

ATTACHMENT I

Questions

1. For our statistical analyses, please provide the following personal details:

Age: _____years.

Sex: male

female

If you are a student, what is the main area of your University studies: _____

2. You have just been informed about some tax legislation. What was your impression of the legislation? Please indicate to what degree the following attributes characterise the legislation. (*For each attribute, tick one of the boxes of the response scale.*)

The legislation...

... is simple	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much
... is elaborate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much
... makes sense	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much
... is vague	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much
... sets out a vision	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much
... uses few general principles	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much
... is economical	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much
... is well-defined	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much
... is guiding	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much
... seems like common-sense	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much
... appears fair	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much
... seems out of touch	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much
... uses many detailed rules	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much
... is complex	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much
... is open to interpretation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much
... appears arbitrary	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much
... is precise	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much

3. What did you think of the quality of the presentation? Please indicate to what degree you think the following attributes apply to the quality of the instructions. (For each attribute, tick one of the boxes of the response scale.)

The presentation was...

... clear	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much
... well structured	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much
... targeted to the audience	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much
... articulate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much
... advanced	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much
... complicated	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much
... demanding	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much

4. The following questions refer to your own background.

Do you have experience in dealing with tax issues, as part of your job or studies?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much
Does anybody in your family have experience in dealing with tax issues, as part of their job or studies?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much
Do you have personal experience with business tax (e.g., through your own business)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much
Does anybody in your family have experience with business tax (e.g., through their own business)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much
Do you have experience in analysing legal questions, as part of your job or studies?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much
Does anybody in your family have experience in analysing legal questions, as part of their job or studies?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much

**Here are a few examples of questions and answers
to help you structure your answers:**

EXAMPLE A

A. On June 28, Jane takes \$10 from the petty cash tin and goes to the newsagent to buy some pens for the office. The pens cost \$10. They are still being used in the business at the end of the year. What is Jane's tax position for the year ending 30 June?

Pens are an asset but stationery and office supplies have a zero tax value

Please fill out the Worksheet

+ Receipts						+		
- Payments						-	10	
+ [Closing tax value of assets - opening tax value of assets]	+	0	-			+	0	
- [Closing tax value of liabilities - opening tax value of liabilities]	+		-			-		
The impact of this transaction on net income for the year ending 30 June is ...								\$ - 10

I followed the required steps in answering the question	Yes <input type="checkbox"/>	No <input type="checkbox"/>				
I am confident that my answer is correct	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> very much
I am confident that I correctly followed the steps required by the Tax Law in reaching my answer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> very much

EXAMPLE B

B. Jack buys a block of land for \$100,000 and pays in cash. He also has to pay \$4,000 to his lawyers for the conveyancing fees. What is Jack's tax position for the year ending 30 June?

Payments of \$104,000

Add back tax value of investment asset

Tax value of and its cost

Cost is \$104,000 – i.e. amount paid for land and amount paid for legal fees

Please fill out the Worksheet

+ Receipts			+	
- Payments			-	<i>104,000</i>
+ [Closing tax value of assets	+	<i>104,000</i>		+ <i>104,000</i>
- opening tax value of assets]	-			
- [Closing tax value of liabilities	+			
- opening tax value of liabilities]	-		-	
The impact of this transaction on net income for the year ending 30 June is ...				<i>\$ 0</i>

I followed the required steps in answering the question		Yes <input type="checkbox"/>	No <input type="checkbox"/>			
I am confident that my answer is correct	<input type="checkbox"/> not at all	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> very much
I am confident that I correctly followed the steps required by the Tax Law in reaching my answer	<input type="checkbox"/> not at all	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> very much

EXAMPLE C

C. Jack sells the same block of land 8 months later in the next tax year for \$140,000 and deposits the proceeds into his bank account. He also has to pay \$6,000 to his lawyers for the conveyancing fees. What is Jack's tax position for the year ending 30 June?

