCA, as follows: (further information on the practising certificates available from ACCA can be found later in this factsheet).

- a accepting an appointment as an auditor; and/or
- b signing or producing any accounts or report or certificate or tax return concerning any person's financial affairs, whether an individual sole-trader, an unincorporated body or a firm, in circumstances where reliance is likely to be placed on such accounts or report or certificate or tax return by any other person (the 'third party'), or doing any other thing which may lead the third party to believe that the accounts or report or certificate or tax return concerning the financial affairs of such a person have been prepared, approved or reviewed by the practitioner; and/or
- c holding oneself or itself out, or allowing oneself or itself to be held out, as being available to undertake the activities referred to in (a) and (b) above (and allowing oneself to be known as a, or a firm of 'Chartered Certified Accountant(s)', 'Certified Accountant(s)', 'Chartered Accountant(s)', or 'Accountant(s)' or any similar description or designation standing for any such description in the context of the practitioner's business shall be regarded as an example of such a holding out); and/or
- d holding oneself out, or allowing oneself to be held out, as a sole proprietor, partner or director of a firm where public practice is carried on.

Basic book-keeping services, as defined in paragraphs 8(2)(a) (i) and 8(2)(a)(ii) of the Membership Regulations 1996, do not constitute public practice.

Public practice shall be taken to be carried on in the country whose laws apply to the activity carried on by the practitioner, or where the said laws are unclear, in the country in which the practitioner is resident.

Applicants who are partners/directors of firms engaged in public practice will also be required to hold a practising certificate even if they themselves are not undertaking public practice work.

Applicants are required to complete form 'RPQ' and return it to: Operational Delivery, ACCA, 2 Central Quay, 89 Hydepark Street, Glasgow G3 8BW, United Kingdom with the Stage One Aptitude Test fee of £150. The Stage Two Aptitude Test fee (£400) becomes payable on successful completion of Stage One.

Stage One of ACCA's Aptitude Test comprises two three-hour written examinations in Company Law and Taxation. (Irish CPAs are exempt from Stage One of the Aptitude Test). The examinations are held in June and December each year.

On successful completion of Stage One, an applicant is then scheduled to sit Stage Two. Stage Two takes the form of an oral interview, lasting between one and two hours. The Stage Two interview will be more extensive where an applicant wishes to enter into practice.

An applicant for membership is only admitted on successful completion of both stages.

The two stage Aptitude Test is designed to examine European accountants and auditors on areas permitted under the first directive. The test takes into account the fact that candidates are already professionally-qualified accountants and/or auditors in their Member State of origin. Accordingly, the Aptitude Test aims to test areas of knowledge which are covered in the ACCA qualification and post-admission to membership testing to obtain a practising certificate, but not the applicant's own qualification. The Aptitude Test covers subjects where such knowledge is essential for pursuit of the profession in the UK.

On admission to ACCA membership an individual is able to use the designatory letters 'ACCA'. On admission to membership an individual will be invoiced for the admission to membership fee (£197 in 2012) and, if applicable, the practising certificate fee (£393 or £83 in 2012). (The £83 rate applies only where fee income will be under £5,000 per calendar year and is not available to an applicant for the practising certificate and audit qualification).

SUPPORTING DOCUMENTATION REQUIRED

When applying for admission to ACCA membership an applicant is asked to supply the following supporting documentation:

- proof of nationality (ie a copy of a passport or identity card)
- all post-secondary educational and professional certificates in support of this application. Please include examination transcripts relevant to your admission to your professional institute. These must be certified as true copies of the originals
- A copy of the syllabus for the examinations taken to gain membership of the professional body. Translations must be provided where the syllabus is not in English.
- a letter from the professional institute(s) of which you are a member, confirming that you are a member in good standing (eg that there are no disciplinary actions pending or on file) and stating the date of admission to membership
- detailed job description
- recommendation by current/most recent employer detailing the type and level of work you have undertaken
- two identical passport-sized photographs – maximum size: 60 mm x 50 mm (both of which must have your full name and signature on the reverse).

APTITUDE TEST – STAGE ONE

Stage One consists of a three-hour written examination in corporate and business law and a separate three-hour written examination in taxation. The written examinations are held twice a year in June and December, during ACCA's normal examination weeks. The deadline for entry and any amendments for the June examinations is 15 April and 15 October for the December examinations.

Applicants may sit Stage One examinations at one of ACCA's designated global examination centre or, by prior arrangement, at a special ACCA examination centre. Please refer to Appendix 3 for special centre deadlines, centre lists etc. Applicants may be asked to contribute to costs incurred locally in the organisation of a special examination centre.

Stage One and Stage Two are in English. ACCA examiners make due allowance for non-native English speakers. Weaknesses in spelling or grammatical construction will not be penalised, as long as the examiners are satisfied that an applicant's intention and meaning are clear beyond ambiguity.

Applicants sitting Stage One will automatically be sent copies of ACCA's *student accountant*, which contains advice on how to prepare for ACCA's professional examinations. The newsletter also carries information concerning courses and study texts available to those studying for the ACCA examinations.

Papers from past Stage One Aptitude Tests are attached at Appendix 1 for information.

The amount of time needed to prepare for the Aptitude Test will depend on personal circumstances, such as work experience etc. Stage One of the Aptitude Test requires detailed knowledge of ACCA Papers F4, *Corporate and Business Law* and F6, *Taxation – UK*. The relevant syllabi are attached at Appendix 2.

Candidates sitting Stage One will be permitted to take into the examination room their own rulers, pencils, pens, erasers and/or correcting fluid. Candidates will be permitted to take into the examination noiseless, cordless calculators WITHOUT printout or graphic/word display facilities.

An application to sit Stage One cannot be withdrawn once it has been submitted. If the applicant decides not to attend or is unable to attend for any reason, the fee paid for the Aptitude Test will not be returned or transferred to a subsequent sitting.

In the event of the applicant being unsuccessful, he or she will be eligible to re-sit one or both of the papers on any number of subsequent occasions. Each application must be accompanied by the appropriate fee.

APTITUDE TEST – STAGE TWO

Stage Two consists of an oral examination. The content is determined individually on the basis of the applicant's existing professional qualification(s) and experience and consequent 'knowledge gap'.

Applicants are contacted to arrange a mutually convenient date for the oral examination (ie there are no set dates). The oral examination is usually held at ACCA's headquarters in central London. The examination is conducted in English.

For those applicants requiring registered auditor status, the oral examination will examine the ability to apply in practice knowledge of the conduct of an audit. ACCA's examinations Paper F8, *Audit and Assurance* and Paper P7, *Advanced Audit and Assurance* cover this area specifically.

The UK Companies Act dictates that UK practising certificate holders should be aware of the following subjects:

- auditing
- analysis and critical assessment of annual accounts
- general accounting
- cost and management accounting
- consolidated accounts
- internal control
- standards relating to the preparation of annual and consolidated accounts and to methods of valuing balance sheet items and of computing profits and losses
- legal and professional standards and professional guidance relating to the statutory auditing of accounting documents and to those carrying out such audits
- those aspects of the following which are relevant to auditing:
 - a company law
 - b the law of insolvency and similar procedures
 - c tax law
 - d civil and commercial law
 - e social security law and law of employment
 - f information and computer systems
 - g business, general and financial economics
 - h mathematics and statistics and
 - i basic principles of financial management of undertakings.

Applicants may therefore wish to revise their knowledge of these subjects in the UK context. ACCA's examination syllabus covers these subjects. A copy of the complete syllabus can be found on ACCA's website at www.accaglobal.com/students/study_exams/qualifications

For those applicants who are not eligible to become registered auditors but who wish to enter into public practice, the oral examination will cover the ethical framework of practice in the UK.

For those applying for ACCA membership only, the oral examination covers those subjects in which ACCA members outside public practice would be expected to demonstrate competence: management accounting, financial management and financial accounting. Applicants may wish to revise areas covered in ACCA Papers F9, *Financial Management*, F7, *Financial Reporting*, P3, *Business Analysis*, P2, *Corporate Reporting* and P1, *Governance, Risk and Ethics*.

Syllabuses can be found at www.accaglobal.com/students/study_exams/qualifications. Applicants should remember, however, that the oral test will be practically-orientated and will draw on professional experience.

A tape recording will be taken of Stage Two. ACCA regards tape recordings and the names of examiners as confidential information, which will not, therefore, be released to candidates.

An application to sit Stage Two cannot be withdrawn once it has been submitted. If the applicant decides not to attend or is unable to attend for any reason, the fee paid will not be returned or transferred to a subsequent examination sitting.

In the event of the applicant being unsuccessful, he or she will be eligible to re-sit on any number of subsequent occasions. Each application must be accompanied by the appropriate fee.

CONTINUING PROFESSIONAL DEVELOPMENT

All members are required to undertake relevant CPD to ensure that they maintain and develop the knowledge and skills needed to succeed in today's dynamic and demanding business environment. ACCA's CPD scheme has been designed to offer four different CPD routes as set out below.

UNIT ROUTE

The unit route requires members to complete 40 relevant units of CPD each year, where one unit is equal to one hour of development. Twenty-one units must be verifiable; the other 19 can be non-verifiable.

UNIT ROUTE – PART-TIME OR SEMI-RETIRED

This route is for members who are employed for 770 hours or less over the course of a CPD year. In order to safeguard the reputation of ACCA, there are conditions which apply to following this route and individuals must check they are eligible.

Members following this route may complete 19 units of non-verifiable CPD and set their own level of verifiable CPD. They will need to ensure that they have completed an appropriate level of CPD for their role.

Verifiable CPD

If the answer is 'yes' to the three questions below, learning activity is verifiable CPD:

- 1 was the learning activity relevant to your career?

- 2 can you explain how you will apply the learning in the workplace?
- 3 can you provide evidence that you undertook the learning activity?

Non-verifiable CPD

Non-verifiable CPD is general learning which is not related to a specific outcome. This includes general reading and research.

ACCA APPROVED EMPLOYER ROUTE

ACCA recognises that some employers provide excellent learning and development programmes for their employees. If a member works for an organisation which is an ACCA Approved Employer – professional development, they may achieve their CPD by participating in their organisation's employee development programme and are not required to follow the unit route.

IFAC BODY ROUTE

Members who are also members of another IFAC accounting body which is compliant with IFAC's International Education Standard (IES) 7 can choose to follow that body's CPD requirement.

ANNUAL CPD DECLARATION

All members are required to submit an annual CPD declaration. Members can submit this online or by completing a paper form which is sent with the annual subscription demand.

EVIDENCE

Members following the unit route are required to maintain evidence for three years of verifiable CPD units, as well as a record of non-verifiable CPD. To help ACCA has developed an online evidence tool which can be accessed by logging into *myACCA*.

Members following the unit route – part-time or semi-retired are required to keep a summary of non-verifiable CPD and evidence of any verifiable CPD undertaken, with an explanation as to why it is a relevant and appropriate amount, for three years. ACCA will expect evidence of the number of hours worked, and confirmation that members are not working in a role that requires them to follow the full unit route.

Members following the employer route should keep evidence of their employment for three years.

Members following the IFAC body route should keep evidence of membership with the other accountancy body and evidence of participation with their CPD requirements for three years.

CPD ACTIVITY REVIEWS

Promoting public confidence in professional accountants is vital. ACCA safeguards its reputation and that of its members by requiring that the highest professional and ethical standards are adhered to. In order to ensure that members maintain their knowledge and skills, ACCA conducts reviews of members' CPD activity, selecting a proportion of members annually.

