

THE HONG KONG POLYTECHNIC UNIVERSITY  
HONG KONG COMMUNITY COLLEGE

**Subject Title** : Introduction to Auditing and  
Taxation

**Subject Code** : CCN2123

**Session** : Semester One, 2017/18

**Numerical Answers**

**Question B**

Part I

GOODLUCK Limited Profits tax computation Year of assessment 2016/17		
	\$	\$
Net profit per account		134,500
Less:		
Dividend	52,000	
Compensation received re the office	60,000	
Interest income- HKD saving deposit	15,000	
USD saving deposit	10,000	
Interest income re loan to a US supplier	<u>75,000</u>	
		<u>(212,000)</u>
		<u>(77,500)</u>
Add:		
Commission to undisclosed local agents	50,000	
Compensation paid to landlord	40,000	
Depreciation	225,000	
Donation made to Oxfam	30,000	
Interest paid with security of director's deposit	77,500	
Legal fee for lease of new storage room	15,000	
MPF contribution	31,250	
Company's profits tax	<u>150,000</u>	<u>618,750</u>
		541,250
Less:		
Depreciation allowances		<u>456,250</u>
Assessable profits		85,000
Less: approved charitable donations (restricted to 35%)		<u>29,750</u>
Net assessable profits		<u>55,250</u>
Profits tax payable		<u>9,116</u>

**Question C3**Part I

Mr Hui Property Tax Computation Year of assessment 2015/16		\$
Rent		240,000
Premium		<u>60,000</u>
Assessable value		300,000
Less: rates paid by the landlord		<u>(12,000)</u>
		288,000
Less: 20% statutory allowance		<u>(57,600)</u>
NAV		230,400
Property tax payable @15%		<u>34,560</u>

**Question C4**

(a)

Mr Godi Salaries tax computation Year of assessment 2016/17		
	\$	\$
Salary		900,000
Bonus		<u>200,000</u>
		1,100,000
Less: professional subscription		<u>(2,400)</u>
		1,097,600
Rental value:	109,760	
Less: Rent suffered	<u>36,000</u>	<u>73,760</u>
		1,171,360
Stock option gain		350,000
Less: charitable donations		(2,080)
Less: self-education		<u>(80,000)</u>
Net assessable income before personal allowances		<u>1,439,280</u>