Land leg

Receipt of \$140,000

Payment of \$6,000 to lawyer

Land disappears from closing assets

Bank account leg

Deposit of \$134,000 to bank account creates new asset

Bank account has tax value of cost – ie, deposit of \$134,000

Please fill out the Worksheet

+ Receipts				+	140,000
- Payments				-	6,000 + 134,000
+ [Closing tax value of assets	+	134,000	- opening tax value of assets]	-	104,000
				+	30,000
- [Closing tax value of liabilities	+		- opening tax value of liabilities]	-	
				-	
The impact of this transaction on net income for the year ending 30 June is ...					\$ 30,000

I followed the required steps in answering the question	Yes <input type="checkbox"/>	No <input type="checkbox"/>				
I am confident that my answer is correct	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all					very much
I am confident that I correctly followed the steps required by the Tax Law in reaching my answer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all					very much

EXAMPLE D

D. On 1 May, Asian Publications Ltd receives \$480 for a 12 month subscription (May 2002 – April 2003, incl.) to its monthly magazine, *Asian Business Monthly*. What is Asian Publications' tax position for the year ending 30 June?

*Receives \$480 in year
Amount comes with depreciating liability to deliver 12 magazines
10 / 12 ths of liability still not met*

Please fill out the Worksheet

+ Receipts		+ 480	
- Payments		-	
+ [Closing tax value of assets	+ [
- opening tax value of assets]	- [+ [
- [Closing tax value of liabilities	+ [
- opening tax value of liabilities]	- [400	- 400	
The impact of this transaction on net income for the year ending 30 June is ...			\$ 80

I followed the required steps in answering the question Yes No

I am confident that my answer is correct not at all very much

I am confident that I correctly followed the steps required by the Tax Law in reaching my answer not at all very much

1. Bob has \$3,000 in his interest-bearing savings account with Westpac. \$60 interest was credited to his account on 1 December and \$62 interest on 1 June. Bob has not withdrawn any money from his bank account this year. His final bank statement for the year shows:

Date	Description	Deposits	Withdrawals	Balance
1 Jul	Opening balance			3,000
1 Dec	Interest	60		3,060
1 Jun	Interest	62		3,122
30 Jun	Closing balance			3,122

What is Bob's tax position in the year ending 30 June?

Please fill out the Worksheet

	+ Receipts		+	
	- Payments		-	
	+ [Closing tax value of assets	+		
	- opening tax value of assets]	-	+	
	- [Closing tax value of liabilities	+		
	- opening tax value of liabilities]	-	-	
	The impact of this transaction on net income for the year ending 30 June is ...			\$

I followed the required steps in answering the question	Yes <input type="checkbox"/>		No <input type="checkbox"/>					
I am confident that my answer is correct	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much	
I am confident that I correctly followed the steps required by the Tax Law in reaching my answer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much	

2. Jane finished High School in December last year and, after 6 months searching, began full time work on 7 June. Her wage is \$1,000 per week and she is paid monthly by cheque on the last business day of each month. On 28 June her employer gave her a cheque for \$3,000. She deposited the cheque into her account bank with Westpac on 28 June. Her final bank statement for the year shows:

Date	Description	Deposits	Withdrawals	Balance
1 Jun	Opening balance			0
28 Jun	Wages	3,000		3,000
30 Jun	Closing balance			3,000

What is Jane's tax position in the year ending 30 June?

Please fill out the Worksheet

+	Receipts	+	
-	Payments	-	
+	[Closing tax value of assets	+	
	- opening tax value of assets]	-	
+		+	
-	[Closing tax value of liabilities	+	
	- opening tax value of liabilities]	-	
			\$

The impact of this transaction on net income for the year ending 30 June is ...

I followed the required steps in answering the question	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>					
I am confident that my answer is correct		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		not at all						very much	
I am confident that I correctly followed the steps required by the Tax Law in reaching my answer		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
		not at all						very much	

3. Ann completed her University studies last year and at her graduation in March her grandfather gave her a cheque for \$45,000. She deposited the cheque in her bank account on 11 March this year. Her final bank statement for the year shows:

Date	Description	Deposits	Withdrawals	Balance
11 Mar	Deposit	45,000		45,000
30 June	Closing balance			45,000

What is Ann's tax position in the year ending 30 June?