PRACTISING CERTIFICATES, FIRMS' AUDITING CERTIFICATES AND INSOLVENCY LICENCES

As outlined previously, any ACCA member carrying out work under the ACCA definition of public practice must hold a practising certificate. There are two types of certificate: a practising certificate or a practising certificate and audit qualification.

The practising certificate is for applicants who have predominantly public practice backgrounds but do not hold registered auditor status in their home Member State. The practising certificate confers the right to undertake general practising work but not work reserved for registered auditors.

The practising certificate and audit qualification enables the holder to undertake the widest range of work (ie it includes work reserved for registered auditors). Applicants wishing to conduct audit work will need to hold this certificate and a firm's auditing certificate. There is no additional fee for a sole practitioner's auditing certificate.

No person in the UK may accept any of the insolvency appointments listed in the Insolvency Act 1986 without first having obtained a licence to do so, either from one of the Recognised Professional Bodies (such as ACCA) or from the government, in the form of the Insolvency Service (an agency of the Department for Business, Enterprise and regulatory reform). Rights for appropriately qualified EU citizens to obtain such licenses, without first seeking membership of a body such as ACCA, are also covered by Directive 2005/36/EC. EU applicants seeking authorisation to conduct insolvency work under the Insolvency Act 1986 should contact the Insolvency Service directly (www.insolvency.gov.uk).

An applicant for an ACCA practising certificate or insolvency licence must comply with the following conditions:

1 Fit and proper

In determining whether an individual is 'fit and proper', ACCA's Admissions and Licensing Committee will look at any matter which relates to the person, including whether the person is, or has been: (references to UK legislation shall be deemed to refer to the corresponding legislation in the Member State)

- convicted of a criminal offence, or
- at any time bankrupt, signed a trust deed for creditors or entered into a deed of arrangement, scheme or composition in respect of his/her financial affairs (or any similar or analogous event), or
- the subject of a bankruptcy restriction order or bankruptcy restriction undertaking under the Insolvency Act 1986, or
- removed from the office of a liquidator, trustee, administrative receiver, administrator or supervisor, or
- the subject of a disqualification order or disqualification undertaking made under the Company Directors Disqualification Act 1986, or
- excluded from or refused membership of a professional body on disciplinary grounds, or
- found to have failed to ensure that the experience and competence of his/her employees and the practice associates are adequate, having regard to the nature of the work involved, or
- a patient under the Mental Health Act 1983, or
- the subject of a disciplinary order made by ACCA or another professional body
- been or is the subject of an investigation, whether criminal, disciplinary or otherwise, in respect of his conduct, or
- in breach of an application regulation of ACCA
- found to have given ACCA false, inaccurate or misleading information or failed to co-operate with ACCA.

In addition to the above criteria ACCA's Admissions and Licensing Committee will take into account whether an individual has contravened any provision of law relating to the seeking of an appointment or acting as auditor or insolvency practitioner or to the carrying on of investment business or if they have, on any occasion, given ACCA false, inaccurate or misleading information.

ACCA's Admissions and Licensing Committee will also take into account any matter relating to any person who is, or will be, employed by the applicant or will be in partnership/directorship with the applicant in connection with public practice or insolvency work.

2 Professional Indemnity Insurance

Holders of practising certificates and insolvency licences must hold professional indemnity insurance (PII). In the case of a person who employs full and/or part-time staff, fidelity guarantee insurance (FGI) must be held in respect of all partners, directors and employees. Members ceasing to practise must make arrangements for the continued existence of PII and FGI for a period of six years.

Responsibility for obtaining adequate cover lies with an individual member and may be effected with any reputable insurance company or underwriter. In the UK, ACCA has negotiated a scheme with Lockton North Quay, North Quay, Temple Back, Bristol BS1 6FL, telephone +44 (0)117 906 5000.

The limit of indemnity on PII in respect of each and every claim must be at least £50,000. The limit of indemnity required by each practising certificate and insolvency licence holder will be dependent upon his or her annual fee income. A summary of the requirements is given below:

Total income of up to £200,000

The limit of indemnity on PII in respect of each and every claim must be the greater of:

- 2.5 times the total income, and
- 25 times the largest fee raised during the previous accounting year, and
- £50,000.

Total income of over £200,000 and up to £700,000

The limit of indemnity on PII in respect of each and every claim must be the greater of:

- the aggregate of £300,000 plus the total income, and
- 25 times the largest fee raised during the previous accounting year.

Total income of over £700,000

The limit of indemnity on PII in respect of each and every claim must be the greater of:

- £1 million, and
- 25 times the largest fee raised during the previous accounting year.

'Total income' is defined as the aggregate of the person's professional charges and all other income (including commissions) received by a person in respect of, and in the course of, the person's business, but excluding any commission which the person passes on to the client.

The 'largest fee' paid to a person relates, in all cases, to the highest cumulative amount of fees raised to a particular client during the year rather than the largest single invoice raised.

Any uninsured excess (the amount of any claim which is borne by the person before there is any payment by the insurer) shall be restricted to 2% of the limit of indemnity in respect of each and every claim provided pursuant to the PII or FGI or £20,000 per principal (whichever is lesser).

The annual limit of indemnity to be provided by a person's FGI shall not be less than £50,000 in respect of each and every claim.

3 Continuity of practice

A holder of any practising certificate or insolvency licence must enter into, and keep in force for all the period during which a certificate is held, a written agreement with another accountant or firm of accountants (or a plurality of them) – the 'nominee'. For partners/directors, this agreement may be made with another equivalent level practising certificate holder in the practice. This provides for the nominee to be responsible for the individual's practice in the event of death or incapacity. For insolvency licence holders, arrangements must be made with another insolvency practitioner.

Continuity can be assured by entering into a continuity agreement or, in the case of incorporated firms, by making provision for it in the memorandum and articles of association.

The nominee must be based in the same country as the individual and be authorised to carry on all of the individual's work (ie have the same types of authorisation). Where the individual practises in more than one country, separate nominee must be appointed accordingly.

The name, address and professional body of the person or firm responsible for continuity must be given on the application form. It is mandatory that a written agreement be made and this may be inspected by ACCA.

4 Notification

ACCA is required to maintain a public register of those individuals and firms that are eligible for appointment as company auditors and individuals that are responsible for company audit work on behalf of such firms. Each entry in the register will include the name and business address of the individual or firm. In addition, in the case of incorporated firms, the register will include the name and business address of each person who is a director or holds shares in the firm and, in the case of a partnership, it will include the name and address of each partner.

In order to enable ACCA to keep this register up to date, practitioners are required to notify ACCA of a number of different events or changes to their practices.

5 Continuing Professional Development (CPD)

As detailed on pages 4–5.

6 Conduct

A holder of an ACCA practising certificate or insolvency licence must comply with ACCA's Code of Ethics and Conduct. In addition a holder of a practising certificate and audit qualification must comply with accounting standards and auditing standards and where applicable, guidelines, bulletins and audit briefs issued by the Auditing Practices Committee or the Auditing Practices Board.

7 Monitoring, quality assurance and compliance

Practising certificate and insolvency licence holders must co-operate with ACCA in its monitoring and quality assurance programme, and in the enforcement of compliance with the bye-laws and regulations.

ACCA will monitor and enforce its bye-laws and regulations by analysing practitioners' annual returns and carrying out monitoring and quality assurance visits. Visits will take place normally once every five years, although they may be at more frequent intervals if necessary as a result of complaints or significant changes in a practice. Additional visits or follow-up action may result from a visit that revealed inadequacies.

8 Renewal of certificates

All practising certificates and insolvency licences are annually renewable. UK/Irish practising certificates and insolvency licences are valid only until 31 December in the year of issue. Practising certificates for all other countries are valid only until 30 June.

FURTHER INFORMATION

For further information contact customer services at the following address:

ACCA
2 Central Quay
89 Hydepark Street
Glasgow G3 8DT
United Kingdom
tel: +44 (0)141 582 2000
fax: +44 (0)141 582 2222
email: members@accaglobal.com

APPENDIX 1

Past examination papers

Aptitude Test: Stage 1 – Taxation (June 2010)

Aptitude Test: Stage 1 – Taxation (December 2010)

Aptitude Test: Stage 1 – Taxation (June 2011)

Aptitude Test: Stage 1 – Corporate and Business Law (June 2010)

Aptitude Test: Stage 1 – Corporate and Business Law (December 2010)

Aptitude Test: Stage 1 – Corporate and Business Law (June 2011)

The ACCA logo consists of the letters 'ACCA' in a bold, white, sans-serif font, centered on a solid black rectangular background.

WORKING WITH



European Accountants Admission Examination

(SI 2007 No. 2781/Directive 2005/36/EC)

Aptitude Test: MRD 2 Taxation

Monday 7 June 2010

Time allowed

Reading and planning: 15 minutes

Writing: 3 hours

ALL FIVE questions are compulsory and MUST be attempted.

Tax rates and allowances are on pages 3–5.

Do NOT open this paper until instructed by the supervisor.

**During reading and planning time only the question paper may be annotated.
You must NOT write in your answer booklet until instructed by the supervisor.**

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

**This is a blank page.
The question paper begins on page 3.**

SUPPLEMENTARY INSTRUCTIONS

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

TAX RATES AND ALLOWANCES

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

	Income tax	%
Basic rate	£1 – £37,400	20
Higher rate	£37,401 and above	40

A starting rate of 10% applies to savings income where it falls within the first £2,440 of taxable income.

	Personal allowance	
Personal allowance	Standard	£6,475
Personal allowance	65 – 74	£9,490
Personal allowance	75 and over	£9,640
Income limit for age related allowances		£22,900

Car benefit percentage

The base level of CO₂ emissions is 135 grams per kilometre. A lower rate of 10% applies to petrol cars with CO₂ emissions of 120 grams per kilometre or less.

Car fuel benefit

The base figure for calculating the car fuel benefit is £16,900.

Pension scheme limits

Annual allowance £245,000

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

Authorised mileage allowances: cars

Up to 10,000 miles	40p
Over 10,000 miles	25p

Capital allowances: rate of allowances

	%
Plant and machinery	
Main pool	
– First year allowance	40
– Writing down allowance	20
Special rate pool	10
The first-year allowance of 40% applies to expenditure during the period 6 April 2009 to 5 April 2010 (1 April 2009 to 31 March 2010 for limited companies).	
Motor cars	
CO ₂ emissions up to 110 grams per kilometre	100
CO ₂ emissions between 111 and 160 grams per kilometre	20
CO ₂ emissions over 160 grams per kilometre	10
Annual investment allowance	
First £50,000 of expenditure	100
Industrial buildings	
Writing-down allowance	2

Corporation tax

Financial year	2007	2008	2009
Small companies rate	20%	21%	21%
Full rate	30%	28%	28%
Lower limit	300,000	300,000	300,000
Upper limit	1,500,000	1,500,000	1,500,000
Marginal relief fraction	1/40	7/400	7/400

Marginal relief

$$(M - P) \times I/P \times \text{Marginal relief fraction}$$

Extended loss relief

Extended loss relief is capped at a maximum of £50,000. For limited companies it applies to loss making accounting periods ending between 24 November 2008 and 23 November 2010.

