SUGGESTED SOLUTIONS

08204 – Accounting Applications and Taxation

Certificate in Accounting and Business II Examination

September 2014

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

General Comment

The performance of candidates was fairly satisfactory but some had poorly answered due to the lack of knowledge in basic principles and the lack of experience in answering questions under examination conditions. Some candidates had spent time for some questions without due care on the marks allocated to each question. Before starting to answer, the candidates must plan the time allocation.

Candidates are advised to read the study pack and do all the examples given in the text in order to learn the principles and their applications since the examiners are mainly testing the knowledge that could have been gathered mainly from the study pack.

Past practise in answering questions is very essential, especially in the Accounting subject. This will help candidates to obtain thorough knowledge in basic principles and their applications. Therefore candidates must do past papers of the same examination as much as possible.

Answer No. 01

(a) Calculation of goodwill arising on acquisition

	Rs. 000	**Rs. 000**
Investment (Cash)		16,800
Investment (Land value)		2,500
Fair value of non-controlling interest (20% * 600,000 * 25)		3,000
Net assets		
Stated capital	12,000	
Retained earnings	6,550	
Decrease in value of plant and machinery (**W1**)	(850)	
		(17,700)
		4,600
W1		
Plant and machinery - Carrying value	1,100	
Plant and machinery - Fair value	250	
Decrease in value	(850)	

(b) Calculation of non-controlling interest (NCI)

	Rs. 000	**Rs. 000**
Market value as at 1/4/2013		3,000
Profit for the year attributable to NCI (**W2**)		680
Dividend		(240)
		3,440

W2

Post-acquisition profit [(8,040 – 6,550 + 1,200 +850) *20%)	708
Goodwill impairment [140 @ 20%]	(28)
	680

(c) Calculation of consolidated retained earnings as at 31 March 2014

	Peak	Cape
	Rs. 000	**Rs. 000**
Retained earnings 31/3/2014 - as stated	26,780	8,040
Dividend	-	1,200
Pre-acquisition profit of Cape PLC	-	(6,550)
	26,780	2,690
Adjustments:		
A1 - Loss on disposal already recognized at the acquisition	-	850
A2 - Unrealized profit on unsold inventory	(100)	
A3 - Recognition of interest income	150	-
A4 - Intercompany dividend	(960)	
A5 - Goodwill impairment		(140)
		3,400
NCI @ 20%		(680)
	25,870	**2,720**
	28,590	

(d) **Peak PLC Group**

Consolidated statement of financial position as at 31 March 2014

		Rs. 000
Assets		
Property, plant and equipment	34,800 + 18,250+ 850 – 850 – 2,500 (Trf. land)	50,550
Goodwill	4,600 – 140 (Imp loss)	4,460
Inventories	6,870 + 8,750 – 100 (URP)	15,520
Trade and other receivable	5,835 + 6,970+ 150 – 150 – 800 (Inter Co.)	12,005
Cheque in transit		800
Cash and cash equivalents	815 + 550	1,365
		84,700
Equity & Liabilities		
Stated capital		39,000
Consolidated retained earnings		28,590
Non-controlling interest		3,440
12% debentures	10,000 – 5,000 (Inter Co.)	5,000
Trade and other payable	4,340 + 4,180	8,520
Accrued debenture interest	300 -150 (Inter Co.)	150
		84,700

Examiners' comments

This question was on consolidation accounting, a regular question that continuously appeared in the Accounting Application paper. The examiner has tested the knowledge of basic concepts in preparation of consolidated financial statements such as; goodwill arising on acquisition, calculation of non-controlling interest and presentation format of consolidated financial statements.

Majority of the candidates did not understand some fundamental principles of consolidation accounting, for example, setting off intercompany balances, treatment of pre-acquisition profit, ascertaining un-realised profit, payment of dividend using pre-acquisition profit.

Many candidates did not prepare a consolidation schedule. This resulted in candidates spending their time doing workings for each and every adjustment separately. Candidates must practice easy and time saving methods in planning answers to questions.

Some of the adjustments were correctly computed but candidates did not know where that particular item should be shown in the financial statements. Most of the students did the management fee adjustment correctly. The intercompany sales and purchases adjustment was not correctly understood by most of the candidates.

