



Names:

Index number

TVET NATIONAL EXAMINATION, RTQF LEVEL 5, 2020-2021

QUESTIONS and ANSWERS BOOKLET

OPTION/TRADE: CUSTOMS AND TAX OPERATIONS

SUBJECT: Tax Audit

ACADEMIC YEAR: 2020-2021

Read carefully the instructions on page (i) & (ii).

FOR EXAMINER'S USE ONLY

[illegible]



TVET NATIONAL EXAMINATION, RTQF LEVEL 5, 2020-2021

INSTRUCTIONS TO CANDIDATES: PART I (Answer Booklet)

1. A candidate should fill in the actual names and the index number on the cover of this questions and answer booklet on the provided place (Black Box).
2. It is illegal for a candidate to write any of his/her names, index number or a school name inside the answer booklet.
3. A candidate should check if all pages of the answer booklet are complete. No candidate should remove or tear any pages or part of it from the answer booklet.
4. A candidate should answer in the language in which the examination is set. (See page **(ii)**)
5. A candidate should sign on the sitting plan when submitting the answer booklet. He/she has also to check if the answer booklet is well sealed.
6. No extra paper is allowed in the examinations room. If a candidate is caught with it his/her results will be nullified.
7. No candidate is allowed to write answers not related to the subject being sat for, otherwise it will be considered as a cheating case.
8. Write your answers on the 12 lined pages (From page 1 of 12 to page 12 of 12).
9. Use the last non-lined pages as draft.
10. Results for any candidate who is caught in examination malpractices are nullified. The cheating can be recognized during examinations administration, marking exercise or even thereafter.

TVET NATIONAL EXAMINATION, RTQF LEVEL 5, 2020-2021

OPTION/TRADE: CUSTOMS AND TAX OPERATIONS

SUBJECT: Tax Audit

DURATION: 3 hours

INSTRUCTIONS TO CANDIDATES: PART II (Question Paper)

The paper is composed of two (2) main Sections as follows:

Section I: Attempt all the Twelve (12) questions (60 marks)

Section II: Attempt any Four (4) questions out of Six (6) (40 marks)

Allowed materials:

- Ruler and square
- Calculator

Note:

Every candidate is required to carefully comply with the provided assessment instructions.

Section I: Attempt all the Twelve (12) questions (60 marks)

- 01.** a) What does VAT stand for? (1 mark)
- b) Explain the meaning of VAT. (2 marks)
- c) What are conditions must be fulfilled in order to register under VAT in Rwanda? (2 marks)
- 02.** a) What do you understand by tax audit? (2.5 marks)
- b) What is the purpose of audit tax? (2.5 marks)
- 03.** a) Describe the term turnover. (1 mark)
- b) Specify in which case there is VAT Payable/Refundable and VAT Claimable. (4 marks)
- 04.** Describe the tax revenue. (5 marks)
- 05.** There are different obligations of Taxpayers & Employees. Explain those obligations. (5 marks)
- 06.** Differentiate tax evasion from tax avoidance. (5 marks)
- 07.** a) What are typical matters examined in a tax audit? (3 marks)
- b) Where does tax audit take place and what is required from the taxpayer? (2 marks)
- 08.** What are five (5) tips for success in a tax audit? (5 marks)
- 09.** What are five (5) objectives of tax audit? (5 marks)

- 10.** SULFO Ltd imported goods for sale from the buyer whose acquisition value was Frw 2,450,000. Customs duty was charged at the rate of 10%. Other charges included: transport to the company's premise: Frw 110,000 and a commission of 5% of the goods' value paid to the clearing agent.

Required:

Determine the amount of VAT payable.

Use the normal VAT rate of 18%.

(5 marks)

- 11.** Explain why do Governments levy taxes

(5 marks)

- 12.** Describe three (3) types of RRA Audits.

(5 marks)

Section II: Attempt any Four (4) questions out of Six (6) (40 marks)

13. The management of ABC presented the following income statement of the company for the year ended 31 December 2018:

ABC Ltd Income statement for the year ended 31 December 2018:

Sales 25,000,000

Less: Cost of goods sold

Opening stock 3,000,000

Purchases 4,000,000

7,000,000

Less: Closing stock 2,000,000 5,000,000

Gross profit 20,000,000

Less: Expenses

Administrative expenses 2,000,000

Operating expenses 1,500,000

Depreciation expenses 400,000

Attendance fees made to the members of the Board of Directors
1,200,000

Fines and Penalties paid for non-complying with VAT payment
500,000

General Reserve made 600,000

Donations and gifts 400,000

Entertainment expenses 900,000 7,500,000

Net profit 12,500,000

Required: Determine the adjusted taxable profit or loss of ABC Ltd
for the year ended 31 December 2010. (10 marks)

14. Write short notes on the following elements:

a) Tax administration

(2.5 marks)

b) Tax auditors

(2.5 marks)

c) Appeal

(2.5 marks)

d) Taxpayer

(2.5 marks)

15. Employers/individuals that declare their own PAYE can know how to compute the tax due. The monthly withholding is computed using the monthly bands and formula, whereas the annual tax is computed using the annual bands and formula. Calculate the tax amount for the persons who get the salaries of 30,000 Rwf, 100,000Rwf and who get 800,000Rwf. **(10 marks)**
16. Discuss the objective and contents of the tax audit report. **(10 marks)**
17. Describe the action to be taken after a closed tax audit. **(10 marks)**
18. The statement of Comprehensive Income of Rise and Chine Company, a Pizza restaurant at Huye, reveals end December 2016 expenses of Frw 408,600. Its statement of financial position showed that retained earnings grew from Frw 548,600 at the beginning of the year to Frw 520,000 at the end of the year. The company declared dividends of Frw480,000. The company also pays a corporate income tax at a rate of 30%.

Required:

- a) What are revenues of the period? **(4 marks)**
- b) Considering the fact that the revenues of the period included a gain on sale of a used motorcycle for Frw 1,253,800 whereas expenses included a payment of traffic fines by the company's car for Frw156,000 and a payment for a wrongful termination of the contracts of the former Internal Auditor for Frw 1,146,400; compute the corporate tax payable. **(6 marks)**

