

Choose the right answer A, B, C or D

1) Non-commercial professions mean

- A) professions which taxpayer practices independently
- B) professions which taxpayer practices dependently
- C) professions which taxpayer practices as an employee
- D) professions which taxpayer practices as a worker

Answer: A

2) The basic element in non-commercial professions is

- A) Capital
- B) work skills
- C) advanced technology
- D) media

Answer: B

3) Condition for levying tax in non-commercial professions is

- A) not realizing profits
- B) providing public services
- C) providing technical services for free
- D) intention of realizing profits

Answer: D

4) Value added tax (VAT) on local commodities can be imposed on the time of sale at

- A) any stage of sale
- B) sale of raw materials to manufacturer
- C) sale from manufacturer to wholesaler,
- D) sale from wholesaler to retailer

Answer: A

5) Exported commodities and services shall be subjected to VAT at

- A) 14%
- B) 13%
- C) Zero rate
- D) 15%

Answer: C

6) Value added tax shall be imposed on imported commodities at

- A) sale of raw materials to manufacturer
- B) sale from manufacturer to wholesaler
- C) sale from wholesaler to retailer
- D) the release stage from customs

Answer: D

7) Cash collections of public accountant including the following: L.E.50000 fees of accounting and auditing, of which L.E.12000 belong to last year and L.E.10000 collected in advance.

Fees revenues subjected to tax are:

- A) L.E.28000
- B) L.E.50000
- C) L.E.38000
- D) L.E.40000

Answer: B

8) Cash collections of public accountant included the following: L.E.15000, the sale value of office equipment. The book value of this equipment was L.E.12000.

Capital gain (or loss) subjected to tax:

- A) L.E.15000 capital gain
- B) L.E.15000 capital loss
- C) L.E.3000 capital gain
- D) L.E.3000 capital loss

Answer: C

9) Cash collections of public accountant included the following: L.E.15000, the sale value of office equipment. The book value of this equipment was L.E.18000.

Capital gain (or loss) subjected to tax:

- A) L.E.15000 capital gain
- B) L.E.15000 capital loss
- C) L.E.3000 capital gain
- D) L.E.3000 capital loss

Answer: D

10) Cash collections of public accountant included the following: L.E.10000, interest of bank deposits.

Amount subjected to tax:

- A) L.E.10000
- B) Zero because it is exempted
- C) L.E.15000
- D) Zero because it is not belonging to profession

Answer: B

11) Cash payments of public accountant included the following: L.E.52000, salaries of staff. The monthly salaries are L.E.4000. Amount of deductible expense:

- A) L.E.48000
- B) L.E.4000
- C) L.E.52000
- D) L.E.56000

Answer: C

12) Cash payments of public accountant included the following: L.E.72000, salaries of staff, of which L.E.12000 is the salary of the public accountant. Amount of deductible expense:

- A) L.E.72000

- B) L.E.84000
- C) L.E.12000
- D)L.E.60000

Answer: D

13) Cash payments of public accountant included the following: L.E.12000 car expenses , partially used for personal use. Amount of deductible expense:

- A) L.E.12000
- B) L.E.6000
- C) L.E.8000
- D)Zero

Answer: C

14) Cash payments of public accountant included the following: L.E.3000, stationary purchased during year. The stationary remaining at the end of the year is L.E 500. Amount of deductible expense:

- A) L.E.2500
- B) L.E.3000
- C) Zero
- D)L.E.3500

Answer: B

15) Cash collections of public accountant including the following: L.E.5000 prize for his research in some accounting magazines. Amount subjected to tax is:

- A) Zero
- B) L.E.5000
- C) L.E.15000
- D) L.E.10000

Answer: A

16) Cash payments of public accountant included the following: L.E.3000, subscription in the commercial syndicate and L.E.2000 subscription in sporting club. Amount of deductible expense:

- A) L.E.5000
- B) L.E.2000
- C) L.E.1000
- D)L.E.3000

17) Cash payments of public accountant included the following: L.E.90000, salaries of staff, including: L.E.24000 is the salary of the public accountant and L.E.18000 the salary of public accountant son, the salary of the peer (equivalent) is L.E.12000. Amount of deductible expense:

- A) L.E.66000
- B) L.E.72000
- C) L.E.48000
- D)L.E.60000

Answer: D

Use the following information for questions 18-22.

