

### Question 3

Thundercat Ltd designs and manufactures solar systems. Thundercat presents the 2014 (provisional) accounts below.

*1. Accounting balance sheet as of December 31, 2013 and December 31, 2014*

	2013	2014		2013	2014
Building	500.000	440.000	Share capital	300.000	350.000
Inventory	150.000	130.000	Retained earnings	105.000	65.000
Accounts receivables	80.000	60.000	Profit after taxes 2014	0	<input type="text" value="p"/>
Deferred tax assets	0	<input type="text" value="u"/>	Deferred tax liability	25.000	<input type="text" value="q"/>
Bank	50.000	225.500	Taxes payable	0	<input type="text" value="r"/>
			Mortgage	300.000	280.000
			Account payable	50.000	70.000
	<u>780.000</u>	<u>855.500</u>		<u>780.000</u>	<u>855.500</u>

*2. Accounting income statement for the year ended December 31, 2014 (provisional)*

Cost of goods sold	1320.000	Sales revenue	1.600.000
Depreciation building	60.000	Rental revenues	60.000
Other expenses	200.000		
Interest expense	14.500		
Profit before taxes	65.500		
Taxes expense	<input type="text" value="s"/>		
Profit after taxes	<input type="text" value="p"/>		

*3. Tax balance sheet as of December 31, 2013 and December 31, 2014 (provisional)*

	2013	2014		2013	2014
Building	400.000	340.000	Share capital	300.000	350.000
Inventories	150.000	90.000	Retained	30.000	<input type="text" value="t"/>
Accounts receivable	80.000	60.000	Mortgage	300.000	280.000
Bank	50.000	225.500	Taxes payable	0	<input type="text" value="r"/>
			Account Payable	<u>50.000</u>	<u>70.000</u>
	<u>680.000</u>	<u>715.500</u>		<u>680.000</u>	<u>715.500</u>

*4. Tax income statement for the year ended December 31, 2014*

Cost of goods sold	1.360.000	Sales revenue	1.600.000
Depreciation building	60.000	Rental revenue	60.000
Other expenses	200.000		
Interest expense	14.500		
Tax profit	25.500		

- The statutory tax rate is 25% in 2014.
  - The tax rate will become 35% after January 1, 2015.
  - The tax authorities have disallowed expenditures of 124.500. The other expenses are not tax deductible. The rental revenues are not taxable.
- a) Calculate the taxable profit and the current tax expense. (2 points)
  - b) Calculate the deferred tax liabilities and/or deferred tax assets. (2 points)
  - c) Calculate the taxes expense and effective tax rate. (2 points)
  - d) Give a tax reconciliation of the statutory tax rate to effective tax rate. (4 points)