

AAT

Q2022

Business Tax (Finance Act 2024)

EXAM KIT

This Exam Kit supports study for the following AAT qualifications:

AAT Level 4 Diploma in Professional Accounting

AAT Diploma in Professional Accounting at SCQF Level 8

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Features in this Exam Kit

In addition to providing a wide ranging bank of real assessment style questions, we have also included in this kit:

- unit specific information and advice on assessment technique
- our recommended approach to make your revision for this particular unit as effective as possible.

You will find a wealth of other resources to help you with your studies on the Kaplan and AAT websites:

www.mykaplan.co.uk

www.aat.org.uk/

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UNIT SPECIFIC INFORMATION

THE EXAM

FORMAT OF THE ASSESSMENT

The assessment for this unit consists of 10 compulsory, independent, tasks.

Learners will be assessed by computer-based assessment.

In any one assessment, learners may not be assessed on all content, or on the full depth or breadth of a piece of content. The content assessed may change over time to ensure validity of assessment, but all assessment criteria will be tested over time.

The learning outcomes for this unit are as follows:

	Learning outcome	Weighting
1	Prepare tax computations for sole traders and partnerships	19%
2	Prepare tax computations for limited companies	19%
3	Prepare tax computations for the sale of capital assets by limited companies	17%
4	Understand administrative requirements of the UK's tax regime	15%
5	Understand the tax implications of business disposals	10%
6	Understand tax reliefs, tax planning opportunities and agent's responsibilities in reporting taxation to HM Revenue & Customs	20%
	Total	100%

Time allowed

2 hours and 30 minutes

PASS MARK

The pass mark for all AAT CBAs is 70%.



Always keep your eye on the clock and make sure you attempt all questions!

DETAILED SYLLABUS

The detailed syllabus and study guide written by the AAT can be found at:

www.aat.org.uk/

Section 1

PRACTICE QUESTIONS

ADJUSTING ACCOUNTING PROFITS AND LOSSES FOR TAX PURPOSES



Key answer tips

Adjustment of profits and determining capital versus revenue expenditure are important areas and will be tested in Task 1 of the assessment.

You may also be asked about the differences in calculating taxable trading profits under the cash basis versus the accruals basis for unincorporated businesses, but this will only be tested as a short form style question, rather than as part of the main adjustment of profits pro forma.

Knowledge of what is treated as capital and what is not is often an area where learners slip up. It is important not to neglect learning facts such as these.

Adjustment of profits questions may include a computation starting from the accounting profit where you will need to adjust for disallowed expenses. It is important to carefully read the question and consider each item to decide whether it is allowable or not.

The Business Tax reference material provided in your assessment covers these topics in the section headed 'Disallowed expenditure'.

1 GILES

Giles is a sole trader. He elects to use the accruals basis for tax purposes and incurred the following expenditure.

- (a) For each item of expenditure, tick the appropriate box to show whether the item is treated as revenue or capital expenditure.

	Revenue	Capital
Decorating an office		
Computer for a salesman		
Office building extension		
Electricity for the quarter to 31 March 2025		
Meal to entertain a customer from Germany		
Forklift truck for the warehouse		

Crush Ltd incurred the following expenditure.

- (b) For each item of expenditure, tick the appropriate box(es) to show whether the item will be treated as allowable or disallowable in the company's adjustment of trading profits computation, and whether or not capital allowances (CAs) will be available.

	Allowable	Disallowable	CAs available
Water rates			
Building insurance			
Replacement of factory machinery			
Replacement of a severely damaged roof on an office building			
Insurance for cars			
Parking fine incurred by an employee			

2 FLUSH LTD

Flush Ltd incurred the following expenditure.

- (a) For each item of expenditure, tick the appropriate box(es) to show whether the item will be treated as allowable or disallowable in the company's adjustment of trading profits computation, and whether or not plant and machinery capital allowances (CAs) will be available.

	Allowable	Disallowable	CAs available
Painting an office			
Car for a salesman			
Office building extension			
Gas for the quarter to 30 June 2024			
Van for deliveries			
Meal to entertain staff			
Printer for the office computer			
Dividends payable			
Costs of a fraud carried out by a director			

- (b) Identify whether the following statements are true or false.

	True	False
If a sole trader chooses to use the cash basis, all capital expenditure can be deducted as an allowable expense when calculating taxable trading profit.		
Legal fees for the purchase of a building are treated as revenue expenditure for tax purposes.		



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