The total debit Returns charged in the income statement for a joint stock company for year 2016 was 3 million pounds. if you learn that:

a. The total loans that it's returns charged in income statement was 20 million pounds, including the following:

1. 4 million pounds from natural person exempted from tax with annual interest rate 10%.
2. 12 million pounds from Misr Bank to finance treasury bills with annual interest rate 15%.
3. 4 million pounds the other loans with annual interest rate 20%.

b. The average loans during the year amounted to 20 million pounds and the average owners equity was one million pounds.

c. The annual interest rate declared by the Central Bank on 1st of January 2016 was 9%.

18) Interest expense regarding the loan to natural person exempted from tax:

- A) L.E. 400000 approved as expense
- B) L.E. 360000 approved as expense
- C) L.E. 400000 not approved as expense
- D) L.E. 360000 not approved as expense

Answer: C ($=4000000 \times 10\% = 400000$)

19) Interest expense of the loan that exceeds the double interest rate declared by the central bank:

- A) L.E. 80000 approved as expense
- B) L.E. 80000 not approved as expense
- C) L.E. 440000 approved as expense
- D) L.E. 440000 not approved as expense

Answer: B ($4000000 \times (20\% - 9\% \times 2) = 4000000 \times 2\% = 80000$)

20) Total interest expense before approval

- A) L.E. 1800000
- B) L.E. 720000
- C) L.E. 2600000
- D) L.E. 2520000

Answer: D (4000000 (cancelled) $\times 0$ b. $12000000 \times 15\% = 1800000$ c. $4000000 \times 18\% = 720000$ (2% cancelled)

Total interest expense before approval = $0 + 1800000 + 720000 = 2520000$ ($3000000 - 480000$)

21) Total interest expense approved

- A) L.E. 630000
- B) L.E. 720000
- C) L.E. 1800000
- D) L.E. 2520000

Answer: A ($2520000 \times 1000000 \times 4 \div 16000000$ (4000000 cancelled) = 630000)

22) Total interest expense not approved

- A) L.E. 1800000
- B) L.E. 720000
- C) L.E. 1890000
- D) L.E. 2520000

Answer: C ($2520000 - 630000 = 1890000$)

23) Expenditures of the private joint stock company included L.E.24000 salary to the chairman of board of directors for administrative work. This amount is:

- A) not approved and added to accounting net profit
- B) approved and added to accounting net profit
- C) not approved and not affect
- D) approved and no effect

Answer: D

24) Expenditures of the private joint stock company not included L.E.12000 remunerations and allowances to members of Boards of directors. This amount is:

- A) not approved and added to accounting net profit
- B) approved and added to accounting net profit
- C) not approved and no effect
- D) approved and no effect

Answer: D

25) Expenditures of the private joint stock company included L.E.50000 remunerations to employees equal to 5 months. The amount is:

- A) totally not approved and added L.E.50000 to accounting net profit
- B) one month not approved and added L.E.10000 to accounting net profit
- C) not approved and no effect
- D) approved and no effect

Answer: B

26) Expenditures of the private joint stock company included L.E.15000 attendance fees to shareholders for annual meeting of the general assembly. This amount is:

- A) approved and added to accounting net profit
- B) not approved and added to accounting net profit
- C) not approved and no effect
- D) approved and no effect

Answer: B

27) Expenditures of the private joint stock company not included L.E.2000 building tax on buildings owned by the company. This amount is:

- A) not approved and added to accounting net profit
- B) not approved and no effect
- C) not approved and deducted from accounting net profit
- D) approved and no effect

Answer: C

28) Expenditures of the private joint stock company included L.E.9000 provision or allowance for bad debts (doubtful accounts). This amount is:

- A) approved and added to accounting net profit
- B) not approved and no effect
- C) not approved and added to accounting net profit
- D) approved and no effect

Answer: C

29) Expenditures of the private joint stock company included L.E.42500 returns or interest of loan noting that the average owners equity and the average loans during the year were 160000, 480000 respectively. The amount is:

- A) approved and added to accounting net profit
- B) not approved and added to accounting net profit
- C) not approved and no effect
- D) approved and no effect

Answer: D (the average loans not exceed 4 times of average equity)

30) Expenditures of the private joint stock company included L.E.3000 income tax of previous year paid according to tax return. This amount is:

- A) approved and added to accounting net profit
- B) not approved and added to accounting net profit
- C) not approved and no effect
- D) approved and no effect

Answer: B

31) Revenues of the private joint stock company included L.E.20000 rent revenues of a building. The monthly rent is L.E.2000. The amount is:

- A) not approved and deduct L.E.2000 from accounting net profit
- B) not approved and deduct L.E.4000 from accounting net profit
- C) not approved and add L.E.2000 to accounting net profit
- D) not approved and add L.E.4000 to accounting net profit

Answer: D

32) Revenues of the private joint stock company included L.E.9000 collected or recovered bad debts of which amount of L.E.5000 was previously approved by tax office. The amount is:

- A) not approved and deducted L.E.4000 from accounting net profit
- B) not approved and deducted L.E.5000 from accounting net profit
- C) not approved and added L.E.4000 to accounting net profit
- D) not approved and added L.E.5000 to accounting net profit

Answer: A

33) Revenues of the private joint stock company not included L.E.9000 collected or recovered bad debts of which amount of L.E.5000 was previously approved by tax office. The amount is:

- A) not approved and deducted L.E.4000 from accounting net profit
- B) not approved and deducted L.E.5000 from accounting net profit
- C) not approved and added L.E.4000 to accounting net profit
- D) not approved and added L.E.5000 to accounting net profit

Answer: D

34) Expenditures of the private joint stock company included L.E.25000 bad debts expense of which amount of L.E.15000 only was approved by tax office. The amount is:

- A) not approved and deducted L.E.15000 from accounting net profit
- B) not approved and added L.E.10000 to accounting net profit

- C) not approved and added L.E.15000 to accounting net profit
 - D) not approved and deducted L.E.10000 from accounting net profit
- Answer: B

35) on 1st of May, 2018, the company purchased goods amounted to \$100,000. on 1st of November, 2018 paid in cash the amount due by dollars. The exchange rate on 1st of May was L.E.14 per dollar, on 1st of November, exchange rate was L.E.16 per dollar and on 31 of December exchange rate was L.E.17. The company recorded foreign currency losses in income statement of 2018, L.E.200000. This amount is:

- A) approved and added to accounting net profit
- B) not approved and added L.E.100000 to accounting net profit
- C) approved and no effect
- D) not approved and no effect

Answer: C

36) on 1st of May, 2018, the company purchased goods amounted to \$100,000. on 1st of November, 2018 paid in cash the amount due by dollars. The exchange rate on 1st of May was L.E.14 per dollar, on 1st of November, exchange rate was L.E.16 per dollar and on 31 of December exchange rate was L.E.17. The company recorded foreign currency losses in income statement of 2018, L.E.300000. This amount is:

- A) approved and added to accounting net profit
- B) not approved and added L.E.100000 to accounting net profit
- C) approved and no effect
- D) not approved and no effect

Answer: B

37) On 1st of May, 2018, the company purchased goods amounted to \$100,000. on 1st of November, 2018 paid in cash the amount due by dollars. The exchange rate on 1st of May was L.E.14 per dollar, on 1st of November, exchange rate was L.E.16 per dollar and on 31 of December exchange rate was L.E.17. The company did not record any foreign currency losses in income statement of 2018. This action is:

- A) not approved and deducted L.E.200000 from accounting net profit
- B) not approved and deducted L.E.300000 from accounting net profit
- C) approved and no effect
- D) not approved and no effect

Answer: A

38) The following are sales made by an producer registered at Egyptian tax authority for (x) local Commodities that are subjected to value added tax (VAT) through January 2018:

L.E. 20000 sales to a wholesaler on 15th of January at 5% trading discount and 2/7 n/30. The wholesaler paid at 20th of January. If you learn that VAT is 14%. VAT due is:

- A) L.E.2800
- B) L.E.2604
- C) L.E.2607
- D) L.E.2660

Answer: D (excluding trading discount and ignore cash discount:

Taxable value = $20000 - 20000 \times 5\%$ (or $20000 \times 95\%$) = 19000
VAT due = $19000 \times 14\%$ = 2660)

Use the following information for questions 39-40.

Sale contract by bartering between the Egyptian company for production of furniture and Arab company for production of potages, buy replacement of 5 offices with 4 potages. If you learn that: the sale price of one office is L.E. 4000 and the sale price of one potage is L.E. 5000. VAT rate is 14%.

