



Level 4 Trailblazer

Role Simulation - **SAMPLE**

ADVANCE INFORMATION

This document is the Advance Information for the ATT Level 4 Trailblazer Role Simulation. This information is also available on the ATT website at [weblink for real Simulation].

Instructions

Familiarise yourself with this Advance Information as you prepare for the Role Simulation exercise.

It is recommended that you undertake relevant research on any issues you are not familiar with.

Hard-copy materials

The Role Simulation exercise is an open-book assessment.

You must have a printed copy of this Advance Information. Take this with you to the Role Simulation exercise.

You may use any other hard-copy material you choose. Recommended materials are:

ATT Paper 1 study manual

ATT Paper 2 study manual

Professional Responsibilities and Ethics for Tax Practitioners

Essential Law for Tax Practitioners

Material may be annotated and flagged.

Note: None of the above materials will be provided on the day of the Role Simulation exercise. You are responsible for obtaining your materials and taking them to the assessment centre. Study manuals and other texts are updated regularly: ensure that the editions of any you choose to use are relevant at the date of your Role Simulation exercise.

Other materials

You may use a calculator.

You must use a black ballpoint pen to complete the written assessment.

Additional information will be presented to you on the day of the Role Simulation exercise, together with the tasks for you to complete.

Background information

You are Sam, a tax technician.

You are employed by Princetown, Armitage and Uppal LLP (PAU), a firm of tax advisers. You have just been transferred to a group led by senior manager Anjali. The group deals with tax compliance and advice for a variety of business and personal clients.

Anjali sent you the following email when she was made aware of your appointment:

To: sam@pau.com
Sent: 27 April 2018 12.38
From: anjali@pau.com
Subject: Tasks for your first week

Dear Sam

Welcome to the group. I look forward to meeting you, but I shall be away during your first week.

Once you are settled in I should like you please to review the files relating to one of our clients, Spotless Partners.

I have attached various documents to help you make a start. Jack, a tax manager, will introduce himself and help you. Jack has been with PAU for nearly a year and he is familiar with Spotless and the individual partners. There are a few points that need to be addressed, which we can follow up on when I am back on 7 May.

Regards

Anjali

From PAU LLP's files

Spotless Partners

Spotless Partners has been trading as a general unlimited partnership since 1999. The partnership runs a small chain of dry cleaners in and around London.

The partnership draws up its accounts to 31 December each year. It is registered for VAT.

The two partners, Fred and Wendy, are a married couple. They have no written partnership agreement, but have always shared profits equally. Staff in the shops are employees on the payroll.

PAU have acted as tax advisers to Spotless and to Fred and Wendy personally for over 10 years and have prepared all accounts and tax returns in that time.

Fred is the nominated partner. He deals with most of the financial and administrative side and Wendy manages the staff and maintains the equipment.

Both Fred and Wendy are higher-rate taxpayers. Neither has a private pension as they regard the business and its assets as their pension fund.

2016/17 tax returns were submitted 5 May 2017. No returns have been submitted for 2017/18 yet.

VAT returns are up to date.

Spotless Partners

Capital Allowances - year ended 31 December 2016

	AIA £	General Pool £	Special Rate Pool £	Computer 25% PU £	Total £
TWDV b/f		7,000	13,800		
Additions:					
Dry cleaning machine	32,000				
EPOS till	1,680				
Car – Loxhall (125g/km)		14,300			
Computer				1,299	
Disposals:					
	<u>33,680</u>	<u>21,300</u>	<u>13,800</u>	<u>1,299</u>	
AIA (max £200,000)	(33,680)				33,680
Private use asset: AIA				(1,299)	
75% x 1,299					974
WDA @ 18%		(3,834)			3,834
WDA @ 8%			(1,104)		1,104
Total allowances		<u>17,466</u>	<u>12,696</u>		<u>£39,592</u>
TWDV c/f					

Prepared by PAU LLP 30 April 2017

Meeting Note

23 April 2018 8am

Meeting between Jack (PAU) and Wendy, Spotless Partners at partners' main London shop

Note: Fred was due to attend the meeting but was called away to another shop. He left a note for me – attached.

Profit levels

Recent profits are healthy. On course for net profit £140,000 in 2018, compared to £120k in 2017 and £110k in 2016 (although see below – 2016 profits will go up).

Expenses

Talked through deductibility of certain expenditure planned for next year, mainly entertaining of potential new business clients. Fred will provide further details soon.

Capital allowances

Wendy showed me the new dry-cleaning machine bought in December 2016. It came up that payment for the machine was made in June 2017 – this had been agreed when the machine was chosen and the sale agreement signed. So this will need to be removed from the 2016 CA calculation.

The information relating to plant and machinery that year was provided by Wendy, as Fred was in hospital at that time. I think Wendy did not realise that as tax agents, we are not auditing every piece of information. I went through the additions with her and found:

The EPOS till price of £1,680 included VAT; the VAT was recovered via the 09/16 VAT return
75% for the computer is the private use, not the business use

I explained briefly that we would make corrections, and some extra tax would result. Wendy did ask whether we could leave the figures as they were and 'not bother Fred with it'. I said that wasn't an option and that we would follow up in writing.

Wendy personal investments

On the personal tax side, Wendy said that she is thinking about investing some money she which she currently holds in a personal bank account in her name. She thinks there is about £40,000 in the account and at present this earns almost no interest. She is considering buying shares.

Suggested W check how much she wants to invest and then we can talk about the tax aspects of her chosen investment.

Action points

- Address capital allowances issue ASAP. These will have been calculated too high for 2016, so profit will have been understated.
- Check no other errors/omissions in 2016/17 returns. I think these were not checked by F as thoroughly as usual.
- A polite reminder about accuracy, checking returns and clients' responsibilities. We are due to issue a revised engagement letter to the Spotless Partners soon. We should draw particular attention to responsibilities in it and might also put these into a separate communication. The 'Tax Returns' chapter of Professional Conduct in Relation to Taxation has been updated since the last EL was issued.
- F's note shows a new sole trade starting up.
- W to come back to us re investment plans.

Jack 24/04/18

att: Note from Fred

Note from Fred

Monday

Jack

Apologies I've been called to another of our premises which was broken into overnight.

Sorry not to see you today. Wendy will look at recent figures with you. Some expenses coming up soon I'd like to check are allowable for tax.

Do get Wendy to show you the machine we bought at the end of 2016. It's running well - worth every penny.

Meanwhile I wanted to ask you about the antiques I've sold recently. Back in January I sold a table which I had had valued at £28,000. I took it to be auctioned at the local antiques fair – there was a LOT of interest and it sold for a higher price than I expected. I paid 5% in commission on the sale price of £36,000, so made a good profit. The table was inherited from my aunt several years ago but has been sitting in our garage since then. It was only worth £20,000 when I got it so I was delighted. (The same week in January I sold my car – the old Zaab – and made a loss of £910, so let's use that to bring the gains tax down.)

I've always been interested in antique furniture and I enjoyed the antiques fair, so I visited a few more. I do like trying to spot which pieces are the best value.

I did a course in furniture restoring during May, so now I can work on pieces I buy before selling them on. Then I bought my first 5 pieces of furniture at a fair last weekend – am working on these and hoping to make a good profit on all of them. So now the garage is fuller than ever!

I suppose this is a new trade but perhaps you can confirm either way. I know it's not related to the partnership business, but if I needed to charge VAT, can I use the partnership's VAT number? Turnover might not reach that level – I think it will be about £40k this year.

Thanks

Fred