In order to present a quality and correct answer it is essential to understand the question properly. Candidates should practice his/her own method of analysing questions in order to recognise key areas of knowledge that the examiner has tested. This will definitely help the candidates to write a correct answer in the format expected by the examiner.

Some candidates take down important and critical parts of the question and some may underline them. However the method they apply must be practised when they prepare for the examination. This helps to present a well-structured answer.

A working that arrives at the figures which are shown in the final answer is very essential. Some candidates presented their answer without workings.

A few candidates had attempted the question with a plan and accordingly built up the answer. They had selected the correct format, presented the answer appropriately, avoided duplicating work and thereby managed their time effectively. They had presented relevant workings to the extent the examiner could give adequate marks.

Answer No. 02

(a)

Gloom PLC
Statement of comprehensive income for the year ended 31 March 2014

		Rs. 000
Sales	105,520 – 480 (gift)	105,040
Cost of sales	80,540 + 650 (understated opening inv) + 1,780 (dep^{n} plant) + 90 (redundant stock) – 400 (gift)	(82,660)
Gross profit		22,380
Other income:		
- Profit on disposal of plant		80
- Decrease in doubtful debt provision		47
		22,507
Less: Expenses		
- Administration expenses	* 6,800 + 1,315 (dep^{n}) + 800 (imp. land)	(8,915)
- Distribution cost	3,260 + 400 (gift) + 420 (bad debts) + 2,100 (dep^{n} motor vehcle)	(6,180)
- Financial charges	600 + 200 (debt redemption) + 600 (accrued int.)	(1,400)
Profit before taxation		6,012
Tax expenses for the year	1,800 – 200 (over-prov^{n}) – 210 (deferred tax)	(1,390)
Profit for the year		**4,622**
Other comprehensive income		
Land impairment		(2,000)
Total comprehensive income for the year		**2,622**

(b)

Gloom PLC
Statement of financial position as at 31 March 2014

		Rs. 000
Assets		
Non current assets		
Property, plant and equipment		43,015
Current assets		
Inventory	12,360 – 90 $\rightarrow$ (240 -150) (redundant stock)	12,270
Trade receivables	6,160 – 420 (b.debts) – 480 (gift) - 263 (prov^{n})	4,997
Other receivables		640
Cash & cash equivalents		5,260
Total assets		**66,182**

Equity and liabilities		
Stated capital & reserves		
Stated capital		34,700
Revaluation reserve		2,700
Retained earnings		15,612
		53,012
Non current liabilities		
12% debentures		6,000
Current liabilities		
Trade payables		4,700
Other payables	1,260 + 400 (tax payable) + 600 (accrued deb int)	2,260
Deferred tax		210
Total equity and liabilities		**66,182**

(c) Statement of changes in equity as at 31 March 2014

			Rs. 000
	Stated capital	**Revaluation reserve**	**Retained earnings**
Balance as at 01/04/2013	30,500	5,000	10,280
Adjustment for error in opening inventory	-	-	650
Balance as at 01/04/2013 – restated	30,500	5,000	10,930
Profit for the year	-	-	4,622
Impairment of land	-	(2,000)	-
Converting debenture	4,200	-	-
Interim dividend paid	-	-	(240)
Disposal of plant and machinery	-	(300)	300
	34,700	**2,700**	**15,612**

(d) Statement showing movements in property, plant and equipment

					Rs. 000
	Land & buildings	**Office equipment**	**Plant & machinery**	**Motor vehicles**	**Total**
Cost/revaluation					
Balance as at 1/4/2013	45,800	2,600	9,800	8,400	66,600
Additions	-	600	-	-	600
Disposals	-	-	(1,800)	-	(1,800)
Impairment of land	(2,800)	-	-	-	(2,800)
Balance as at 31/3/2014	43,000	3,200	8,000	8,400	62,600
Accumulated dep^n					
Balance as at 1/4/2013	4,270	1,280	4,300	4,720	14,570
Charge for the year	1,040	275	1,780	2,100	5,195
Disposal	-	-	(180)	-	(180)
Balance as at 31/3/2014	5,310	1,555	5,900	6,820	19,585
WD value on 31/3/2014	**37,690**	**1,645**	**2,100**	**1,580**	**43,015**

Notes:

1. **Revaluation of land:**

		Rs. 000	Rs. 000
Revaluation reserve a/c	Dr.	2,000	
Impairment of land	Dr.	800	
Land account	Cr.		2,800

2.

