

Answer to Example 5

		£
Premium	$\frac{51 - 20}{50} \times 60,000$	37,200
Rent received		<u>5,000</u>
Property Income		<u>42,200</u>

Alternatively the assessable premium may be computed as 60,000 less $(2\% \times (20-1)) = 37,200$

Answer to Example 6

$$\text{Relief available} = \frac{\pounds 37,200}{20} = \pounds 1,860 \text{ p.a.}$$

Chapter 4**Answer to Example 1**

Tax adjusted trading profit for the year ended 31 May 2021

	£	£
Net profit as per accounts		30,200
Add: Items debited in P&L – not allowed for tax purposes		
Depreciation	4,760	
Light and heat $(40\% \times \pounds 1,525)$	610	
Motor expenses $(9,000/12,000 \times \pounds 4,720)$	3,540	
Personal tax work	250	
Purchase of new shop	1,200	
Rent and rates $(40\% \times \pounds 3,900)$	1,560	
Decorating private flat	1,050	
Gift of food hampers	640	
Donation to national charity	100	
Excessive remuneration to Jeremy's wife $(\pounds 15,500 - \pounds 11,000)$	4,500	
Own consumption	<u>650</u>	
		<u>18,860</u>
Adjusted trading profit		49,060
Less: Capital allowances (given)		<u>(13,060)</u>
Tax adjusted trading profit		<u>36,000</u>

Chapter 5**Answer to Example 1**

Accounting Year Ended 5 April 2022

	£	Main Pool £	Allowances £
WDV b/f at 6 April 2021		1,250	
Additions Qualifying for AIA	10,000		
AIA	<u>(10,000)</u>	–	10,000
Disposals		<u>(500)</u>	
		750	
Small pool WDA		<u>(750)</u>	750
WDV c/f		–	<u>10,750</u>

Answer to Example 2

Accounting Year ended 31 December 2021

	<i>Main Pool</i>	<i>70% Business use car (1)</i>	<i>70% Business use car (2)</i>	<i>Allowances</i>
£	£	£	£	£
WDV b/f at 1 January 2021	21,200	13,600		
Additions Qualifying for AIA				
Plant	6,600			
AIA	(6,600)			6,600
Other additions				
Motor car (CO ₂ 40g/km)	10,600			
Motor car (CO ₂ 80g/km)			16,000	
Disposal		(9,400)		
	<u>31,800</u>	<u>4,200</u>	<u>16,000</u>	
WDA @ 18%	(5,724)			5,724
Balancing allowance		(4,200)		2,940
		× 70%		
WDA @ 6%			(960)	672
			× 70%	
	<u>26,076</u>	<u>—</u>	<u>15,040</u>	<u>15,936</u>
WDV c/f				

Answer to Example 3

Accounting period to 31 March 2022

	<i>Main Pool</i>	<i>Short life Asset</i>	<i>Allowances</i>
£'000	£	£	£
WDV b/f	16,000		
Additions qualifying for AIA			
Machinery	1,020		
Photocopier	40		
	<u>1,060</u>		
AIA (Maximum)	(1,000)		1,000,000
	<u>20,000</u>	<u>40,000</u>	
	36,000	40,000	
WDA @ 18%	(6,480)		6,480
WDA @ 18%		(7,200)	7,200
			<u>1,013,680</u>
WDV c/f	<u>29,520</u>	<u>32,800</u>	

Accounting period to 31 March 2023

	<i>Main Pool</i>	<i>Short life Asset</i>	<i>Allowances</i>
£	£	£	£
WDV b/f	29,520	32,800	
Disposal		(15,000)	
	<u>29,520</u>	<u>17,800</u>	
WDA @ 18%	(5,314)		5,314
Balancing allowance		(17,800)	17,800
^			<u>23,114</u>
WDV c/f	<u>24,206</u>	<u>—</u>	

Answer to Example 4

Year ended 31 December 2021

	<i>Main Pool</i>	<i>Allowances</i>
	£	£
WDV b/f at 1 January 2021	4,000	
Addition – 1 October 2021	2,000	
	<u>6,000</u>	
Less Disposal 10 April 2021	(8,600)	
	<u>(2,600)</u>	
Balancing charge	2,600	(2,600)

Answer to Example 5

Accounting Period ended 31 March 2022

	<i>Main Pool</i>	<i>Allowances</i>
	£	£
WDV b/ at 1 January 2022	12,000	
Addition – 1 February 2022	4,000	
	<u>16,000</u>	
Less Disposals – 31 March 2022	(5,000)	
	<u>11,000</u>	
Balancing allowance	(11,000)	11,000
	–	

Answer to Example 6

Accounting period to 31 March 2022

	<i>£</i>	<i>Main Pool</i> <i>£</i>	<i>Special rate</i> <i>pool</i> <i>£</i>	<i>80% Business use</i> <i>car</i> <i>£</i>	<i>Allowances</i> <i>£</i>
WDV b/f		30,000		14,000	
Additions Qualifying for AIA (Special Rate)					
Thermal insulation for business building	28,000				
AIA - 100%	<u>(28,000)</u>				28,000
			—		
Additions Qualifying for AIA (Main)					
Computer	60,000				
Machine	84,000				
Plant	<u>60,000</u>				
	204,000				
AIA - 100%	<u>(204,000)</u>				204,000
Other additions					
Motor car (40g/km)		11,200			
Disposals				(8,000)	
		<u>41,200</u>		<u>6,000</u>	
WDA @ 18%		(7,416)			7,416
Balancing allowance				(6,000)	4,800
				× 80%	
Additions Qualifying for FYA					
Motor car (zero emissions)	17,000				
FYA @ 100%	<u>(17,000)</u>				<u>17,000</u>
					<u>261,216</u>
WDV c/f		<u>33,784</u>	—	—	