Value added tax (VAT)

Standard rate		
– Up to 31 December 2009		15.0%
– From 1 January 2010 onwards		17.5%
Registration limit		£68,000
Deregistration limit		£66,000

Capital gains tax

Rate of tax		18%
Annual exemption		£10,100
Entrepreneurs' relief – Lifetime limit		£1,000,000
– Relief factor		4/9ths

**National insurance contributions
(Not contracted out rates)**

			%
Class 1	Employee	£1 – £5,715 per year	Nil
		£5,716 – £43,875 per year	11·0
		£43,876 and above per year	1·0
Class 1	Employer	£1 – £5,715 per year	Nil
		£5,716 and above per year	12·8
Class 1A			12·8
Class 2		£2·40 per week	
Class 4		£1 – £5,715 per year	Nil
		£5,716 – £43,875 per year	8·0
		£43,876 and above per year	1·0

Rates of interest (assumed)

Official rate of interest	4·75%
Rate of interest on underpaid tax	2·5%
Rate of interest on overpaid tax	0·0%

ALL FIVE questions are compulsory and MUST be attempted

- 1 Auy Man and Bim Men have been in partnership since 6 April 2000 as management consultants. The following information is available for the tax year 2009–10:

Personal information

Auy is aged 32. During the tax year 2009–10 she spent 190 days in the United Kingdom. Bim is aged 56. During the tax year 2009–10 she spent 100 days in the United Kingdom. Bim has spent the same amount of time in the United Kingdom for each of the previous five tax years.

Profit and loss account for the year ended 5 April 2010

The partnership's summarised profit and loss account for the year ended 5 April 2010 is as follows:

	Note	£	£
Sales	1		142,200
Expenses	2		
Depreciation		3,400	
Motor expenses	3	4,100	
Other expenses	4	1,800	
Wages and salaries	5	50,900	
			<u>60,200</u>
Net profit			<u>82,000</u>

- (1) The sales figure of £142,200 is exclusive of output value added tax (VAT) of £21,600.
- (2) The expenses figures are exclusive of recoverable input VAT of:
- | | |
|----------------|------|
| Motor expenses | £180 |
| Other expenses | £140 |
- (3) The figure of £4,100 for motor expenses includes £2,600 in respect of the partners' motor cars, with 30% of this amount being in respect of private journeys.
- (4) The figure of £1,800 for other expenses includes £720 for entertaining employees. The remaining expenses are all allowable.
- (5) The figure of £50,900 for wages and salaries includes the annual salary of £4,000 paid to Bim (see the profit sharing note below), and the annual salary of £15,000 paid to Auy's husband, who works part-time for the partnership. Another part-time employee doing the same job is paid a salary of £10,000 per annum.

Plant and machinery

On 6 April 2009 the tax written down values of the partnership's plant and machinery were as follows:

	£
Main pool	3,100
Motor car [1]	18,000
Motor car [2]	14,000

The following transactions took place during the year ended 5 April 2010:

		Cost/ (Proceeds) £
8 May 2009	Sold motor car [2]	(13,100)
8 May 2009	Purchased motor car [3]	11,600
21 November 2009	Purchased motor car [4]	14,200
14 January 2010	Purchased motor car [5]	8,700

Motor car [1] has a CO₂ emission rate of 185 grams per kilometre. It is used by Auy, and 70% of the mileage is for business journeys.

Motor car [2] had a CO₂ emission rate of 145 grams per kilometre. It was used by Bim, and 70% of the mileage was for business journeys. Motor car [3] purchased on 8 May 2009 has a CO₂ emission rate of 105 grams per kilometre. It is used by Bim, and 70% of the mileage is for business journeys.

Motor car [4] purchased on 21 November 2009 has a CO₂ emission rate of 135 grams per kilometre. Motor car [5] purchased on 14 January 2010 has a CO₂ emission rate of 200 grams per kilometre. These two motor cars are used by employees of the business.

Profit sharing

Profits are shared 80% to Auy and 20% to Bim. This is after paying an annual salary of £4,000 to Bim, and interest at the rate of 5% on the partners' capital account balances. The capital account balances are:

	£
Auy Man	56,000
Bim Men	34,000

VAT

The partnership has been registered for VAT since 6 April 2000. However, the partnership has recently started invoicing for its services on new payment terms, and the partners are concerned about output VAT being accounted for at the appropriate time.

Required:

(a) Explain why both Auy Man and Bim Men will each be treated for tax purposes as resident in the United Kingdom for the tax year 2009–10. (2 marks)

(b) Calculate the partnership's tax adjusted trading profit for the year ended 5 April 2010, and the trading income assessments of Auy Man and Bim Men for the tax year 2009–10.

Note: Your computation should commence with the net profit figure of £82,000, and should also list all of the items referred to in notes (2) to (5) indicating by the use of zero (0) any items that do not require adjustment. (15 marks)

(c) Calculate the class 4 national insurance contributions payable by Auy Man and Bim Men for the tax year 2009–10. (3 marks)

(d) (i) Advise the partnership of the VAT rules that determine the tax point in respect of a supply of services; (3 marks)

(ii) Calculate the amount of VAT paid by the partnership to HM Revenue & Customs throughout the year ended 5 April 2010;

Note: you should ignore the output VAT scale charges due in respect of fuel for private journeys.

(2 marks)

(iii) Advise the partnership of the conditions that it must satisfy in order to join and continue to use the VAT flat rate scheme, and calculate the tax saving if the partnership had used the flat rate scheme to calculate the amount of VAT payable throughout the year ended 5 April 2010.

Note: you should assume that the relevant flat rate scheme percentage for the partnership's trade was 11% throughout the whole of the year ended 5 April 2010. (5 marks)

(30 marks)

2 (a) You should assume that today's date is 28 March 2010.

Mice Ltd commenced trading on 1 July 2006 as a manufacturer of computer peripherals. The company prepares accounts to 31 March, and its results for the first three periods of trading were as follows:

	Period ended 31 March 2007 £	Year ended 31 March 2008 £	Year ended 31 March 2009 £
Trading profit	83,200	24,700	51,200
Property business profit	2,800	7,100	12,200
Gift aid donations	(1,000)	(1,500)	–

The following information is available in respect of the year ended 31 March 2010:

Trading loss

Mice Ltd expects to make a trading loss of £180,000.

Business property income

Mice Ltd lets out three office buildings that are surplus to requirements.

The first office building is owned freehold, and is let out furnished. The property was let throughout the year ended 31 March 2010 at a quarterly rent of £3,200, payable in advance. Mice Ltd paid business rates of £2,200 and insurance of £460 in respect of this property for the year ended 31 March 2010. The company claims the wear and tear allowance for this property.

The second office building is owned leasehold, and is let out unfurnished. Mice Ltd pays an annual rent of £7,800 for this property, but did not pay a premium when the lease was acquired. On 1 April 2009 the property was sub-let to a tenant, with Mice Ltd receiving a premium of £18,000 for the grant of an eight-year lease. The company also received the annual rent of £6,000 which was payable in advance. Mice Ltd paid insurance of £310 in respect of this property for the year ended 31 March 2010.

The third office building is also to be let out unfurnished. Mice Ltd purchased the freehold of this building on 1 January 2010, and it will be empty until 31 March 2010. The building is to be let from 1 April 2010 at a monthly rent of £640, and on 15 March 2010 Mice Ltd received three months rent in advance. On 1 January 2010 Mice Ltd paid insurance of £480 in respect of this property for the year ended 31 December 2010, and during February 2010 spent £680 on advertising for tenants. Mice Ltd paid loan interest of £1,800 in respect of the period 1 January 2010 to 31 March 2010 on a loan that was taken out to purchase this property.

Loan interest received

On 1 July 2009 Mice Ltd made a loan for non-trading purposes. Loan interest of £6,400 was received on 31 December 2009, and £3,200 will be accrued at 31 March 2010.

Overseas dividend

On 15 October 2009 Mice Ltd received a dividend of £7,400 (net) from a 3% shareholding in USB Inc, a company that is resident overseas. Withholding tax was withheld from this dividend at the rate of 7.5%.

Chargeable gain

On 20 December 2009 Mice Ltd sold its 3% shareholding in USB Inc. The disposal resulted in a chargeable gain of £10,550, after taking account of indexation.

Required:

- (i) Calculate Mice Ltd's property business profit for the year ended 31 March 2010;** (8 marks)
- (ii) Assuming that Mice Ltd claims relief for its trading loss as early as possible, calculate the company's profits chargeable to corporation tax for the nine-month period ended 31 March 2007, and each of the years ended 31 March 2008, 2009 and 2010.** (7 marks)

- (b) Mice Ltd has owned 100% of the ordinary share capital of Web-Cam Ltd since it began trading on 1 April 2009. For the three-month period ended 30 June 2009 Web-Cam Ltd made a trading profit of £28,000, and is expected to make a trading profit of £224,000 for the year ended 30 June 2010. Web-Cam Ltd has no other taxable profits or allowable losses.

Required:

Assuming that Mice Ltd does not make any loss relief claim against its own profits, advise Web-Cam Ltd as to the maximum amount of group relief that can be claimed from Mice Ltd in respect of the trading loss of £180,000 for the year ended 31 March 2010. (3 marks)

- (c) Mice Ltd has surplus funds of £75,000 which it is planning to spend before 31 March 2010. The company will either purchase new equipment for £75,000, or alternatively it will purchase a new ventilation system for £75,000, which will be installed as part of its factory.

Mice Ltd has not made any other purchases of assets during the year ended 31 March 2010, and neither has its subsidiary company Web-Cam Ltd.

Required:

Explain the maximum amount of capital allowances that Mice Ltd will be able to claim for the year ended 31 March 2010 in respect of each of the two alternative purchases of assets.

Note: You are not expected to recalculate Mice Ltd's trading loss for the year ended 31 March 2010, or redo any of the calculations made in parts (a) and (b) above. (4 marks)

- (d) Mice Ltd is planning to pay its managing director a bonus of £40,000 on 31 March 2010. The managing director has already been paid gross director's remuneration of £80,000 during the tax year 2009–10, and the bonus of £40,000 will be paid as additional director's remuneration.

Required:

Advise the managing director as to the additional amount of income tax and national insurance contributions (both employee's and employer's) that will be payable as a result of the payment of the additional director's remuneration of £40,000.

Note: You are not expected to recalculate Mice Ltd's trading loss for the year ended 31 March 2010, or redo any of the calculations made in parts (a) and (b) above. (3 marks)

(25 marks)

3 Problematic Ltd sold the following assets during the year ended 31 March 2010:

(1) On 14 June 2009 16,000 £1 ordinary shares in Easy plc were sold for £54,400. Problematic Ltd had originally purchased 15,000 shares in Easy plc on 26 June 1994 for £12,600. On 28 September 2006 Easy plc made a 1 for 3 rights issue. Problematic Ltd took up its allocation under the rights issue in full, paying £2.20 for each new share issued. The relevant retail prices indexes (RPIs) are as follows:

June 1994	144.7
September 2006	200.1
June 2009	213.0

(2) On 1 October 2009 an office building owned by Problematic Ltd was damaged by a fire. The indexed cost of the office building on that date was £169,000. The company received insurance proceeds of £36,000 on 10 October 2009, and spent a total of £41,000 during October 2009 on restoring the office building. Problematic Ltd has made a claim to defer the gain arising from the receipt of the insurance proceeds. The office building has never been used for business purposes.

(3) On 28 January 2010 a freehold factory was sold for £171,000. The indexed cost of the factory on that date was £127,000. Problematic Ltd has made a claim to holdover the gain on the factory against the cost of a replacement leasehold factory under the rollover relief (replacement of business assets) rules. The leasehold factory has a lease period of 20 years, and was purchased on 10 December 2009 for £154,800. The two factory buildings have always been used entirely for business purposes.