39) The Egyptian Company invoice is:

- A) L.E.22800
- B) L.E.20000
- C) L.E.17200
- D) L.E.18240

Answer: A (Sale value = $4000 \times 5 = 20000 + \text{VAT} = 20000 \times 14\% = 2800$ Total invoice = 22800)

40) The Arab Company invoice is:

- A) L.E.20000
- B) L.E.17200
- C) L.E.28500
- D) L.E.22800

Answer: D (Sale value = $5000 \times 4 = 20000 + \text{VAT} = 20000 \times 14\% = 2800$ Total invoice = 22800)

41) Installment sales by an industrial company registered at Egyptian tax authority amounted to L.E. 60000 for January 2018. if you learn that:

1. Interest of installment is calculated at the rate of 12%.
2. The credit and discount rate declared by Central Bank of Egypt on date of sale was 9%.
3. VAT rate is 14%.

VAT for January 2018 is:

- A) L.E.8400
- B) L.E.8652
- C) L.E.9408
- D) L.E.9156

Answer: B (Tax base= Installment sale amount 60000+Difference in interest rates= $60000 \times 3\%$ ($12\% - 9\%$) = 1800 = 61800, VAT due= $61800 \times 14\% = 8652$)

42) A company registered with Egyptian tax authority, purchased a new commodity on 1st of November 2017 amounted to L.E. 25,000. After 3 years from date of purchase, the company sold this commodity at L.E.20000. VAT rate 14%.

The VAT due for this commodity:

- A) L.E.2800
- B) L.E.3500
- C) L.E.840
- D) L.E.1400

Answer: C (More than two years and purchased new).
 (VAT = 20000 × 30% × 14% = 840)

Use the following information for questions 43-44.

An importer registered at Egyptian tax authority imports 500 units of x commodity, its value \$8,000 according to invoice. Broker Commission was L.E.10000, freight cost is \$1,000, insurance expense was \$5 per unit, in addition to 2% discharge (تفريغ) of commodity at the port in Egypt.

If you will learn that:

- a. Customs tax rate is 20% and VAT rate is 14%.
- b. Support duty was collected at a rate of 10%.
- c. Foreign exchange is L.E.15 per one dollar.

43) Customs tax base:

- A) L.E.186150
- B) L.E.182500
- C) L.E.120000
- D) L.E.145000

Answer: A

Value of invoice = 8000 × 15 =	120000	
Broker commission =	10000	
Freight cost = 1000 × 15 =	15000	
Insurance expense = 500 units × \$5 × 15 =	<u>37500</u>	
Value at arrival		182500
+ discharge cost = 182500 × 2% =		<u>3650</u>
Customs tax base		186150

44) VAT due:

- A) L.E. 26061
- B) L.E. 31273
- C) L.E. 25550
- D) L.E. 31794

Answer: D

Customs tax base	186150	
+ Customs tax = 186150 × 20% =	37230	
+ Support duty = 186150 × 2% =	<u>3723</u>	
VAT Base		227103
VAT due = 227103 × 14% = L.E. 31794		

Use the following information for questions 45-46.

An importer registered at Egyptian tax authority imports on 1st of January 2018, 25 units at total price \$300 per unit. He sold the total units in local market at sale price L.E.3390 per unit (including VAT).

If you learn that:

- a. Customs tax rate is 30% and VAT rate is 14%.
- b. Foreign exchange rate is L.E.15 per one dollar.

45) VAT due at customs release:

- A) L.E. 15750
- B) L.E. 14625
- C) L.E. 11250
- D) L.E. 20475

Answer: D

VAT at customs release:

1. VAT base:

$$\begin{array}{r} \text{Total value} = 25 \text{ units} \times \$300 \times 15 = 112500 \\ + \text{ Customs tax} = 112500 \times 30\% = 33750 \\ \text{VAT base} \qquad \qquad \qquad 146250 \end{array}$$

2. VAT due = $146250 \times 14\% = 20475$

46) VAT at sale in local market:

- A) L.E. 11865
- B) L.E. 20475
- C) L.E. 10408
- D) L.E. 7434

Answer: B

VAT at sale in local market:

1. The sale price without tax:

$$\begin{array}{r} \text{Sale price including VAT} = 25 \times 3390 = 84750 \\ - \text{ VAT} \qquad \qquad \qquad = 84750 \times 14/114 = 10408 \\ \text{Sale price without VAT} \qquad \qquad \qquad 74342 \end{array}$$

Because the sale price without tax (74342) less than the total amount (VAT base at customs release L.E.146250), VAT due should be calculated on the VAT base upon custom release as follows: $\text{VAT due} = 146250 \times 14\% = 20475$