	Rs. 000	
Plant purchased on 1/1/2012	2,000	
Accumulated depreciation on 31/3/2013	500	(2,000 * 20% * 1.25)
Book value on 31/3/2013	1,500	
Revaluation amount on 31/3/2013	1,800	
Credited to revaluation reserve on 31/3/2013	**300**	
Revaluation amount on 1/4/2013	1,800	
Depreciation charge to 30/9/2013 @ 20%	180	
Book value on 30/9/2013	1,620	
Sales proceeds	1,700	
Profit on disposal	**80**	

In addition to the above, Rs. 300,000 should be transferred from the revaluation reserve account to the retained earnings account.

Examiners' comments

This question is similar to that of the previous examination. A fair number of candidates had satisfactorily answered and most of them could earn more than 60% of the marks allocated. An average candidate could have earned more than half of the marks without much effort.

Almost all the candidates failed to record the transfer of retained profit (arising from revaluation) of the disposal of machinery from revaluation reserve (Rs. 300,000) to retained earnings. Majority of the candidates did not show any other comprehensive income, i.e. impairment loss of the land. A few candidates incorrectly showed the entire loss of the land as other comprehensive income, without charging the impairment loss over and above the revaluation reserve to comprehensive income.

Cost of sales was incorrectly computed by some candidates due to not providing the correct depreciation of plant, provision for redundant stock and cost of the donation to the charity.

Premium on debenture conversion to ordinary shares was incorrectly transferred to the revaluation reserve or to retained earnings by most candidates without charging as an expense to the comprehensive income account.

Candidates faced difficulty in the inventory adjustment for redundant stock, trade receivables net of doubtful debtors, doubtful debt provision and over provision of doubtful debtors.

The current portion of the deferred tax liability (i.e. 420/2 = 210) should be credited to provision for taxation account and the remaining portion (i.e. 210) be shown as a current liability as the question clearly showed that the deferred tax liability is to be reversed during the two years ending 31.03.2015. However, candidates did not consider this factor when answering.

A fair number of students are not yet aware of the manner in which financial statements should be presented under SLFRSs. Some candidates still used terms such as Profit and Loss account, balance Sheet etc. when presenting financial statements. This resulted in candidates losing easy marks.

Answer No. 03

(a) (i) Used singly or combination with other assets in the production of goods and services to be sold by the entity.
(ii) Exchanged for other assets
(iii) Used to settle a liability
(iv) Distributed to the owners of the entity

(b) A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

(c)

Type of interest cost	Comment
Interest on loan from ABC Bank	Can be capitalised as it is obtained for a qualifying asset (construction of new office building). However, capitalisation should be ceased on 30 June 2013, once the construction was completed.
Interest on loan from Capital Bank	This should be charged to the income statement since the purchase of the building is not a qualifying asset.
Interest on bank overdraft	Since the funds have been used commonly, a capitalisation rate should be calculated to determine the borrowing cost to be capitalised. (Capitalisation rate is the weighted average of the cost of borrowings that are outstanding during the period other than specific borrowing)
Interest on late settlement of creditors	This should be charged to the income statement

(d) **Z Ltd – Building construction company**

	Rs. 000	
	Year 1	**Year 2**
Initial contract price (agreed revenue)	18,000	18,000
Variation	-	2,000
Total contract revenue	18,000	20,000
Contract cost incurred until the year end	5,210	11,480
Estimated cost to complete the contract	10,790	6,120
Total estimated contract cost	16,000	17,600
Estimated profit	2,000	2,400
Percentage completion	32.5%	65%
Total profit to be recognised	650	1,560
Estimated profit to be recognised each year	650	910

(e) **ROCE:** This implies the return as a percentage of total capital employed. It does not consider equity capital and loan capital separately. It is an indicator of management efficiency – in other word, how efficiently they have invested the capital given to them. Therefore profit is taken before interest and tax and capital employed is taken the total of equity and loan capital.

ROE: This implies the return (residue) left for equity shareholders. It assists in the decisions of equity shareholders, say whether to continue with this holding or to divest and invest in other securities. Therefore, here, profit is taken after interest and tax.