(4) On 20 February 2010 an acre of land was sold for £130,000. Problematic Ltd had originally purchased four acres of land, and the indexed cost of the four acres on 20 February 2010 was £300,000. The market value of the unsold three acres of land as at 20 February 2010 was £350,000. Problematic Ltd incurred legal fees of £3,200 in connection with the disposal. The land has never been used for business purposes.

Problematic Ltd's only other income for the year ended 31 March 2010 is a tax adjusted trading profit of £108,055.

Required:

(a) Calculate Problematic Ltd's profits chargeable to corporation tax for the year ended 31 March 2010.

(16 marks)

(b) Advise Problematic Ltd of the carried forward indexed base costs for capital gains purposes of any assets included in (1) to (4) above that are still retained at 31 March 2010.

(4 marks)

(20 marks)

4 You should assume that today's date is 30 June 2011.

You are a trainee Chartered Certified Accountant and are dealing with the tax affairs of Ernest Vader.

Ernest's self-assessment tax return for the tax year 2009–10 was submitted to HM Revenue & Customs (HMRC) on 15 May 2010, and Ernest paid the resulting income tax liability by the due date of 31 January 2011. However, you have just discovered that during the tax year 2009–10 Ernest disposed of a freehold property, the details of which were omitted from his self-assessment tax return. The capital gains tax liability in respect of this disposal is £18,000, and this amount has not been paid.

Ernest has suggested that since HMRC's right to raise an enquiry into his self-assessment tax return for the tax year 2009–10 expired on 15 May 2011, no disclosure should be made to HMRC of the capital gain.

Required:

- (a) Briefly explain the difference between tax evasion and tax avoidance, and how HMRC would view the situation if Ernest Vader does not disclose his capital gain.** (3 marks)
- (b) Briefly explain from an ethical viewpoint how you, as a trainee Chartered Certified Accountant, should deal with the suggestion from Ernest Vader that no disclosure is made to HMRC of his capital gain.** (3 marks)
- (c) State the action HMRC will take should they wish to obtain information from Ernest Vader regarding his capital gain.** (1 mark)
- (d) Explain why, even though the right to raise an enquiry has expired, HMRC will still be entitled to raise an assessment should they discover that Ernest Vader has not disclosed his capital gain.** (2 marks)
- (e) Assuming that HMRC discover the capital gain and raise an assessment in respect of Ernest Vader's capital gains tax liability of £18,000 for the tax year 2009–10, and that this amount is then paid on 31 July 2011:**
 - (i) Calculate the amount of interest that will be payable;**
Note: you should assume that the rates for the tax year 2009–10 continue to apply. (2 marks)
 - (ii) Advise Ernest Vader as to the amount of penalty that is likely to be charged as a result of the failure to notify HMRC, and how this could have been reduced if the capital gain had been disclosed.** (4 marks)

(15 marks)

- 5** For the year ended 31 January 2010 Quagmire plc had profits chargeable to corporation tax of £1,200,000 and franked investment income of £200,000. For the year ended 31 January 2009 the company had profits chargeable to corporation tax of £1,600,000 and franked investment income of £120,000.

Quagmire plc's profits accrue evenly throughout the year.

Quagmire plc has one associated company.

Required:

- (a) Explain why Quagmire plc will have been required to make quarterly instalment payments in respect of its corporation tax liability for the year ended 31 January 2010. (3 marks)
- (b) Calculate Quagmire plc's corporation tax liability for the year ended 31 January 2010, and explain how and when this will have been paid. (3 marks)
- (c) Explain how your answer to part (b) above would differ if Quagmire plc did not have an associated company. Your answer should include a calculation of the revised corporation tax liability for the year ended 31 January 2010. (4 marks)

(10 marks)

End of Question Paper

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WORKING WITH



European Accountants Admission Examination

(SI 2007 No. 2781/Directive 2005/36/EC)

Aptitude Test: MRD 2 Taxation

Monday 6 December 2010

Time allowed

Reading and planning: 15 minutes

Writing: 3 hours

ALL FIVE questions are compulsory and MUST be attempted.

Tax rates and allowances are on pages 2–4.

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SUPPLEMENTARY INSTRUCTIONS

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TAX RATES AND ALLOWANCES

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

	Income tax	%
Basic rate	£1 – £37,400	20
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	Personal allowance	
Personal allowance	Standard	£6,475
Personal allowance	65 – 74	£9,490
Personal allowance	75 and over	£9,640
Income limit for age related allowances		£22,900

Car benefit percentage

The base level of CO₂ emissions is 135 grams per kilometre. A lower rate of 10% applies to petrol cars with CO₂ emissions of 120 grams per kilometre or less.

Car fuel benefit

The base figure for calculating the car fuel benefit is £16,900.

Pension scheme limits

Annual allowance £245,000

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

Authorised mileage allowances: cars

Up to 10,000 miles	40p
Over 10,000 miles	25p

Capital allowances: rate of allowances

	%
Plant and machinery	
Main pool	
– First year allowance	40
– Writing down allowance	20
Special rate pool	10
The first-year allowance of 40% applies to expenditure during the period 6 April 2009 to 5 April 2010 (1 April 2009 to 31 March 2010 for limited companies).	
Motor cars	
CO ₂ emissions up to 110 grams per kilometre	100
CO ₂ emissions between 111 and 160 grams per kilometre	20
CO ₂ emissions over 160 grams per kilometre	10
Annual investment allowance	
First £50,000 of expenditure	100
Industrial buildings	
Writing down allowance	2

Corporation tax

Financial year	2007	2008	2009
Small companies rate	20%	21%	21%
Full rate	30%	28%	28%
Lower limit	300,000	300,000	300,000
Upper limit	1,500,000	1,500,000	1,500,000
Marginal relief fraction	1/40	7/400	7/400

Marginal relief

$$(M - P) \times I/P \times \text{Marginal relief fraction}$$

Extended loss relief

Extended loss relief is capped at a maximum of £50,000. For limited companies it applies to loss making accounting periods ending between 24 November 2008 and 23 November 2010.

Value added tax (VAT)

Standard rate		
– Up to 31 December 2009		15.0%
– From 1 January 2010 onwards		17.5%
Registration limit		£68,000
Deregistration limit		£66,000

Capital gains tax

Rate of tax		18%
Annual exemption		£10,100
Entrepreneurs' relief – Lifetime limit		£1,000,000
– Relief factor		4/9ths

**National insurance contributions
(Not contracted out rates)**

			%
Class 1	Employee	£1 – £5,715 per year	Nil
		£5,716 – £43,875 per year	11·0
		£43,876 and above per year	1·0
Class 1	Employer	£1 – £5,715 per year	Nil
		£5,716 and above per year	12·8
Class 1A			12·8
Class 2		£2·40 per week	
Class 4		£1 – £5,715 per year	Nil
		£5,716 – £43,875 per year	8·0
		£43,876 and above per year	1·0

Rates of interest (assumed)

Official rate of interest	4·75%
Rate of interest on underpaid tax	2·5%
Rate of interest on overpaid tax	0·0%

ALL FIVE questions are compulsory and MUST be attempted

- 1** On 31 December 2009 Joe Jones resigned as an employee of Firstly plc, and on 1 January 2010 commenced employment with Secondly plc. Joe was employed by both companies as a financial analyst. The following information is available for the tax year 2009–10:

Employment with Firstly plc

- (1) From 6 April 2009 to 31 December 2009 Joe was paid a salary of £11,400 per month. In addition to his salary, Joe was paid a bonus of £12,000 on 12 May 2009. He had become entitled to this bonus on 22 March 2009.
- (2) Joe contributed 6% of his monthly gross salary of £11,400 into Firstly plc's HM Revenue and Customs' registered occupational pension scheme.
- (3) On 1 May 2009 Firstly plc provided Joe with an interest free loan of £120,000 so that he could purchase a holiday cottage. Joe repaid £50,000 of the loan on 31 July 2009, and repaid the balance of the loan of £70,000 when he ceased employment with Firstly plc on 31 December 2009.
- (4) During the period from 6 April 2009 to 31 December 2009 Joe's three-year-old daughter was provided with a place at Firstly plc's workplace nursery. The total cost to the company of providing this nursery place was £11,400 (190 days at £60 per day).
- (5) During the period 6 April 2009 to 31 December 2009 Firstly plc paid gym membership fees of £1,050 for Joe.
- (6) Firstly plc provided Joe with a home entertainment system for his personal use costing £4,400 on 6 April 2009. The company gave the home entertainment system to Joe for free, when he left the company on 31 December 2009, although its market value at that time was £3,860.

Employment with Secondly plc

- (1) From 1 January 2010 to 5 April 2010 Joe was paid a salary of £15,200 per month.
- (2) During the period 1 January 2010 to 5 April 2010 Joe contributed a total of £3,000 (gross) into a personal pension scheme.
- (3) From 1 January 2010 to 5 April 2010 Secondly plc provided Joe with living accommodation. The property has an annual value of £10,400 and is rented by Secondly plc at a cost of £2,250 per month. On 1 January 2010 Secondly plc purchased furniture for the property at a cost of £16,320. The company pays for all of the running costs relating to the property, and for the period 1 January 2010 to 5 April 2010 these amounted to £1,900.
- (4) During the period 1 January 2010 to 5 April 2010 Secondly plc provided Joe with 13 weeks of childcare vouchers costing £100 per week. Joe used the vouchers to provide childcare for his three-year-old daughter at a registered nursery near to his workplace.
- (5) During the period 1 January 2010 to 5 April 2010 Joe used Secondly plc's company gym which is only open to employees of the company. The cost to Secondly plc of providing this benefit to Joe was £340.
- (6) During the period 1 January 2010 to 5 April 2010 Secondly plc provided Joe with a mobile telephone costing £560. The company paid for all of Joe's business and private telephone calls.

Required:

- (a) **Calculate Joe Jones' taxable income for the tax year 2009–10.** (17 marks)
- (b) (i) **Briefly explain the basis of calculating Joe Jones' PAYE tax code for the tax year 2009–10, and the purpose of this code;** (2 marks)
(ii) **For each of the PAYE forms P45, P60 and P11D, briefly describe the circumstances in which the form will be completed, state who will provide it, the information to be included, and the dates by which they should have been provided to Joe Jones for the tax year 2009–10.** (6 marks)

Note: your answer to both sub-parts (i) and (ii) should be confined to the details that are relevant to Joe Jones.

(25 marks)

- 2 (a) Neung Ltd is a UK resident company that runs a business providing financial services. The company's business is mainly based in the UK, but Neung Ltd also has two overseas branches. The company's summarised profit and loss account for the year ended 31 March 2010 is as follows:

	Note	£
Operating profit	1 & 2	324,100
Income from investments		
Loan interest	3	37,800
Dividends	4	54,000
Profit before taxation		<u>415,900</u>

Note 1 – Operating profit

The operating profit does not include the results from either of Neung Ltd's two overseas branches (see note (2) below).

Depreciation of £11,830 and amortisation of leasehold property of £7,000 have been deducted in arriving at the operating profit of £324,100.

Note 2 – Overseas branches

Neung Ltd's first overseas branch made a trading profit of £41,000 for the year ended 31 March 2010. No overseas corporation tax was paid on this profit.

The second overseas branch made a trading loss of £15,700 for the year ended 31 March 2010.

Note 3 – Loan interest receivable

The loan was made for non-trading purposes on 1 July 2009. Loan interest of £25,200 was received on 31 December 2009, and interest of £12,600 was accrued at 31 March 2010.