Please fill out the Worksheet

	+ Receipts		+	
	- Payments		-	
	+ [Closing tax value of assets	+		
	- opening tax value of assets]	-	+	
	- [Closing tax value of liabilities	+		
	- opening tax value of liabilities]	-	-	
	The impact of this transaction on net income for the year ending 30 June is ...			\$

I followed the required steps in answering the question	Yes <input type="checkbox"/>	No <input type="checkbox"/>				
I am confident that my answer is correct	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all					very much
I am confident that I correctly followed the steps required by the Tax Law in reaching my answer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all					very much

4. Alex conducts a business of selling roofing tiles and roofing slates to builders. On 18 June, he received an order from Apex Builders for 12,000 grey synthetic slate tiles to be delivered to a site in Middle Park. The slates were delivered on 19 June along with an invoice to Apex Builders for \$12,000. Alex' standard invoice says, "Payment within 7 days would be appreciated." At 30 June, the invoice had not yet been paid. Based on past experience, it will probably be paid in July. What is Alex' tax position in the year ending 30 June?

Please fill out the Worksheet

+	Receipts	+	
-	Payments	-	
+	[Closing tax value of assets	+	
	- opening tax value of assets]	-	
		+	
-	[Closing tax value of liabilities	+	
	- opening tax value of liabilities]	-	
		-	
The impact of this transaction on net income for the year ending 30 June is ...			\$

I followed the required steps in answering the question	Yes <input type="checkbox"/>	No <input type="checkbox"/>					
I am confident that my answer is correct	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much
I am confident that I correctly followed the steps required by the Tax Law in reaching my answer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much

5. Austral Business Ltd began a law suit in 1998 against its former managing director alleging that he breached various duties he owed to the company. On 28 January 2002, the judge awarded Austral Business \$2.65 million in damages. Austral has been trying to collect the money but the director has few assets and has not yet paid anything. What is Austral's tax position in the year ending 30 June?

Please fill out the Worksheet

+ Receipts		+	
- Payments		-	
+ [Closing tax value of assets	+		+
- opening tax value of assets]	-		
- [Closing tax value of liabilities	+		-
- opening tax value of liabilities]	-		
The impact of this transaction on net income for the year ending 30 June is ...			\$

I followed the required steps in answering the question	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>					
I am confident that my answer is correct	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	very much
I am confident that I correctly followed the steps required by the Tax Law in reaching my answer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	very much

6. Oliver Lord is a professional actor. He has just completed filming his part in a re-make of "The Club". The film is currently in post-production and is expected to be released nationally in time for the Christmas film season. Motion Pictures Ltd, the company which is making the film, is concerned to ensure that Lord is not also the star of another film that might compete with The Club. In January, it paid \$680,000 to Lord on signing a contract. The contract provides that until 31 December this year, Lord undertakes that he will not participate either as an actor or director in any film. Lord remains free to undertake roles on the stage and in TV series (other than feature-length films). What are the consequences for Lord of this transaction in the year ended 30 June?

Please fill out the Worksheet

+ Receipts		+	
- Payments		-	
+ [Closing tax value of assets	+		+
- opening tax value of assets]	-		
- [Closing tax value of liabilities	+		-
- opening tax value of liabilities]	-		
The impact of this transaction on net income for the year ending 30 June is ...			\$

I followed the required steps in answering the question		Yes <input type="checkbox"/>		No <input type="checkbox"/>	
I am confident that my answer is correct	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I am confident that I correctly followed the steps required by the Tax Law in reaching my answer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

7. Peter operates a small business painting homes and trades under the name, Peter's Painting. On 16 June, Peter gave a quote to paint a house in St Kilda (including paint and materials) for \$6,400. On 28 June the owner accepted the quote. Peter will start the job in mid July and expects to complete the job and invoice the client in early August. What is Peter's tax position in the year ending 30 June?