Examiners' comments

This question was a fairly easy question from which the candidates could have earned a reasonable amount of marks. However most of the candidates were unable to understand the question. A fair number of candidates earned an average mark for this question.

Part (a) was a direct question from which the candidates were expected to state three ways by which future economic benefits embodied in an asset could flow to an entity. Only a few candidates could present the correct answer. Instead, they wrote irrelevant points without knowing the ways an asset brings future economic benefits to the entity. Most of them tried to list out different ways by which cash would flow to an entity. If the candidate does not have the knowledge on the area of the subject tested, it is difficult for them to give a correct answer to a straightforward question like this.

Both parts (b) and (c) were on LKAS 23.

Part (b) is a direct question and almost all the candidates obtained the full marks allocated.

Part (c) tested the ability of the candidates to recognise the interest paid by and entity which has borrowed money to finance different activities of that business. This question was based on LKAS 23 Borrowing Costs. A fair number of candidates answered this question and reasonable marks were obtained.

Part (d) was on construction accounting and basics of construction accounting were tested. The candidates were required to calculate the estimated profit/loss to be recognised for two consecutive years. Most of the candidates performed well on this part of the question and earned full marks.

Part (e) tested the knowledge of the candidates on the two main profitability ratios; ROCE and ROE. Further the candidates were requested to explain the difference between these two ratios.

A reasonable number of candidates scored well on this question but a few demonstrated a lack of understanding the purpose of calculating these two ratios.

Answer No. 04

		Exempt/ not liable Rs.	Liable Rs.
Employment income Salary – 250,000 x 12			 3,000,000
Vehicle benefit (exceeds engine capacity 1500cc) is Rs. 50,000 per month Vehicle benefit is exempt up to Rs. 50,000 per month		600,000 (600,000)	 -
Reimbursement of telephone bills, internet bills etc. Rs. 152,000 x 50%			76,000
Reimbursements of health insurance premium Rs. 8,000 x 12 Reimbursements of endowment life policy premium Rs. 2,000 x 12			96,000 24,000
Servant's salary Rs. 15,000 x 12			180,000
Reimbursement of hotel bill			94,000
Rental value Rating assessment + rates = Rs. 220,000 } higher Rent paid by the employer = Rs. 80,000 x 12 Rs. 960,000 } Employment income under section 4 (1) (a) is more than Rs. 1,800,000 Higher value of above is = Rs. 960,000 } lower } Statutory restriction is = Rs. 180,000 } } Residential benefit = the above lower value			 180,000
Employment income from ABC Ltd.			**3,650,000**
Employment income as a director			480,000
Statutory income from employment			**4,130,000**
Interest income Interest on moneys lying to his credit in RFC account US $734 x Rs.127 It **<u>is exempt</u>** from tax Interest from fixed deposits 80,000/8 x 100 = Rs. 1,000,000 and it does not form part of the statutory income		 93,218 1,000,000	
The profit from sale of shares - in public listed companies - exempt - private companies - not chargeable to tax		 76,000 150,000	
Lottery prize - As WHT is deducted, it does not form part of the statutory income		3,500,000	
Business income **Net profit as per accounts** 11,234,000			

Less: other sources of income				
Rent income	(1,500,000)			
Profit on sale of the van	(2,600,000)			
Add/(less) – Disallowable Items				
Rates to building of 4th floor	30,000			
Book depreciation on the building	1,000,000			
Capital allowance on buildings Rs. 15,000,000 x 10% Rented floor - Not allowed Rs. 15,000,000 x ¼ x 10%	(1,500,000) 375,000			
Book depreciation on computers	70,000			
Capital allowance – Rs. 280,000 x 25%	(70,000)			
Book depreciation on motor van	875,000			
Profit/loss from the disposal of the old van Sale proceeds 2,600,000 Less: Tax WDV Cost of acquisition 2,400,000 Less: capital allowance granted (2,400,000) 0 Profit from disposal 2,600,000 Capital allowance Cost of acquisition 3,500,000 Less: profit from disposal (2,600,000) Since its a replacement 900,000 Capital allowance - 20% of Rs. 900,000	(180,000)			
Book depreciation on furniture	210,000			
Capital allowance Rs. 840,000 x 20%	(168,000)			
Adjusted profit	7,776,000			**7,776,000**
Rent income Gross rent received 1.500,000 Less: Rates 30,000 1,470,000 Less: 25% for repairs 367,500 1,102,500 NAV = 75,000 Net rent is more than NAV				1,102,500
Total statutory income				**13,008,500**
Less: Deductions under Section 32 Interest paid on an educational loan – not deductible				-