Note 4 – Dividends received

Neung Ltd holds shares in four UK resident companies as follows:

	Percentage shareholding	Status
Second Ltd	25%	Trading
Third Ltd	60%	Trading
Fourth Ltd	100%	Dormant
Fifth Ltd	100%	Trading

During the year ended 31 March 2010 Neung Ltd received a dividend of £37,800 from Second Ltd, and a dividend of £16,200 from Third Ltd. These figures were the actual cash amounts received.

Additional information

Leasehold property

On 1 April 2009 Neung Ltd acquired a leasehold office building, paying a premium of £140,000 for the grant of a 20-year lease. The office building was used for business purposes by Neung Ltd throughout the year ended 31 March 2010.

Plant and machinery

On 1 April 2009 the tax written down values of Neung Ltd's plant and machinery were as follows:

	£
Main pool	4,800
Motor car [1]	22,800
Special rate pool	12,700

The company purchased the following assets during the year ended 31 March 2010:

		£
19 July 2009	Motor car [2]	15,400
12 December 2009	Motor car [3]	28,600
20 December 2009	Ventilation system	62,000

Motor car [1] has a CO₂ emission rate of 220 grams per kilometre. Motor car [2] purchased on 19 July 2009 has a CO₂ emission rate of 242 grams per kilometre. Motor car [3] purchased on 12 December 2009 has a CO₂ emission rate of 148 grams per kilometre.

The ventilation system purchased on 20 December 2009 for £62,000 is integral to the freehold office building in which it was installed.

Required:

(i) State, giving reasons, which companies will be treated as being associated with Neung Ltd for corporation tax purposes; (2 marks)

(ii) Calculate Neung Ltd's corporation tax liability for the year ended 31 March 2010;

Note: you should assume that the whole of the annual investment allowance is available to Neung Ltd, and that the company wishes to maximise its capital allowances claim. (15 marks)

(iii) Advise Neung Ltd of the taxation disadvantages of converting its two overseas branches (see note (2)) into 100% overseas subsidiary companies. (3 marks)

(b) Note that in answering this part of the question you are not expected to take account of any of the information provided in part (a) above.

The following information is available in respect of Neung Ltd's value added tax (VAT) for the quarter ended 31 March 2010:

- (1) Invoices were issued for sales of £44,600 to VAT registered customers. Of this figure, £35,200 was in respect of exempt sales and the balance in respect of standard rated sales. The standard rated sales figure is exclusive of VAT.
- (2) In addition to the above, on 1 March 2010 Neung Ltd issued a VAT invoice for £8,000 plus VAT of £1,400 to a VAT registered customer. This was in respect of a contract for standard rated financial services that will be completed on 15 April 2010. The customer paid for the contracted services in two instalments of £4,700 on 31 March 2010 and 30 April 2010 respectively.
- (3) Invoices were issued for sales of £289,300 to non-VAT registered customers. Of this figure, £242,300 was in respect of exempt sales and the balance in respect of standard rated sales. The standard rated sales figure is inclusive of VAT.
- (4) The managing director of Neung Ltd is provided with free fuel for private mileage driven in her company motor car. During the quarter ended 31 March 2010 this fuel cost Neung Ltd £260. The relevant quarterly scale charge is £390. Both these figures are inclusive of VAT.

For the quarters ended 30 September 2008 and 30 June 2009 Neung Ltd was one month late in submitting its VAT returns and in paying the related VAT liabilities. All of the company's other VAT returns have been submitted on time.

Required:

(i) Calculate the amount of output VAT payable by Neung Ltd for the quarter ended 31 March 2010; (4 marks)

(ii) Advise Neung Ltd of the default surcharge implications if it is one month late in submitting its VAT return for the quarter ended 31 March 2010 and in paying the related VAT liability; (3 marks)

(iii) State the circumstances in which Neung Ltd is and is not required to issue a VAT invoice, and the period during which such an invoice should be issued. (3 marks)

(30 marks)

- 3 Lim Lam is the controlling shareholder and managing director of Mal-Mil Ltd, an unquoted trading company that provides support services to the oil industry.

Lim Lam

Lim disposed of the following assets during the tax year 2009–10:

- (1) On 8 April 2009 Lim sold five acres of land to Mal-Mil Ltd for £260,000, which was the market value of the land on that date. The land had been inherited by Lim upon the death of her mother on 17 January 2003, when the land was valued at £182,000. Lim's mother had originally purchased the land for £137,000.
- (2) On 13 August 2009 Lim made a gift of 5,000 £1 ordinary shares in Oily plc, a quoted trading company, to her sister. On that date the shares were quoted on the Stock Exchange at £7·40–£7·56, with recorded bargains of £7·36, £7·38 and £7·60.

Lim had originally purchased 1,000 shares in Greasy plc on 8 July 2003 for £18,200. On 23 November 2003 Greasy plc was taken over by Oily plc. Lim received five £1 ordinary shares and two £1 preference shares in Oily plc for each £1 ordinary share held in Greasy plc. Immediately after the takeover each £1 ordinary share in Oily plc was quoted at £3·50 and each £1 preference share was quoted at £1·25.

Entrepreneurs' relief and holdover relief are not available in respect of this disposal.

- (3) On 22 March 2010 Lim sold 40,000 £1 ordinary shares in Mal-Mil Ltd for £280,000. She had originally purchased 125,000 shares in the company on 8 June 2002 for £142,000, and had purchased a further 60,000 shares on 23 May 2004 for £117,000. Mal-Mil Ltd has a total share capital of 250,000 £1 ordinary shares. Lim has made no previous disposals eligible for entrepreneurs' relief.

Mal-Mil Ltd

On 20 December 2009 Mal-Mil Ltd sold two of the five acres of land that had been purchased from Lim on 8 April 2009. The sale proceeds were £162,000 and legal fees of £3,800 were incurred in connection with the disposal. The market value of the unsold three acres of land as at 20 December 2009 was £254,000. During April 2009 Mal-Mil Ltd had spent £31,200 levelling the five acres of land. The relevant retail price indexes (RPIs) are as follows:

April 2009	211·5
December 2009	218·0

Mal-Mil Ltd's only other income for the year ended 31 December 2009 was a trading profit of £163,000.

Required:

- (a) Explain why Lim Lam's disposal of 40,000 £1 ordinary shares in Mal-Mil Ltd on 22 March 2010 qualifies for entrepreneurs' relief. (2 marks)
- (b) Calculate Lim Lam's capital gains tax liability for the tax year 2009–10, and state by when this should be paid. (11 marks)
- (c) Calculate Mal-Mil Ltd's corporation tax liability for the year ended 31 December 2009, and state by when this should be paid. (7 marks)

(20 marks)

4 You should assume that today's date is 20 March 2009.

Sammi Smith is a director of Smark Ltd. The company has given her the choice of being provided with a leased company motor car or alternatively being paid additional director's remuneration and then privately leasing the same motor car herself.

Company motor car

The motor car will be provided throughout the tax year 2009–10, and will be leased by Smark Ltd at an annual cost of £26,540. The motor car will be petrol powered, will have a list price of £92,000, and will have an official CO₂ emission rate of 320 grams per kilometre.

The lease payments will cover all the costs of running the motor car except for fuel. Smark Ltd will not provide Sammi with any fuel for private journeys.

Additional director's remuneration

As an alternative to having a company motor car, Sammi will be paid additional gross director's remuneration of £26,000 during the tax year 2009–10. She will then privately lease the motor car at an annual cost of £26,540.

Other information

The amount of business journeys that will be driven by Sammi will be immaterial and can therefore be ignored.

Sammi's current annual director's remuneration is in excess of £100,000. Smark Ltd prepares its accounts to 5 April, and pays corporation tax at the full rate of 28%. The lease of the motor car will commence on 6 April 2009.

Required:

(a) Advise Sammi Smith of the income tax and national insurance contribution implications for the tax year 2009–10 if she (1) is provided with the company motor car, and (2) receives additional director's remuneration of £26,000. (5 marks)

(b) Advise Smark Ltd of the corporation tax and national insurance contribution implications for the year ended 5 April 2010 if the company (1) provides Sammi Smith with the company motor car, and (2) pays Sammi Smith additional director's remuneration of £26,000.

Note: you should ignore value added tax (VAT). (5 marks)

(c) Determine which of the two alternatives is the most beneficial from each of the respective points of view of Sammi Smith and Smark Ltd. (5 marks)

(15 marks)

- 5 Goff Green has been a self-employed manufacturer of golf equipment since 6 April 2000. For the year ended 5 April 2010 he made a trading loss of £85,000. Goff's recent trading profits are as follows:

	£
Year ended 5 April 2006	16,700
Year ended 5 April 2007	15,400
Year ended 5 April 2008	14,800
Year ended 5 April 2009	23,600

For each of the tax years from 2005–06 to 2009–10 Goff received gross building society interest of £3,800.

On 16 June 2009 Goff disposed of an investment and this resulted in a chargeable gain of £19,700. He disposed of another investment on 19 January 2010 and this resulted in a capital loss of £4,800.

Required:

- (a) Calculate Goff Green's taxable income and taxable gains for each of the tax years from 2005–06 to 2009–10 on the assumption that he relieves the maximum possible amount of the trading loss of £85,000 for the year ended 5 April 2010 as early as possible, but without unnecessarily wasting his personal allowances. Your answer should clearly show the amount of the trading loss that is unrelieved.

Note: you should assume that the tax allowances for the tax year 2009–10 apply throughout. (7 marks)

- (b) Assuming that for the year ended 5 April 2011 Goff Green will make a trading profit of £40,000, explain why it would probably not be beneficial for him to make a loss relief claim against the chargeable gain of £19,700 arising on the disposal of the investment on 16 June 2009.

Note: you should assume that the tax rates and allowances for the tax year 2009–10 will continue to apply. (3 marks)

(10 marks)

End of Question Paper

ACCA

WORKING WITH



**European Accountants
Admission Examination**

(SI 2007 No. 2781/Directive 2005/36/EC)

Aptitude Test: MRD 2 Taxation

Monday 6 June 2011

Time allowed

Reading and planning: 15 minutes

Writing: 3 hours

ALL FIVE questions are compulsory and MUST be attempted.

Tax rates and allowances are on pages 2–4.

Do NOT open this paper until instructed by the supervisor.

During reading and planning time only the question paper may be annotated.

You must NOT write in your answer booklet until instructed by the supervisor.

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

SUPPLEMENTARY INSTRUCTIONS

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

TAX RATES AND ALLOWANCES

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

		Normal	Dividend
		rates	rates
		%	%
Basic rate	£1 – £37,400	20	10
Higher rate	£37,401 to £150,000	40	32.5
Additional rate	£150,001 and over	50	42.5

A starting rate of 10% applies to savings income where it falls within the first £2,440 of taxable income.

Personal allowance

Personal allowance	Standard	£6,475
Personal allowance	65 – 74	£9,490
Personal allowance	75 and over	£9,640
Income limit for age related allowances		£22,900
Income limit for standard personal allowance		£100,000

Car benefit percentage

The base level of CO₂ emissions is 130 grams per kilometre.

A rate of 5% applies to petrol cars with CO₂ emissions of 75 grams per kilometre or less, and a rate of 10% applies where emissions are between 76 and 120 grams per kilometre.

Car fuel benefit

The base figure for calculating the car fuel benefit is £18,000.