Please fill out the Worksheet

	+ Receipts		+	
	- Payments		-	
	+ [Closing tax value of assets	+		
	- opening tax value of assets]	-	+	
	- [Closing tax value of liabilities	+		
	- opening tax value of liabilities]	-	-	
	The impact of this transaction on net income for the year ending 30 June is ...			\$

I followed the required steps in answering the question	Yes <input type="checkbox"/>	No <input type="checkbox"/>				
I am confident that my answer is correct	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all					very much
I am confident that I correctly followed the steps required by the Tax Law in reaching my answer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all					very much

8. Motorways Ltd operates a service station in Carlton. On 1 April 2002, Motorways signs an agreement with BP (Australia) Ltd. The main terms of the agreement provide,

- “3. BP will pay \$425,000 to Motorways on the execution of this agreement.
- 7. BP will deliver to Motorways [various signs, ensignia and logos] which Motorways will display prominently for the duration of the agreement.
- 11. BP will guarantee that Motorways will receive constant deliveries of fuel and oil products within 24 hours of placing an order.
- 19. Motorways will only sell BP fuels and oils and will actively promote the sale of BP products.
- 23. The agreement will terminate on 31 March, 2005.”

What is Motorways' tax position in the year ending 30 June?

Please fill out the Worksheet

+	Receipts		+	
-	Payments		-	
+	[Closing tax value of assets		+	
-	- opening tax value of assets]		-	
-	[Closing tax value of liabilities		+	
-	- opening tax value of liabilities]		-	
The impact of this transaction on net income for the year ending 30 June is ...				\$

I followed the required steps in answering the question	Yes <input type="checkbox"/>	No <input type="checkbox"/>				
I am confident that my answer is correct	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all					very much
I am confident that I correctly followed the steps required by the Tax Law in reaching my answer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all					very much

9. Burwood Dancing School Ltd operates a dance school. It sold a package of 24 weekly lessons to Judith for \$8,000 on 1 May. The terms of the contract between the School and Judith require payment of the entire \$8,000 fee when the contract is signed. Judith paid the \$8,000. The contract sets out the schedule of weekly sessions starting from the date of the contract and says that if the student fails to attend a regular session, no other time will be scheduled (so that the time is effectively forfeited). The contract provides that no refunds will be paid if the student wants to cancel the lessons. What is Burwood's tax position in the year ending 30 June?

Please fill out the Worksheet

+ Receipts		+	
- Payments		-	
+ [Closing tax value of assets	+ <input style="width: 100px; height: 20px;" type="text"/>	+	
- opening tax value of assets]	- <input style="width: 100px; height: 20px;" type="text"/>		
- [Closing tax value of liabilities	+ <input style="width: 100px; height: 20px;" type="text"/>	-	
- opening tax value of liabilities]	- <input style="width: 100px; height: 20px;" type="text"/>		
The impact of this transaction on net income for the year ending 30 June is ...			\$ <input style="width: 200px; height: 40px;" type="text"/>

I followed the required steps in answering the question	Yes <input type="checkbox"/>	No <input type="checkbox"/>				
I am confident that my answer is correct	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all					very much
I am confident that I correctly followed the steps required by the Tax Law in reaching my answer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all					very much

10. Lee is retired and at the beginning of this tax year had \$268,000 invested in a 1-year Term Deposit with United Mortgages Ltd. During the year, United Mortgages stopped paying interest on the Term Deposits and in March, United Mortgages was placed into receivership. The receivers announced in May that United Mortgages is insolvent and that there is no money available to be paid to holders of Term Deposits. The company was formally wound up on June 1. What is Lee's tax position in the year ending 30 June?

Please fill out the Worksheet

	+ Receipts		+	
	- Payments		-	
	+ [Closing tax value of assets	+		
	- opening tax value of assets]	-	+	
	- [Closing tax value of liabilities	+		
	- opening tax value of liabilities]	-	-	
	The impact of this transaction on net income for the year ending 30 June is ...			\$

I followed the required steps in answering the question	Yes <input type="checkbox"/>	No <input type="checkbox"/>				
I am confident that my answer is correct	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all					very much
I am confident that I correctly followed the steps required by the Tax Law in reaching my answer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all					very much

11. Jon is retired and lives off his superannuation and some savings. At the beginning of June he had \$16,420 in his savings account with the NAB. He usually withdraws \$100 per week from his bank account to pay for various expenses. He spends \$18.00 per week on fares commuting from home to his bowling club, about \$35 per week for drinks, coffee and lunches, and the balance on magazines, cigarettes, and so on. His bank statement for June shows:

Date	Description	Deposits	Withdrawals	Balance
1 Jun	Opening balance			16,420
5 Jun	Cash withdrawal		100	16,320
12 Jun	Cash withdrawal		100	16,220
19 Jun	Cash withdrawal		100	16,120
26 Jun	Cash withdrawal		100	16,020
30 Jun	Closing balance			16,020

Ignoring anything that happened earlier in the year, what would Jon's tax position be in the year ending 30 June?

Please fill out the Worksheet

+ Receipts		+	
- Payments		-	
+ [Closing tax value of assets	+		+
- opening tax value of assets]	-		
- [Closing tax value of liabilities	+		-
- opening tax value of liabilities]	-		
The impact of this transaction on net income for the year ending 30 June is ...			\$

I followed the required steps in answering the question	Yes <input type="checkbox"/>	No <input type="checkbox"/>					
I am confident that my answer is correct	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all					very much	
I am confident that I correctly followed the steps required by the Tax Law in reaching my answer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all					very much	

12. Computers Ltd sells computers, printers, software, disks and other equipment by retail. It orders a new shipment of office stationery from its printer on 25 May. It receives an invoice for \$8,420 on 27 June which it has not paid by 30 June. The order was not delivered by 30 June but the printer has phoned to say that the order has been sent by courier and will arrive in July. What is Computers' tax position in the year ending 30 June?

Please fill out the Worksheet

+ Receipts		+	<input style="width: 100%; height: 30px;" type="text"/>
- Payments		-	<input style="width: 100%; height: 30px;" type="text"/>
+ [Closing tax value of assets	+		<input style="width: 100%; height: 30px;" type="text"/>
- opening tax value of assets]	-	+	
- [Closing tax value of liabilities	+		<input style="width: 100%; height: 30px;" type="text"/>
- opening tax value of liabilities]	-	-	
The impact of this transaction on net income for the year ending 30 June is ...			<input style="width: 100%; height: 30px;" type="text"/>

I followed the required steps in answering the question	Yes <input type="checkbox"/>	No <input type="checkbox"/>						
I am confident that my answer is correct	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much	
I am confident that I correctly followed the steps required by the Tax Law in reaching my answer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much	

13. Ford Co manufactures cars and sells them through a network of dealers. Its main dealer, New Ford of Moorabin (which accounts for 32% of Ford's annual sales in Victoria) is owned by Jeffrey Andrews. Andrews is in financial difficulties due to his serious gambling debts and the business is in some jeopardy from Andrews' creditors. Ford Co wants to ensure that the dealer remains in business and gives Andrews \$500,000 to pay some of his debts. What are the consequences for Ford Co of this transaction in the year ended 30 June?

Please fill out the Worksheet

+ Receipts		+	
- Payments		-	
+ [Closing tax value of assets	+		+
- opening tax value of assets]	-		
- [Closing tax value of liabilities	+		-
- opening tax value of liabilities]	-		
The impact of this transaction on net income for the year ending 30 June is ...			\$

I followed the required steps in answering the question	Yes <input type="checkbox"/>	No <input type="checkbox"/>				
I am confident that my answer is correct	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I am confident that I correctly followed the steps required by the Tax Law in reaching my answer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all					very much
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all					very much

14. Nevill Prints Ltd is a printing company in Melbourne's Eastern suburbs. The company's Senior Manager is Rita Sturt. She was employed in 1999 under a fixed term 5-year contract at \$128,000 per year. In January this year, the shareholders became concerned that the company's performance was flagging and have formed the view that Rita should be replaced with a new manager. After some negotiations, the company paid Rita \$225,000 on 12 May and she resigned immediately. What are the consequences for Nevill Prints of this transaction in the year ended 30 June?