Assessable income				13,008,500
Less qualifying payments:				
EPF contribution – not a qualifying payment	-			
Donation – Approved charity for the sick & needy	30,000			
Health insurance	96,000			
Limited to **1/3 of AI** or **Rs. 75,000** whichever is lower	126,000			75,000
Endowment policy - not deductible	-			
Qualifying payment on employment income			100,000	
Personal allowance			500,000	600,000
Taxable income				**12,333,500**
First 500,000 @ 4% 20,000				
Next 500,000 @ 8% 40,000				
Educational service 7,776,000 @ 10% 777,600				
Next 500,000 @ 12% 60,000				
500,000 @ 16% 80,000				
Next 1,000,000 @ 20% 200,000				
Balance 1,557,500 @ 24% 373,800				
Gross income tax payable	**1,551,400**			
Less: Tax credit				
Self-assessment payments	1,000,000			
PAYE	422,000			
WHT on director fees Rs. 480,000 x 16%	76,800			
Balance tax payable	**52,600**			

Examiners' comments

This question required candidates to:

(i) Calculate the gross income tax liability of an individual for the year of assessment 2013/14. The question included calculations of statutory income from the following sources:

- Employment. This included calculations of:
  - Vehicle (car) benefit
  - House benefit and tax treatment of reimbursement of telephone, insurance, servant's salary etc. and director's fee received from a second employer.
- Interest income
- Profits from sale of shares.
- Lottery prize and
- Business income (this included an adjustment of profits)

The question also included identification of items deductible under Section 32 and qualifying payments reliefs under Section 34

(ii) Applicable tax credits.

(iii) Balance tax payable/refund

Most candidates made a good attempt at this question. Majority displayed excellent application skills in the construction and identification of the statutory contents of an income tax computation of an individual. Most of the candidates demonstrated sound knowledge in:

- Identifying allowable/disallowable items (S.25 and 26 of the Inland Revenue Act)
- Computing the statutory income from different sources
- Identifying Section32 deductions
- Claiming qualifying payments
- Applying income tax rates
- Claiming tax credits

Most candidates (almost 100%) mentioned correctly the tax treatment of interest arising on RFC accounts and on fixed deposit on which WHT has been deducted

Where mistakes were made, these generally related to:

Employment income

- Improper reading of the question, for example:
  - salary - monthly salary erroneously taken as annual salary.
  - director's fee - few candidates treated this as net whereas the question clearly mentions this is gross
- Poor subject knowledge:
  - Director's fee - a good number of candidates treated this as exempt since WHT has been deducted.
  - Employment allowance – few candidates were not aware that this is a qualifying payment w.e.f. Y/A 2013/14
  - Vehicle benefit - few candidates mentioned "one vehicle exempt" instead of saying up to Rs. 50,000 exempt.

Examiners' comments (cont.…)

Income from trade

- Commencing the computation from the turnover
- Applying incorrect depreciation allowances

Deduction under Section 32

Most candidates are not aware that interest paid on personal loans are not deductible.

Qualifying payments

Only a very few candidates mentioned that no claim is available in rest of EPF contributions.

Answer No. 05

(a) Computation of divisible profits of Pasdum Enterprises and statutory income of partners for the year of assessment 2013/14

	Rs.	
	+	-
Net profit as per accounts	**13,077,000**	
Less: Rent income		2,400,000
Add: salaries paid to Pasindu	**1,500,000**	
Book depreciation – building	650,000	
Capital Allowance on building:		
Since it is purchased from another business and used for industrial purposes, Rs. 6,500,000 x 6 $^{2}/_{3}$%		433,333
Disallowed capital allowances on rented floor – Rs. 6,500,000 x 50%	216,667	
Book depreciation – motor vehicle	800,000	
No capital allowance is available since it is used for travelling	-	
Donation - disallowed	140,000	
Rates - disallowed 50% in respect of rented area	45,000	
Entertainment - disallowed	214,000	
Interest paid to Dumindu - allowed	-	
Adjusted profit/divisible profit	**13,809,334**	