Pension scheme limits

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

Authorised mileage allowances: cars

Up to 10,000 miles	40p
Over 10,000 miles	25p

Capital allowances: rate of allowances

	%
Plant and machinery	
Main pool	20
Special rate pool	10
Motor cars (purchases since 6 April 2009 (1 April 2009 for limited companies))	
CO ₂ emissions up to 110 grams per kilometre	100
CO ₂ emissions between 111 and 160 grams per kilometre	20
CO ₂ emissions over 160 grams per kilometre	10
Annual investment allowance	
First £100,000 of expenditure	100
Industrial buildings	
Writing down allowance	1

Corporation tax

Financial year	2008	2009	2010
Small profits rate	21%	21%	21%
Main rate	28%	28%	28%
Lower limit	300,000	300,000	300,000
Upper limit	1,500,000	1,500,000	1,500,000
Standard fraction	7/400	7/400	7/400

Marginal relief

Standard fraction x (U – A) x N/A

Value added tax (VAT)

Standard rate	– Up to 3 January 2011	17.5%
	– From 4 January 2011 onwards	20.0%
Registration limit		£70,000
Deregistration limit		£68,000

Inheritance tax: tax rates

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

Inheritance tax: taper relief

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

Capital gains tax

Rate of tax – Lower rate	18%
– Higher rate	28%
Annual exempt amount	£10,100
Entrepreneurs' relief – Lifetime limit	£5,000,000
– Rate of tax	10%

National insurance contributions (Not contracted out rates)

			%
Class 1	Employee	£1 – £5,715 per year	Nil
		£5,716 – £43,875 per year	11·0
		£43,876 and above per year	1·0
Class 1	Employer	£1 – £5,715 per year	Nil
		£5,716 and above per year	12·8
Class 1A			12·8
Class 2		£2·40 per week	
		Small earnings exemption	£5,075
Class 4		£1 – £5,715 per year	Nil
		£5,716 – £43,875 per year	8·0
		£43,876 and above per year	1·0

Rates of interest (assumed)

Official rate of interest	4·0%
Rate of interest on underpaid tax	3·0%
Rate of interest on overpaid tax	0·5%

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Question 1 begins on page 6.**

ALL FIVE questions are compulsory and MUST be attempted

1 (a) You should assume that today's date is 20 November 2010.

Bayle Defender is self-employed as a lawyer. She is also a director of Acquit & Appeal Ltd. The following information is available for the tax year 2010–11:

Self-employment

(1) Bayle's income statement for the year ended 30 September 2010 is as follows:

	Note	£	£
Revenue	2		324,100
Expenses			
Gifts and donations	3	8,680	
Lease of motor car	4	10,360	
Professional fees	5	3,240	
Property expenses	6	46,240	
Travel expenses	7	16,770	
Other expenses	8	66,410	
			<u>(151,700)</u>
Net profit			<u>172,400</u>

(2) Revenue includes £2,800 received during May 2010 in respect of an impairment loss that Bayle had written off when calculating her trading profit for the year ended 30 September 2008.

(3) Gifts and donations are as follows:

	£
Gifts to customers (clocks costing £110 each and displaying Bayle's name)	3,300
Gifts to customers (bottles of champagne costing £40 each and displaying Bayle's name)	2,480
Donations to political parties	2,900
	<u>8,680</u>

(4) The lease commenced on 1 October 2009, and is in respect of a motor car with CO₂ emissions of 244 grams per kilometre. There is no private use of the motor car.

(5) The figure of £3,240 for professional fees is in respect of accountancy services, of which £600 is for inheritance tax planning advice.

(6) Bayle lives in an apartment that is situated above her office, and two-fifths of the total property expenses of £46,240 relate to this apartment.

(7) The figure of £16,770 for travel expenses includes £520 for parking fines incurred by Bayle.

(8) The figure for other expenses of £66,410 includes £670 for Bayle's professional subscription to the Law Society, and £960 for her golf club membership fee.

Director's remuneration

(9) Bayle will be paid gross director's remuneration of £42,000 by Acquit & Appeal Ltd during the tax year 2010–11.

(10) In addition to her director's remuneration, Bayle received two bonus payments of £6,000 from Acquit & Appeal Ltd during June 2010, both of which were in respect of the year ended 31 December 2009. Bayle became entitled to the first bonus payment of £6,000 on 10 March 2010, and to the second bonus payment of £6,000 on 20 April 2010.

(11) Acquit & Appeal Ltd deducts PAYE at a flat rate of 50% from all of Bayle's earnings.

Other information

(12) During the tax year 2010–11 Bayle will receive dividends of £9,900, interest of £5,240 on the maturity of a savings certificate issued by National Savings & Investments (NS&I), and interest of £3,600 from government stocks (gilts). These are the actual cash amounts that will be received.

(13) Bayle's payments on account of income tax in respect of the tax year 2010–11 will total £53,400.

Required:

(i) Calculate Bayle Defender's tax adjusted trading profit for the year ended 30 September 2010;

Note: Your computation should commence with the net profit figure of £172,400, and you should also list all of the items referred to in notes (2) to (8) indicating by the use of zero (0) any items that do not require adjustment. (6 marks)

(ii) Calculate the income tax payable by Bayle Defender for the tax year 2010–11; (8 marks)

(iii) Calculate the amount of income tax that will be due for payment by Bayle Defender on 31 January 2012, and advise her of the consequences if this amount is not paid until 31 August 2012.

Note: You should ignore national insurance contributions. (5 marks)

(b) On 1 December 2010 Bayle Defender is planning to bring a newly qualified lawyer, Fyle Guardian, into her business. Fyle will either be taken on as an employee, being paid a gross monthly salary of £3,300, or join Bayle as a partner, receiving a 20% share of the new partnership's profits.

Bayle has forecast that her tax adjusted trading profit will be £216,000 for the year ended 30 September 2011, and £240,000 for the year ended 30 September 2012.

Fyle does not have any other income for the tax year 2010–11.

Required:

(i) Assuming that Fyle Guardian is employed from 1 December 2010, calculate the total amount of national insurance contributions that will be paid by Bayle Defender and Fyle Guardian, if any, in respect of his earnings for the tax year 2010–11;

Note: You are not expected to calculate the national insurance contributions that will be paid in respect of Bayle Defender's earnings. (4 marks)

(ii) Assuming that Fyle Guardian becomes a partner from 1 December 2010:

(1) Calculate his trading income assessments for the tax years 2010–11 and 2011–12.

Note: You are not expected to calculate any overlap profits. (4 marks)

(2) Calculate the total amount of national insurance contributions that will be paid by Bayle Defender and Fyle Guardian, if any, in respect of his trading income assessment for the tax year 2010–11.

Note: You are not expected to calculate the national insurance contributions that will be paid in respect of Bayle Defender's trading income assessment. (3 marks)

(30 marks)

2 Molten-Metal plc is a manufacturer of machine tools. The following information is available for the year ended 31 March 2011:

Trading profit

The tax adjusted trading profit for the year ended 31 March 2011 is £1,882,600. This figure is **before** making any deductions required for:

- (1) Interest payable.
- (2) Capital allowances.
- (3) Any revenue expenditure that may have been debited to the company's capital expenditure account in error.

Interest payable

During the year ended 31 March 2011 Molten-Metal plc paid loan stock interest of £22,500. Loan stock interest of £3,700 was accrued at 31 March 2011, with the corresponding accrual at 1 April 2010 being £4,200. The loan is used for trading purposes.

The company also incurred a loan interest expense of £6,800 in respect of a loan that is used for non-trading purposes.

Capital expenditure account

The following items of expenditure have been debited to the capital expenditure account during the year ended 31 March 2011:

1 May 2010	Purchase of a second-hand freehold office building for £378,000. This figure included £32,000 for a ventilation system and £46,000 for a lift. Both the ventilation system and the lift are integral to the office building. During May 2010 Molten-Metal plc spent a further £97,400 on repairs. The office building was not usable until these repairs were carried out, and this fact was represented by a reduced purchase price.
26 June 2010	Purchase of machinery for £81,600. During June 2010 a further £7,700 was spent on building alterations that were necessary for the installation of the machinery.
8 August 2010	A payment of £41,200 for the construction of a new decorative wall around the company's premises.
27 August 2010	Purchase of movable partition walls for £22,900. Molten-Metal plc uses these to divide up its open plan offices, and the partition walls are moved around on a regular basis.
11 March 2011	Purchase of two motor cars each costing £17,300. Each motor car has a CO ₂ emission rate of 140 grams per kilometre. One motor car is used by the factory manager, and 60% of the mileage is for private journeys. The other motor car is used as a pool car.

Written down value

On 1 April 2010 the tax written down value of plant and machinery in Molten-Metal plc's main pool was £87,800.

Industrial buildings allowance

Molten-Metal plc claims industrial buildings allowance in respect of a factory that was constructed at a cost of £732,000, and brought into use as an industrial building on 1 July 2005. The cost was made up as follows:

	£
Drawing office serving the factory	84,000
General offices	165,000
Factory	483,000
	<hr style="width: 50%; margin-left: auto; margin-right: 0;"/> 732,000

Property income

Since 1 February 2011 Molten-Metal plc has let out an unfurnished freehold office building that is surplus to requirements. On that date the tenant paid the company £78,800, consisting of a premium of £68,000 for the grant of a six-year lease, and the advance payment of three months' rent.

Interest receivable

Molten-Metal plc made a loan for non-trading purposes on 1 August 2010. Loan interest of £9,800 was received on 31 January 2011, and £3,100 was accrued at 31 March 2011.

The company also received bank interest of £2,600 during the year ended 31 March 2011. The bank deposits are held for non-trading purposes.

Disposal of office building

On 20 May 2010 Molten-Metal plc sold a freehold office building for £872,000. The office building had been purchased on 13 June 2002 for £396,200 (including legal fees). During June 2006 the office building was extended at a cost of £146,000, and during the same month the company spent £48,000 replacing part of the office building roof following a fire. Molten-Metal plc incurred legal fees of £28,400 in connection with the disposal. Indexation factors are as follows:

June 2002 to May 2010	0.269
June 2006 to May 2010	0.126

Quarterly instalment payments

Molten-Metal plc makes quarterly instalment payments in respect of its corporation tax liability. The first three instalment payments for the year ended 31 March 2011 totalled £398,200.

Required:

(a) Calculate Molten-Metal plc's corporation tax liability for the year ended 31 March 2011.

Note: You should ignore any chargeable gain arising from the grant of the lease and also ignore rollover relief.
(23 marks)

(b) Calculate the final quarterly instalment payment that will have to be made by Molten-Metal plc for the year ended 31 March 2011, and state when this will be due.
(2 marks)

(25 marks)

- 3 On 15 October 2010 Alphabet Ltd, an unquoted trading company, was taken over by XYZ plc. Prior to the takeover Alphabet Ltd's share capital consisted of 100,000 £1 ordinary shares, and under the terms of the takeover the shareholders received either cash of £6 per share or one £1 ordinary share in XYZ plc for each £1 ordinary share in Alphabet Ltd. The following information is available regarding the four shareholders of Alphabet Ltd:

Aloi

Aloi has been the managing director of Alphabet Ltd since the company's incorporation on 1 January 2000, and she accepted XYZ plc's cash alternative of £6 per share in respect of her shareholding of 60,000 £1 ordinary shares in Alphabet Ltd. Aloi had originally subscribed for 50,000 shares in Alphabet Ltd on 1 January 2000 at their par value, and purchased a further 10,000 shares on 20 May 2002 for £18,600.

On 6 February 2011 Aloi sold an investment property, and this disposal resulted in a chargeable gain of £22,600.

For the tax year 2010–11 Aloi has taxable income of £60,000.

Bon

Bon has been the sales director of Alphabet Ltd since 1 February 2010, having not previously been an employee of the company. She accepted XYZ plc's share alternative of one £1 ordinary share for each of her 25,000 £1 ordinary shares in Alphabet Ltd. Bon had purchased her shareholding on 1 February 2010 for £92,200.