Please fill out the Worksheet

+ Receipts		+	
- Payments		-	
+ [Closing tax value of assets	+ <input style="width: 100px; height: 20px;" type="text"/>	+	
- opening tax value of assets]	- <input style="width: 100px; height: 20px;" type="text"/>		
- [Closing tax value of liabilities	+ <input style="width: 100px; height: 20px;" type="text"/>	-	
- opening tax value of liabilities]	- <input style="width: 100px; height: 20px;" type="text"/>		
The impact of this transaction on net income for the year ending 30 June is ...			\$ <input style="width: 200px; height: 40px;" type="text"/>

I followed the required steps in answering the question	Yes <input type="checkbox"/>	No <input type="checkbox"/>				
I am confident that my answer is correct	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all					very much
I am confident that I correctly followed the steps required by the Tax Law in reaching my answer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all					very much

15. Business Ltd leases storage space in Yarraville for \$3,100 per month. The lease runs from the 12th to the 11th of the next month and Business has to pay the rent monthly in advance. The rent is due by the 12th of each month. Business Ltd paid the rent for the next month (12 June – 11 July) on 9 June. What is the impact of this transaction on its tax position in the year ending 30 June?

Please fill out the Worksheet

+ Receipts		+	
- Payments		-	
+ [Closing tax value of assets			
- opening tax value of assets]			
- [Closing tax value of liabilities			
- opening tax value of liabilities]			
The impact of this transaction on net income for the year ending 30 June is ...			\$

I followed the required steps in answering the question	Yes <input type="checkbox"/>	No <input type="checkbox"/>					
I am confident that my answer is correct	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much
I am confident that I correctly followed the steps required by the Tax Law in reaching my answer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all						very much

16. Cola Beverages Inc has decided to embark on a new advertising campaign for its new product. On 12 March it signed a contract with MTV Advertising Ltd to produce a new slogan for its main product. The contract says that Cola will pay \$268,000 to MTV for MTV to devise a new slogan (which Cola will then use in its newspaper, radio and TV advertisements). MTV has come up with a slogan which the client likes (“it’s a new cola world”) and Cola Beverages paid the money in April. What is the impact of this transaction on Cola’s tax position in the year ending 30 June?

Please fill out the Worksheet

	+ Receipts				+		
	- Payments				-		
	+ [Closing tax value of assets	+					
	- opening tax value of assets]	-			+		
	- [Closing tax value of liabilities	+					
	- opening tax value of liabilities]	-			-		
	The impact of this transaction on net income for the year ending 30 June is ...					\$	

I followed the required steps in answering the question	Yes <input type="checkbox"/>	No <input type="checkbox"/>				
I am confident that my answer is correct	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all					very much
I am confident that I correctly followed the steps required by the Tax Law in reaching my answer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all					very much

17. Stadiums Pty Ltd engaged Executives Ltd for \$100,000 in May to find a new CEO. On signing the contract, Stadiums paid \$25,000 to Executives to find a suitable candidate for the job. The remaining \$75,000 will be paid when Stadiums agrees to employ a person. As at 30 June, Stadiums has interviewed 4 potential candidates whom Executives has found, but is not satisfied with any of them. Stadiums has asked Executives to keep looking for talented people. What is Stadium's tax position in the year ending 30 June?

Please fill out the Worksheet

+ Receipts		+	<input style="width: 90%; height: 30px;" type="text"/>
- Payments		-	<input style="width: 90%; height: 30px;" type="text"/>
+ [Closing tax value of assets	+		+ <input style="width: 90%; height: 30px;" type="text"/>
- opening tax value of assets]	-	<input style="width: 90%; height: 30px;" type="text"/>	
- [Closing tax value of liabilities	+		- <input style="width: 90%; height: 30px;" type="text"/>
- opening tax value of liabilities]	-	<input style="width: 90%; height: 30px;" type="text"/>	
The impact of this transaction on net income for the year ending 30 June is ...			\$ <input style="width: 90%; height: 30px;" type="text"/>

I followed the required steps in answering the question	Yes <input type="checkbox"/>	No <input type="checkbox"/>				
I am confident that my answer is correct	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all					very much
I am confident that I correctly followed the steps required by the Tax Law in reaching my answer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all					very much

18. Halstroms manufactures refrigerators in Frankston. Its main competitor, Frigidaire Ltd, invented some new technology used in refrigerators in 1978 and was awarded a patent for the technology. While the patent is in place, Halstroms is prevented from using the same technology in its machines. The patent is due to expire next September and Halstroms has been gearing up to use the Frigidaire system once the patent expires. Halstroms has just learned that Frigidaire has lodged an application to have the life of its patent extended (which is possible under the *Patents Act*). Halstroms has spent \$64,800 on lawyers fees trying to defeat this application for an extension. The court case has not yet been concluded. What is Halstrom's tax position in the year ending 30 June?