Distribution of divisible profit

	Rs.		
	Total	**Dumindu**	**Pasindu**
Partner's salaries	1,500,000	-	1,500,000
Share of balance profit	12,309,334	6,154,667	6,154,667
Divisible profit	13,809,334	6,154,667	7,654,667

(b) Statutory income of partners

	Dumindu	**Pasindu**
Trade income - Share of partnership profit	6,154,667	7,654,667
Interest income	1,000,000	-
Rent income (Note)	883,125	883,125
Total statutory income	8,037,792	8,537,792

Note: Rent income

Gross rent	2,400,000
Less: Rates	45,000
	2,355,000
Less: repair allowance 25%	588,750
Net rent	1,766,250

Examiners' comments

This question required candidates to prepare the following computations for the year of assessment 2013/14:

(a) Distribution of divisible profit among the partners. This included an adjustment of profits.
(b) Total statutory income of each partner.

Majority of the candidates presented excellent answers. It was not uncommon for candidates to score full marks. The undermentioned shortcomings in answers are noteworthy:

- A few candidates computed partnership tax which was not required in the question. This is a waste of valuable time earning no extra marks. Improper reading of the question and/or poor planning may be the cause.
- Inclusion of interest income in ascertaining divisible profits.
- Ignorance of the fact that buildings used in a trade and purchased by a manufacturing business entity is eligible for depreciation allowance claim.
- Poor subject knowledge – treating interest paid to partner and overdraft interest as allowable since withholding tax (WHT) has been deducted!!
- Ascertainment of adjusted trade profit – commencing the computation from turnover instead of net profit.
- Partner's salary - treating this as employment income.
- Numbering the answer – a good number of candidates did not number (a) and (b)

Answer No. 06

Munaweera

Computation of balance tax and penalty payable for the year of assessment 2013/14

Minimum quarterly tax payable to avoid penalty is 1/4th of Rs. 800, 000 - i.e. Rs. 200,000

First three quarters are correctly paid on the due dates. Therefore, no penalty is payable

For quarter ended 31.03.2014		**Rs.**
Tax payable		200,000
Tax paid	125,000	
Add: Over paid for Q/E 30th September 2013	25,000	(150,000)
Amount in default		50,000
Penalty payable		
For default on - 15th May 2014 (10% of Rs. 50,000)	5,000	
15th June 2014 (2% of Rs. 50,000)	1,000	
15th July 2014 (2% of Rs. 50,000)	1,000	
15th August 2014 (2% of Rs. 50,000)	1,000	
Total penalty payable		8,000

Total tax and penalty payable on 31.08.2014 = Rs. 50,000 + Rs. 8,000
= Rs. 58,000

Examiners' comments

The question required the candidates to calculate the penalty payable in respect of default tax arising from shortfalls in the payment of income tax in quarterly in statements by an individual.
Most of the candidates made a poor attempt at this question. Most failed to:

- Mention the minimum amount payable to avoid a penalty. Candidates should display their knowledge. Silence earns no marks.
- Identify the quarter in respect of which a penalty becomes due.
- Mention dates relevant to computation of penalty.

In fact majority of the candidates did not answer this question.

Answer No. 07

Laptop Ltd

Computation of Value Added Tax (VAT) payable for March 2014

		Rs.
VAT payable on the supply of hi-fi equipment (Rs. 2,000,000 x 12%)		240,000
VAT payable on computers (exempt supply)		0
Total Output VAT		240,000
Less: Credits on Input VAT		
VAT paid to Director General of Customs on hi-fi equipment	300,000	
VAT paid on computers - not deductible	0	
VAT on other inputs - $\frac{2,000,000}{8,000,000}$ x 20,000	5,000	
	305,000	
Limited to 100% of output tax	(240,000)	(240,000)
Excess input credit c/f	65,000	
Balance VAT payable		**NIL**

Examiners' comments

The question required candidates to calculate Value Added Tax (VAT) payable by a company having supplies taxable at standard rate and supplies which are exempt from tax.

Most of the candidates made a good attempt at this question. A common area where majority made mistakes was in relation to computation of input VAT or other local supplies attributable to exempt supplies (disallowable) and taxable supplies (allowable). A few candidates made the following mistakes:

- treating output tax as input tax and vice versa.
- not limiting the deduction of input tax to 100% of output tax.

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