

Ex. 1

Adjustments to accounting profit (AP):

	Add back adj.	Deduct adj.
(1)		(20,000)
(2)	5,000	
(3)*	500	
(4)	35,000	(43,000)
	<u>40,500</u>	<u>(63,000)</u>

AP	150,000
Adjustmen	(22,500)
Taxable prc	<u>127,500</u>

Tax payabl 19,125

* Derecognition of AR if bad debt provision is used:

Db Provision

Cr AR

Because there was increase in bad debt provision => corresponding aged AR were not derecognized

Ex. 2

as per 31/3/X8

estimate of Taxable profit (TP)	100,000	=>	estimate of Tax payab
Db. Tax expense	20,000		
Cr Tax payable	20,000		

as per 1/6/X8

actual Taxable profit	95,000	=>	actual Tax payable
Cr. Tax expense	1,000		
Db Tax payable	1,000		

as per 15/9/X8

payment of tax payable	
Db. Tax payable	19,000
Cr Bank	19,000

Ex. 3

Tax loss 9,000

Carryback of tax loss - 3 years in the past:

1617 TP=7,000, tax rate = 18%

1516 TP=5,000, tax rate = 20%

1415 TP=3,000, tax rate = 17%

Scenario a:

Order of years in the past doesn't matter => first take years with highest %

1 TP=5,000, tax rate = 20%	=>	1000
2 TP=7,000, tax rate = 18%	=>	<u>720</u>
		1,720

Scenario b:

First most recent years should be used

1 TP=7,000, tax rate = 18% =>
2 TP=5,000, tax rate = 20% =>

1260
<u>400</u>
1,660

Ex. 4

Temporal difference (TD) 1,000

Tax rates:

		TP	=<	100,000 =>
100,000	>	TP	=<	300,000 =>
300,000	>	TP	=<	500,000 =>
500,000	>	TP	=<	650,000 =>

TP 650000 =>

Tax payable:

20,000

50,000

60,000

52,500

182,500

Average tax rate:

28.08%

Deferred tax liability:

280.77

le 20,000

19,000

20%
25%
30%
35%