Please fill out the Worksheet

+ Receipts		+		
- Payments		-		
+ [Closing tax value of assets	+		+	
- opening tax value of assets]	-			
- [Closing tax value of liabilities	+		-	
- opening tax value of liabilities]	-			
The impact of this transaction on net income for the year ending 30 June is ...				\$

I followed the required steps in answering the question	Yes <input type="checkbox"/>	No <input type="checkbox"/>				
I am confident that my answer is correct	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all					very much
I am confident that I correctly followed the steps required by the Tax Law in reaching my answer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all					very much

19. Architects Ltd ordered new stationery on 20 June. It paid \$2,500 to Printers Ltd for new envelopes and 3 reams of paper with letterhead. The order was delivered and paid for on 28 June. Architects will not need to buy new stationery for another 6-8 months. What is Architects' tax position in the year ending 30 June?

Please fill out the Worksheet

+ Receipts		+	<input style="width: 95%; height: 30px;" type="text"/>
- Payments		-	<input style="width: 95%; height: 30px;" type="text"/>
+ [Closing tax value of assets	+		<input style="width: 95%; height: 30px;" type="text"/>
- opening tax value of assets]	-	+	
- [Closing tax value of liabilities	+		<input style="width: 95%; height: 30px;" type="text"/>
- opening tax value of liabilities]	-	-	
The impact of this transaction on net income for the year ending 30 June is ...			\$ <input style="width: 95%; height: 30px;" type="text"/>

<p>I followed the required steps in answering the question</p> <p>I am confident that my answer is correct</p>	Yes <input type="checkbox"/>	No <input type="checkbox"/>					
<p>I am confident that I correctly followed the steps required by the Tax Law in reaching my answer</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all					very much	
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all					very much	

20. On 1 July 2001, Stereo 100 Ltd paid \$2.8 million for an FM radio licence to broadcast in Melbourne. It bought the licence from the current holder SoundWaves Pty Ltd. The licence will expire on 30 June 2005. What is Stereo's tax position in the year ending 30 June 2002?

Please fill out the Worksheet

+ Receipts		+	<input style="width: 100%; height: 30px;" type="text"/>
- Payments		-	<input style="width: 100%; height: 30px;" type="text"/>
+ [Closing tax value of assets	+ <input style="width: 50px; height: 20px;" type="text"/>	+	<input style="width: 200px; height: 20px;" type="text"/>
- opening tax value of assets]	- <input style="width: 50px; height: 20px;" type="text"/>		
- [Closing tax value of liabilities	+ <input style="width: 50px; height: 20px;" type="text"/>	-	<input style="width: 200px; height: 20px;" type="text"/>
- opening tax value of liabilities]	- <input style="width: 50px; height: 20px;" type="text"/>		
The impact of this transaction on net income for the year ending 30 June is ...			\$ <input style="width: 200px; height: 30px;" type="text"/>

I followed the required steps in answering the question	Yes <input type="checkbox"/>	No <input type="checkbox"/>					
I am confident that my answer is correct	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all					very much	
I am confident that I correctly followed the steps required by the Tax Law in reaching my answer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	not at all					very much	

Case Study 1

Montgomery was a partner in a firm of lawyers in Melbourne. The firm occupied premises in Melbourne under a lease which was due to expire in February 1994. In September 1988, AMP which owned the building, informed the firm that it intended to gut the building to clear it of asbestos. Work on the floors occupied by the firm would commence in 1991 and would mean relocating the firm to other floors whilst the work was being carried out.