On 4 March 2011 Bon made a gift of 10,000 of her £1 ordinary shares in XYZ plc to her brother. On that date the shares were quoted on the Stock Exchange at £7.10–£7.18. There were no recorded bargains. Holdover relief is not available in respect of this disposal.

For the tax year 2010–11 Bon has taxable income of £55,000.

Cherry

Cherry has never been an employee or a director of Alphabet Ltd. She accepted XYZ plc's cash alternative of £6 per share in respect of her shareholding of 12,000 £1 ordinary shares in Alphabet Ltd. Cherry had purchased her shareholding on 27 July 2003 for £23,900.

For the tax year 2010–11 Cherry has taxable income of £31,000, and during the year she contributed £3,400 (gross) into a personal pension scheme.

Dinah

Dinah has been an employee of Alphabet Ltd since 1 May 2001. She accepted XYZ plc's share alternative of one £1 ordinary share for each of her 3,000 £1 ordinary shares in Alphabet Ltd. Dinah had purchased her shareholding on 20 June 2002 for £4,800.

On 13 November 2010 Dinah sold 1,000 of her £1 ordinary shares in XYZ plc for £6,600.

Dinah died on 5 April 2011, and her remaining 2,000 £1 ordinary shares in XYZ plc were inherited by her daughter. On that date these shares were valued at £15,600.

For the tax year 2010–11 Dinah had taxable income of £12,000.

Required:

- (a) State why Bon, Cherry and Dinah did not meet the qualifying conditions for entrepreneurs' relief as regards their shareholdings in Alphabet Ltd. (3 marks)

- (b) Calculate the capital gains tax liabilities of Aloi, Bon, Cherry and Dinah for the tax year 2010–11.

Note: In each case, the taxable income is stated after the deduction of the personal allowance. (12 marks)

(15 marks)

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Question 4 begins on page 12.**

- 4 Aston Martyn commenced self-employment on 1 August 2010 providing consultancy services to the motor industry. His sales revenue has been as follows:

		Standard rated £	Zero-rated £
2010	August	2,300	–
	September	6,400	–
	October	20,900	4,800
	November	10,700	–
	December	16,100	–
2011	January	12,800	1,200
	February	4,200	–
	March	31,500	3,300
	April	44,600	6,600

Where applicable, the above figures are stated exclusive of value added tax (VAT). Aston only supplies services and all of his supplies are to VAT registered businesses. He does not offer any discount for prompt payment.

The following is a sample of the new sales invoice that Aston is going to issue to his customers:

SALES INVOICE	
Aston Martyn 111 Long Road London W1 9MG Telephone 0207 123 3456 Invoice Date 6 June 2011 Tax Point 6 June 2011 Description of services Business advice	Customer: Faster Motors plc Address: 22 Short Lane Manchester M1 8MB
Total price (excluding VAT)	£ 12,000.00
Total price (including VAT)	14,400.00

Aston sometimes receives supplies of standard rated services from VAT registered businesses situated elsewhere within the European Union. As business to business services these are treated as being supplied in the United Kingdom. Aston wants to know how he should account for these services for VAT purposes.

Because of the complexity of the VAT legislation, Aston is concerned that despite his best efforts he will incorrectly treat a standard rated supply as zero-rated, thus understating the amount of VAT payable. He wants to know if such an error will result in a penalty, and if so how much the penalty will be.

Aston understands that he is entitled to use the annual accounting scheme so that he would only have to submit one VAT return each year, but wants to know how using the scheme will otherwise affect him as regards the submission of VAT returns and the payment of VAT.

Required:

- (a) Explain from what date Aston Martyn's business was required to be registered for VAT. (3 marks)
- (b) State the **FOUR** additional pieces of information that Aston Martyn will have to show on his new sales invoices in order for them to be valid for VAT purposes. (2 marks)
- (c) Explain when and how Aston Martyn should account for VAT in respect of the supplies of services he receives from VAT registered businesses situated elsewhere within the European Union. (2 marks)
- (d) Assuming that Aston Martyn incorrectly treats a standard rated supply as zero-rated with the result that the amount of VAT payable is understated, advise him as to the maximum amount of penalty that is likely to be charged by HM Revenue and Customs, and by how much this penalty would be reduced as a result of a subsequent unprompted disclosure. (3 marks)
- (e) (i) If Aston Martyn does not use the annual accounting scheme, advise him as to how and when he will have to submit his quarterly VAT returns and pay the related VAT; (2 marks)
- (ii) If Aston Martyn uses the annual accounting scheme, advise him as to when he will have to pay VAT and submit his annual VAT return. (3 marks)

(15 marks)

- 5** Jimmy died on 14 February 2011. He had made the following gifts during his lifetime:
- (1) On 2 August 2009 Jimmy made a cash gift of £50,000 to his grandson as a wedding gift when he got married.
 - (2) On 14 November 2009 Jimmy made a cash gift of £800,000 to a trust. Jimmy paid the inheritance tax arising from this gift.

At the date of his death Jimmy owned the following assets:

- (1) His main residence valued at £260,000.
- (2) Building society deposits of £515,600.
- (3) A life assurance policy on his own life. On 14 February 2011 the policy had an open market value of £182,000, and proceeds of £210,000 were received following Jimmy's death.

The cost of Jimmy's funeral amounted to £5,600.

Under the terms of his will Jimmy left £300,000 to his wife, with the residue of his estate to his daughter.

The nil rate band for the tax year 2009–10 is £325,000.

Required:

- (a) Explain why it is important to differentiate between potentially exempt transfers and chargeable lifetime transfers for inheritance tax purposes.** (2 marks)
- (b) Calculate the inheritance tax that will be payable as a result of Jimmy's death.** (12 marks)
- (c) State by when the personal representatives must pay the inheritance tax due on Jimmy's estate.** (1 mark)

(15 marks)

End of Question Paper

The ACCA logo consists of the letters 'ACCA' in a bold, white, sans-serif font, centered on a solid black rectangular background.

WORKING WITH



European Accountants Admission Examination

(SI 2007 No. 2781/Directive 2005/36/EC)

Aptitude Test: MRD 1 Corporate and Business Law

Tuesday 8 June 2010

Time allowed

Reading and planning: 15 minutes

Writing: 3 hours

ALL TEN questions are compulsory and MUST be attempted.

Do NOT open this paper until instructed by the supervisor.

During reading and planning time only the question paper may be annotated. You must NOT write in your answer booklet until instructed by the supervisor.

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

ALL TEN questions are compulsory and MUST be attempted

- 1 Describe the structure and functions of the main civil courts in the English legal system, including the Supreme Court.**
- (10 marks)**
- 2 In relation to the law of contract:**
- (a) define an offer; (5 marks)
- (b) explain the specific meaning and effect of
- (i) a counter-offer; (3 marks)
- (ii) a unilateral offer. (2 marks)
- (10 marks)**
- 3 In relation to the tort of negligence, explain the meaning of 'duty of care'.**
- (10 marks)**
- 4 Explain the documents necessary, and the procedure to be followed, in registering a public limited company under the provisions of the Companies Act 2006.**
- (10 marks)**
- 5 Explain the meaning of the following terms in company law:**
- (a) a debenture; (3 marks)
- (b) a fixed charge; (3 marks)
- (c) a floating charge. (4 marks)
- (10 marks)**
- 6 In the context of corporate governance, explain the rules relating to the appointment, duties and powers of a company secretary in a public limited company.**
- (10 marks)**
- 7 In the context of employment law, state how the courts decide whether someone is self-employed or is an employee.**
- (10 marks)**

- 8** In January 2010 Ami took over an old warehouse with the intention of opening an art gallery. As the warehouse had to be converted, Ami entered into two contracts, one with Bry to do all the necessary plastering and one with Cis, who was to do all the necessary painting. Both Bry and Cis were to be paid £5,000. Both received initial payments of £1,000 and agreed to have the work completed on 31 March, as the art gallery had to be ready for its first exhibition on 1 May.

At the end of February, Bry told Ami that he would not complete the plastering in time unless she agreed to increase his payment by a further £1,000. Ami agreed to pay the increased sum in order to ensure that the job was done on time. She then thought it was only fair that she should increase the amount of money promised to Cis by the same amount.

However, on completion of the work on time Ami refused to make either of the additional payments to Bry or Cis, beyond the original contractual price.

Required:

Advise Bry and Cis whether they have any rights in law to enforce Ami's promise to pay them an extra £1,000.

(10 marks)

- 9** Chi, Di and Fi formed an ordinary partnership to run an art gallery. Each of them paid £100,000 into the business. As Fi had no prospect of raising any more money it was agreed between them that her maximum liability for any partnership debts would be fixed at her original contribution of £100,000. The partnership agreement specifically restricted the scope of the partnership business to the sale of 'paintings, sculptures and other works of art.' In January 2010 Chi took £10,000 from the partnership's bank drawn on its overdraft facility. She had told the bank that the money was to finance a short-term partnership debt but in fact she used the money to pay for a holiday. In February Di entered into a £25,000 contract on behalf of the partnership to buy some books, which she hoped to sell in the gallery.

Required:

Advise Chi, Di and Fi as to their various rights and liabilities in relation to the operation of the business under partnership law.

(10 marks)

10 Gilt Ltd is a small company with an issued share capital of 100,000 £1 shares held by 100 members.

Harry, the managing director of Gilt Ltd, has been approached by Itt plc in respect of its making a takeover bid for Gilt Ltd. Itt plc has given Harry what is described as a facility fee of £50,000 for ensuring that the takeover is successful.

At the next board meeting Harry convinces the other directors that the take-over bid is in the long-term interest of Gilt Ltd, but they are concerned that the holders of the majority of the issued share capital will not approve of the takeover.

In order to ensure the success of the takeover, the directors of Gilt Ltd agree that they should allot sufficient new shares to Itt plc to ensure that a new majority of members will support the takeover.

After the allocation of the shares to Itt plc a general meeting is called to consider the takeover and it is approved, with Itt plc voting in favour.

May, a substantial shareholder in Gilt Ltd has subsequently found out about the actions of Itt plc, Harry and the other directors.

Required:

Advise May as to the legality of the share allotment and as to what action can be taken against Harry.

(10 marks)

End of Question Paper

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WORKING WITH



**European Accountants
Admission Examination**

(SI 2007 No. 2781/Directive 2005/36/EC)

Aptitude Test: MRD 1 Corporate and Business Law

Tuesday 7 December 2010

Time allowed

Reading and planning: 15 minutes

Writing: 3 hours

ALL TEN questions are compulsory and **MUST** be attempted.

Do NOT open this paper until instructed by the supervisor.

During reading and planning time only the question paper may be annotated. You must NOT write in your answer booklet until instructed by the supervisor.

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

ALL TEN questions are compulsory and MUST be attempted

1 In relation to the English legal system:

(a) explain and distinguish between:

(i) primary legislation; and

(ii) secondary/delegated legislation.

(6 marks)

(b) explain the powers of the courts in relation to challenging the validity of primary and secondary/delegated legislation.

(4 marks)

(10 marks)

2 State and explain the remedies available for breach of contract.

(10 marks)

3 In relation to the law of tort explain:

(a) the neighbour principle;

(4 marks)

(b) remoteness of damage;

(4 marks)

(c) liability for economic/financial loss.

(2 marks)

(10 marks)

4 In relation to the issuing of company shares explain:

(a) pre-emption rights;

(3 marks)

(b) rights issues;

(3 marks)

(c) bonus issues.

