

Part (a) Discuss and conclude whether the amounts noted under 'robotic process automation' (in part 3 of the scenario) are capital in nature or not in terms section 11(a) of the Income Tax Act for the year of assessment ended 31 December 2024.		Marks
1	The onus to prove that an amount is deductible (not capital in nature) lies with the taxpayer , in terms of s102(1)(a) or (b) of Tax Administration Act.	1
2	The issue at hand is whether the bot and automation costs are 'capital in nature' in terms of section 11(a) (general deduction formula) or not. Since the phrase is not defined in the Income Tax Act, case law principles will be used to make such determination.	1
3	The main court case principle is the so-called 'operations v structure' test (New State Areas Ltd v CIR case). It was held that if the cost is part of performance of income-earning operations , it is deductible under section 11(a). <i>or</i> The expenditure is incurred to create an 'enduring benefit', thus capital in nature and not deductible .	1
4	Bot – R1.5 million The R1,5 million expended on the acquisition of the bot relates to improved efficiencies within the company's accounting and compliance function and thus relates to improving the income earning structure (or enduring benefit).	1
5	Therefore, the R1,5 million is capital in nature and not deductible under section 11(a).	1P
6	Automation – R350 000 The R350 000 expended on the automation of the bots relates to the optimal functioning of the bot, in that it will process repetitive functions seamlessly. This amount therefore relates to the bots and its income-earning structure .	1
7	Therefore, the amount of R350 000 is capital in nature and not deductible under section 11(a).	1P
Available		7
Maximum		6
<i>X1: Communication skill – clarity of expression</i>		<i>1</i>
Total for part (a)		7

Part (b) Calculate SSC's corrected taxable income for the year of assessment ended 31 December 2024. <ul style="list-style-type: none">Start with the profit before tax of R29 310 000 used by the bot in the tax workbook / ITR 14 Income Tax Return – 31/12/2024.For each adjustment, provide brief reasons to support calculations.Provide brief reasons where you consider no adjustment is required or where an item has no effect on the taxable income calculation.Ignore the impact that the acquisition of PED may have on the profit before tax and the taxable income of SSCPresent all amounts in R'000.Include each adjustment in a separate line.	Marks		
SSC's corrected taxable income			
	Calc/ note	R'000	
Profit before tax		29 310	
Amounts received in advance SSC is only unconditionally entitled to R5,75 million once the beverages are delivered and invoiced in February 2025 and thus the full amount should not be included into taxable income.	4.1	3 500	½
Gross income inclusion at the earlier of receipt or accrual . The amount of R3,5 million has been received.			1
<u>Cost to produce the Onze Revived beverages</u> Deductions claimed in the year of assessment in which the expenditure is actually incurred (2025), thus R2,5 cannot be deducted.		-	1
<u>S24C allowance</u> The R3,5 million has been received in respect of the contract and will be used to finance future expenditure as defined in terms of s24C(1).			1
IN87: Total cost/total revenue x income received= R2,5 m/R5,75 = 43,47%. or <i>R2,6 m/R5,75 = 45,22% (taking legal fees into account)</i>			1
R3,5 million x 43% less Rnil (43,47% = R1,52m) or <i>R3,5 million x 45,22% less R100k = R1,483m</i>		(1 505)	1P
Dividends: No adjustment for account treatment as dividends received included in Gross Income (world-wide) in terms of section 1 (R300' +R960')	4.2	-	1
PED: Exempt local dividends Local dividends are exempt in terms of s10(1)(k)		(300)	1
Exempt foreign dividends received from RV SSC holds more than 10% of the equity shares and voting rights and therefore the participation exemption in terms of s10B(2)(a) applies		(240)	1
Exempt foreign dividends received from LSM s10B(3)) R720 000 x 7/27 As SSC holds less than 10% of the equity shares and voting rights in LSM, the ration exemption is limited to 7/27 under s10B(3).		(187)	½
			1