The firm began thinking about whether to stay in its existing building with all the inconvenience of moving twice, or to relocate to a new building being built at 101 Collins Street. The firm eventually decided to take a lease in the new 101 Collins Street building. As an inducement to entering into a lease in this building the owner of 101 promised to pay the main partners in the firm (including Montgomery) an inducement amount of \$29 million. The money was to help the partners meet their costs of buying out their existing lease and fitting out their new premises.

Two documents were then signed. One was an Agreement for Lease between Plurimus Pty Ltd (a company which provided services to the firm) and the landlord. The other was called an Incentive Agreement and was between the partners of the firm and the landlord. The Incentive Agreement contained the following clauses:

The principals are ... partners of the Melbourne firm of Freehill, Hollingdale & Page practising from its offices at 140 William Street and 80 Collins Street, Melbourne (the Partnership).

The [partners] have requested [Plurimus] to enter into certain documents comprising an Agreement for Lease, a Lease and Car Parking Licence and certain other documents with the lessor relating to space in ... 101 Collins Street, Melbourne ... as nominee for the Principals.

The lessor and the [partners] simultaneously with the execution [of this Agreement] are entering into an agreement for lease with respect to the lettable areas of Levels 42, 43, 44, 45, 46 and 47 of the tower building being constructed at 101 Collins Street, Melbourne.

As an inducement for [Plurimus] to execute the said agreement for lease the Lessor has agreed to enter into this Agreement to record certain financial arrangements between the parties with respect to the agreement for lease.

As an inducement for [Plurimus] to enter into the Agreement for Lease, the Lessor agrees to pay to the [partners of the firm] the inducement amount [\$29 million].

[The partners acknowledge] that they are liable pursuant to the Transaction Documents to the same extent as if they had executed the Transaction Documents in their own names in lieu of [Plurimus].

Any liability of a [partner] shall be released upon written notification being given to the Lessor of the retirement or resignation of [the partner] from the [firm], but no such release shall release any other [partners].

No less than twenty (20) [partners] shall remain liable hereunder at all times.

The [partners] shall procure any new member of the Partnership to acknowledge in a form acceptable to the Lessor that he or she is bound by this Deed as a Principal as if he had executed it on the date hereof.

What are the tax consequences for Montgomery of receiving his share of the \$29 million? You can assume his share was \$2 million.

Use this space to explain how you would work out Montgomery's tax position for the year:

Case Study 2

ICI borrowed \$98 million in 1966 from Lender Ltd. The loan carried interest and was repayable in 1996. The repayment of the loan by ICI and the payment of interest was guaranteed by ICI Finance Ltd – that is, if ICI did not pay either interest or the principal on time, ICI Finance would be required to pay it. ICI paid interest as it fell due.

The loan agreement also imposed on ICI an obligation limiting the ratio of liabilities to assets – in other words, ICI always had to have assets worth more than \$163 million (that is, the assets of the company had to be more than 60% greater than the \$98 million it had borrowed). This obligation placed a serious restriction on ICI's operations and it decided to re-arrange the loan.

In 1986, ICI entered an agreement — the Assumption Agreement. The parties to the Assumption Agreement were ICI, ICI Finance, Lender Ltd and the Melbourne and Metropolitan Board of Works (MMBW). The key provisions of the Principal Assumption Agreement stated:

- ICI would pay \$62 million to MMBW. (This was an amount equal to the present value of the \$98 million owed on the outstanding loan, given that ICI would not have to repay the \$98 million for 10 years). The present value was calculated using the Commonwealth Bond rate.)
- In return, MMBW would “assume in the manner provided in this Agreement the obligations of [ICI] to make due and punctual payment of the principal amount of all [loans] in accordance with Clause 3 of [the loan agreement] ... and [MMBW] shall indemnify [ICI and ICI Finance] ... and keep it indemnified, in respect of such obligations.”

As a consequence of this Agreement, Lender agreed to delete the provisions in the Loan Agreement relating to the financial ratios and the guarantee of the debt given by ICI Finance.

What are the tax consequences to ICI of paying \$62 million to MMBW?

Use this space to explain how you would work out ICI's tax position for the year:

Please write here the time you finish answering the questions.