(4 marks)

(10 marks)

5 In relation to the Companies Act 2006:

(a) state, and explain the purpose of, the various registers that have to be kept by a company;

(4 marks)

(b) describe what accounting records will have to be produced and maintained by a company.

(6 marks)

(10 marks)

6 In relation to company law, explain the duties owed by directors to their companies.

(10 marks)

7 In relation to employment law explain:

(a) the meaning of unfair dismissal; and (6 marks)

(b) the remedies available for unfair dismissal. (4 marks)

(10 marks)

8 In January 2009, Amy started a business as an independent website designer.

To give her a start in her career, her brother Ben, who ran a retail business, said he would give her £1,000 if she updated his business website. At the same time, her friend Che asked her to do work for his business, also for a set fee of £1,000.

However, by the time Amy had completed the two projects her design business had become a huge success and she had lots of other clients. When Ben and Che discovered how successful Amy's business had become they both felt that they should not be asked to pay for the work they had commissioned.

Ben said he would not pay anything as he had only offered the work to help his sister out. Che said he would not pay anything either, on the basis that he had only given her work to do on the basis of their friendship.

Required:

Advise Amy as to whether she can insist on Ben and Che paying the full amounts of their initial promises.

(10 marks)

9 Dee and Eff are major shareholders in, and the directors of, the public company, Fan plc. For the year ended 30 April 2009 Fan plc's financial statements showed a loss of £2,000 for the year.

For the year ended 30 April 2010 Fan plc made a profit of £3,000 and, due to a revaluation, the value of its land and buildings increased by £5,000.

As a consequence, Dee and Eff recommended, and the shareholders approved, the payment of £4,000 in dividends.

Required:

Advise Dee and Eff as to:

(a) the legality of the dividend payment; and (6 marks)

(b) any potential legal liability in regard to the dividend payment. (4 marks)

(10 marks)

10 Geo, Ho and Io formed a partnership three years ago to run a hairdressing business. They each provided capital to establish the business as follows:

Geo £20,000;
Ho £12,000; and
Io £8,000.

The partnership agreement stated that all profits and losses were to be divided in proportion to the capital contribution.

After 18 months Geo provided the partnership with a loan of £3,000 in order to finance the purchase of more stock. The loan was to be paid back from the profits of the business.

Unfortunately the business was not successful and the partners decided to dissolve the partnership rather than risk running up any more losses. At the time of the dissolution of the partnership its assets were worth £20,000. Its external debts were £7,000 and none of the debt to Geo has ever been paid.

Required:

Advise the partners as to how the financial aspects of the dissolution will be conducted and how the assets will be distributed.

(10 marks)

End of Question Paper

ACCA

WORKING WITH



**European Accountants
Admission Examination**

(SI 2007 No. 2781/Directive 2005/36/EC)

Aptitude Test: MRD 1 Corporate and Business Law

Tuesday 7 June 2011

Time allowed

Reading and planning: 15 minutes

Writing: 3 hours

ALL TEN questions are compulsory and **MUST** be attempted.

Do NOT open this paper until instructed by the supervisor.

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

ALL TEN questions are compulsory and MUST be attempted

1 In relation to the English legal system:

(a) Explain and distinguish between civil and criminal law, providing a statutory example of each category; (7 marks)

(b) Identify the courts, *below the level of the Court of Appeal*, that deal with civil law and criminal law. (3 marks)

(10 marks)

2 In relation to the formation of a contract explain:

(a) the meaning of an offer; (5 marks)

(b) the circumstances under which an offer may be terminated. (5 marks)

(10 marks)

3 In relation to liability under the tort of negligence explain:

(a) the standard of care owed by one person to another; (6 marks)

(b) the defence of contributory negligence. (4 marks)

(10 marks)

4 In relation to the formation of a company explain:

(a) the role and duties of promoters, and how they are regulated; (5 marks)

(b) a pre-incorporation contract, and its legal consequences. (5 marks)

(10 marks)

5 With regard to payment for shares in the context of capital maintenance, explain the meaning and legal effect of the following:

(a) issuing shares at a premium; (5 marks)

(b) issuing shares at a discount. (5 marks)

(10 marks)

6 In relation to company regulation explain:

(a) the concept of 'corporate governance'; (3 marks)

(b) the role of the UK Corporate Governance Code; (3 marks)

(c) the role of non-executive directors within the context of the UK Corporate Governance Code. (4 marks)

(10 marks)

7 In relation to employment law distinguish between and explain the meaning of:

(a) unfair dismissal; (5 marks)

(b) constructive dismissal; (3 marks)

(c) wrongful dismissal. (2 marks)

(10 marks)

8 Ari operates a business as a designer of internet web pages for a variety of business clients. Unfortunately he has had some difficulty in recovering his full fees from a number of clients as follows:

(a) Bi, a newly qualified accountant, told Ari that although she could only raise the cash to pay half of the outstanding fees she would, as an alternative to paying the other half, do all of Ari's accountancy work for the coming year. Ari reluctantly agreed to this proposal.

(b) Cas, a self-employed musician, told Ari that she could not pay any of the money she owed him. However, her father offered to pay Ari, but could only manage half of the total amount owed. Once again Ari reluctantly agreed to accept the father's payment of the reduced sum.

(c) Dex, a self-employed car mechanic, without contacting Ari, simply sent him a cheque for half of his fees stating that he, Dex, could not pay any more and that the cheque was in full settlement of his outstanding debt.

Ari himself is now in financial difficulty and needs additional cash to maintain his business operation.

Required:

Advise Ari whether, in the context of contract law, he can recover any of the outstanding money from Bi, Cas and Dex.

(10 marks)

9 Goal Ltd is a property development company. Before its incorporation 12 months ago, its business was carried out by Hope, as a sole trader. On the formation of Goal Ltd, Hope expanded the business by asking three of his business contacts to supply additional capital in return for which they, together with Hope, became its directors. Although never formally appointed, Hope took the role and title of chief executive and the other directors left the day-to-day running of the business to him and were happy simply to receive feedback from him at board meetings.

Six months ago Hope entered into a contract, on Goal Ltd's behalf, with Ima to produce plans for the redevelopment of a particular site that it hoped to acquire. However, Goal Ltd did not acquire the site and due to its current precarious financial position and their fear of potential losses, the board of directors has refused to pay Ima, claiming that Hope did not have the necessary authority to enter into the contract with her.

Required:

Analyse the situation with regard to the authority of Hope to make contracts on behalf of Goal Ltd, and, in particular, advise the board of directors of Goal Ltd if the company is liable on the contract with Ima.

(10 marks)

10 On the advice of his accountant, Mat registered a private limited company to conduct his small manufacturing business in January 2010. One of the reasons for establishing the company was to avoid liability for potential losses. The initial shareholders of the company were Mat, his wife Mary, and her father Norm, who each took 1,000 shares in the company, each with a nominal value of £1. The accountant explained that they did not have to pay the full nominal value of the shares at once, so they each paid only 25 pence per share taken, with the result that they still owed the company a further 75 pence per share to be paid at a later date.

When the company was established it became apparent that it needed to borrow money from a bank to finance an expansion in production. To that end Oop bank plc lent the company £20,000 secured by a fixed charge against the land Mat had previously transferred to the company, with an additional personal guarantee from Mat for any further debts owed by the company to the bank.

Unfortunately the business has not proved successful and Mat and the other shareholders have decided that it is better to liquidate the company rather than run up any more debts. The current situation is that the company's land is worth £20,000 and it has further assets to the value of £7,750, but it has debts to business creditors of £10,000 and owes the bank a further £10,000 on its bank overdraft.

Required:

Explain the rights of the various creditors and the potential liability of Mat, Mary and Norm. (The actual costs of winding up may be ignored.)

(10 marks)

End of Question Paper

APPENDIX 2

Syllabus Papers F4 and F6, plus reading lists

PAPER F6, TAXATION

A The UK tax system

- 1 The overall function and purpose of taxation in a modern economy
- 2 Different types of taxes
- 3 Principal sources of revenue law and practice
- 4 Tax avoidance and tax evasion

B Income tax liabilities

- 1 The scope of income tax
- 2 Income from employment
- 3 Income from self-employment
- 4 Property and investment income
- 5 The comprehensive computation of taxable income and income tax liability
- 6 The use of exemptions and reliefs in deferring and minimising income tax liabilities

C Corporation tax liabilities

- 1 The scope of corporation tax
- 2 Profits chargeable to corporation tax
- 3 The comprehensive computation of corporation tax liability
- 4 The effect of a group corporate structure for corporation tax purposes
- 5 The use of exemptions and reliefs in deferring and minimising corporation tax liabilities

D Chargeable gains

- 1 The scope of the taxation of capital gains
- 2 The basic principles of computing gains and losses.
- 3 Gains and losses on the disposal of movable and immovable property
- 4 Gains and losses on the disposal of shares and securities
- 5 The computation of capital gains tax payable by individuals
- 6 The use of exemptions and reliefs in deferring and minimising tax liabilities arising on the disposal of capital assets

E National insurance contributions

- 1 The scope of national insurance
- 2 Class 1 and Class 1A contributions for employed persons
- 3 Class 2 and Class 4 contributions for self-employed persons

F Value added tax

- 1 The scope of value added tax (VAT)
- 2 The VAT registration requirements
- 3 The computation of VAT liabilities
- 4 The effect of special schemes

G The obligations of taxpayers and/or their agents

- 1 The systems for self-assessment and the making of returns
- 2 The time limits for the submission of information, claims and payment of tax, including payments on account
- 3 The procedures relating to enquiries, appeals and disputes
- 4 Penalties for non-compliance.

READING LIST

ACCA's official publishers

BPP Learning Media
Contact number: +44(0)20 8740 2222
Website: www.bpp.com

Kaplan Publishing
Contact number: +44(0)118 989 0629
Website: www.kaplanpublishing.co.uk

Additional reading:

A Horner and R Burrows, *Tolleys Tax Guide*, Tolley Publishing, ISBN 1860128319

A Melville, *Taxation*, Prentice Hall, ISBN 0 273 655522-1

Alternative reading:

ATC International
Contact: ronnie.smith@atc-global.com
Website: www.atc-global.com

International Financial Publishing Limited
Contact number: +44 (0)1344 751674
Website: www.ifpbooks.com

PAPER F4, CORPORATE AND BUSINESS LAW

A Essential elements of the legal system

- 1 Court structure
- 2 Sources of law
- 3 Human rights

B The law of obligations

- 1 Formation of contract
- 2 Content of contracts
- 3 Breach of contract and remedies
- 4 The law of torts
- 5 Professional negligence

C Employment law

- 1 Contract of employment
- 2 Dismissal and redundancy

D The formation and constitution of business organisations

- 1 Agency law
- 2 Partnerships
- 3 Corporations and legal personality
- 4 Company formations

E Capital and the financing of companies

- 1 Share capital
- 2 Loan capital
- 3 Capital maintenance and dividend law

F Management, administration and regulation of companies

- 1 Company directors
- 2 Other company officers
- 3 Company meetings and resolutions

G Legal implications relating to companies in difficulty or in crisis

- 1 Insolvency

H Governance and ethical issues relating to business

- 1 Corporate governance
- 2 Fraudulent behaviour.

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Additional reading:

D Kelly, A Holmes and R Hayward, *Business Law* 5th ed, Routledge Cavendish, 2005
Denis Keenan, *Smith & Keenan's Law for Business* 13th ed, Pearson Education, 2006

Alternative reading:

International Financial Publishing Limited
Contact number: +44 (0)1344 751674
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