Legal fees capital expenditure and / or losses Expenditure incurred to register Onze Revived (trademark) used in the production of income is deductible in full in terms of s11(gB) . The amount is capitalised to intangible assets under IFRS and it therefore should not be included in determining profit before tax.	4.1	(100)	1
Cost of sales Add back: Trading stock purchased from Australia The trading stock was not held by SSC nor was it disposed of by 31 December 2024. No deduction is allowed in terms of s11(a) read with S23F(1).	4.3.1	2 750	½
Cost of sales Add back: Trading stock purchased from Australia No deduction on the amounts paid to the customs officials. This is a bribe and the deduction is prohibited in terms of s23(o).	4.3.1	30	½
Cost of sales Closing values of inventory added back In terms of s22(1), closing inventory must be added back at the lower cost or the value to which it has diminished due to damage or deterioration. In terms of the Volkswagen SA case the amount should not be net of the inventory obsolescence provision as this takes into account future expenditure. <i>Alternatively: Section 23(e)</i>	4.3.2	1 500	½
Recoupment of donation to SSC Foundation at cost in terms of s22 (8)(C)	4.3.3	4 000	1
Recoupment of beverages Trading stock applied for purposes other than trade in terms of s22(8)(b)(ii) A recoupment must be accounted for at an amount equal to the market value .	4.3.4	600	½
Other donations - beverages Deduction is allowed in terms of proviso (a) to s22(8) read with section 11(a), as the trading stock has been applied for promotional purposes (marketing) and the recoupment is deemed to be costs incurred by the taxpayer in acquiring the asset.	4.3.4	(600)	½
Prepaid expenditure in terms of s23H(1)(aa) The benefit of the insurance will be received within six months of the end of the year of assessment. Prepaid expenses relating to the period 1 July 2023 to 30 June 2024 would have been fully deducted during the 2023 year of assessment	4.4		1
Included in PBT <u>Add back:</u> Insurance premiums 1 July 2023 to 30 June 2024 R1,5 million x 6/12		750	1
<u>Deduct:</u> Insurance premiums 1 July 2024 to 30 June 2025 R1,8 million x 6/12		(900)	1
Provisions not deductible for the current year: s23(e)	4.5.1	3 300	½
Bonuses accrual on 31 December 2024 is variable remuneration in terms of s7B and variable remuneration is only deducted once paid . Bonuses paid on 31 March 2024 are deducted in the current year	4.5.1	(2 100)	½

Restraint of trade Section 11(cA) allows a deduction when amounts are paid to natural persons , irrespective of whether the amount is of a capital nature or not , and provided that the amount constitutes or will constitute income in the hands of Musi Thou . Adjustment is R1 million – R250 000 = R750 000	4.5.2		1 750 1P
Deduction limited to lesser of R1 million / 3 = R333 333 or R1 million / 4 = R250 000			1
Depreciation is an accounting entry and not an income tax deduction (reversal)	4.6	13 000	½
Accounting loss on disposal of fixed and / or other assets Reversal of an accounting entry : recoupment or scrapping allowances are determined for tax purposes. (Alt. R815 000 if the journal in the scenario is re-calculated)	4.6.1(c)	845	1
Commercial building deduction : R10 300 x 55% x 5% Commercial building of 3-8 floors, therefore a part of a building and capital allowances in terms of s13quin(7) is based on 55% of the cost.	4.6.1(a)	(283)	1 1
Computers – wear and tear Each computer has a cost of R6 000, which is less than R7 000 , and is therefore fully deductible in the year of assessment of acquisition (<i>or of rounded to R1</i>) Alt: $s11(e) - (R600/3 \times 11/12) = R183,33$	4.6.1(b)	(600)	½ 1
Purchased software bots – (part (a)) Expenditure is of a capital nature and bots are entitled to a capital allowance in terms of Int 47 read with BGR7 of three years: R1,85 million / 3 (Mark through with part a)	4.6.2	(617)	½ 1P
Bottling machine Manufacturing capital allowance: R1,3 million x 40% The machine was acquired new and unused and therefore allowances in year 1 is equal to 40% in terms is section 12C. The cost of the acquisition is capital in nature.	4.6.1(c)	(520)	1 1
Filler machine Capital allowance: R2,55 million x 20% Sale of the filler machine: SSC should consider the recovery of previous deductions or allowances granted in terms of s8(4)(a) (recoupment).	4.6.1(c)	(510)	1 1
Cost Allowances: 2023 year of assessment @ 40% Allowances: 2024 year of assessment @ 20% Tax value Selling price	2 550 (1 020) (510) 1 020 1 480		½ ½P
Recoupment (selling price less tax value)	460	460	1P
CGT : para. 2 of the 8th Schedule read with s 26A Disposal (selling price) Less: recoupment Proceeds	1 480 (460) 1 020		1P

Original cost par 20	2 550		
Less: allowances	(1 530)		
Base cost	1 020		1P
Capital gain (Proceeds less base cost)	0	0	
As the proceeds were used to purchase a replacement asset, para. 66 of the 8th Schedule allows the gain and recoupment to be deferred. However, as the purchase of the new bottling machine of R1,3m is less than the proceeds of R1,48m (para. 66(1)(c)), para. 66 cannot apply.			1
Taxable income before s18A		52 333	
S18A donations – value of the donation is the amount recouped in terms of s22(8)(C) (read with s18A(3)(a)(ii)), thus R4 million.	4.3.3		1
Deduction is limited to 10% of taxable income of R52 333 = R5 233 before the deduction, thus not limited.		(4 000)	1
Adjusted taxable income		48 333	
Available			46
Maximum			43
<i>Y1: Critical thinking</i>			<i>1</i>
<i>X1: Communication skill – layout and presentation</i>			<i>1</i>
Total for part (b)			45
TOTAL FOR PART I			52

<div>Part (c)</div> <div>Draft a report to the management of SSC, with reference only to the information under ‘digital strategy’ (in part 2 of the scenario), in which you –<div><div>(i) describe nine key business risks that SSC may be exposed to relating to the digital strategy, and</div><div>(ii) for each risk identified, provide a mitigating measure that could be implemented by SSC.</div></div><div><div>• Ignore ethical considerations.</div><div>• Exclude controls related to journal entries generated by the bot</div></div></div>	Marks		
<div>Report</div> <div>Management of SSC</div> <div>Prepared by: Candidate</div> <div>I attach a description of nine key business risks that SSC may be exposed to relating to the digital strategy as well as a mitigatory measure that could be implemented by SSC to address each risk.</div>			
<div>Risks description</div>	Marks	<div>Mitigatory measure</div>	Marks
Cohesion			
<div><div>• There are multiple elements to the strategy and initiatives and they may not be cohesive. (The proposed initiatives could not align with SSC’s long-term strategy and goals.)</div><div>• The overall plan may not be supported by market research, etc. (The risk is that the plan implemented by the company does not meet the needs of its current and future customers, leading to a loss in revenue / market share.)</div></div>	<div>1</div> <div>1</div>	<div><div>• Develop internal governance processes over the approval of the strategy to ensure cohesion with SSC’s long-term strategy.</div><div>• Annual reflection and review of strategy to ensure it aligns with the business environment and it remains effective in achieving strategic goals.</div><div>• Develop a project management plan to ensure oversight into the implementation of the AI tools.</div></div>	<div>2</div>
Investment required			
<div><div>• The initial upfront implementation costs, which may include software, hardware and consultancy fees, may be quite significant.</div><div>• The trade-off between creating a company that can thrive in a digitally enabled future and the pace of change may not have been adequately considered. (Having not adequately considered that a company created to thrive in a digitally enabled future may not align with the change of pace in the beverage and snack industry, SSC could face decreases in</div></div>	<div>1</div> <div>1</div>	<div><div>• A full investment appraisal to be performed to quantify the expected ROI (to quantify the value of the investment).</div><div>• Development of a prioritisation matrix.</div><div>• KPIs and ROI should be continually monitored to determine if the targets are reached.</div><div>• Seek legal counsel or advise in the implementation of the retrenchment plan to mitigate against labour unrest.</div></div>	<div>4</div>

revenue and a loss of market share if its products do not meet the current needs of its existing customers.)	1		
<ul style="list-style-type: none"> • Prioritisation of the different elements of the strategy and the initiatives may not have been adequately considered. • The reduction in headcount is proposed by SHAI as the main justification for the roll-out of the initiatives. Costs such as retrenchment costs and those relating to possible legal processes or engagement with unions may not have been considered. (These include reputational risk, lack of social responsibility in a South African context, employee morale.) 	1		
Over-reliance on digitisation/automation or not having access to maintenance of the system should anything go wrong			
<ul style="list-style-type: none"> • Over-reliance on digital solutions can lead to a reduction in human oversight, critical thinking and creativity, which are essential for addressing anomalies or unusual transactions. 	1	<ul style="list-style-type: none"> • Assign individuals to overall oversight and responsibility for the various functions that are being automated. • Regular audits should be conducted on the work performed by SHAI. 	1
Dependence on SHAI			
<ul style="list-style-type: none"> • The dependence on SHAI for software updates, support and troubleshooting can be risky if the vendor's service quality is inconsistent. • There is also potential reputational risk should the production quality not be of the appropriate standard. • Data collected by bots might end up being hosted on SHAI's infrastructure, risking SCC's ownership. 	1 1 1	<ul style="list-style-type: none"> • Have a signed service level agreement with SHAI, which clearly stipulates the deliverables and penalties for non-performance. • Perform a due diligence on SHAI to assess its capacity and competence to provide digital solutions. • Regularly check that the bots are working as they should, and for occasional human product testing. • Define data ownership contractually and possibly include a data portability clause. 	3
Data security and privacy			
<ul style="list-style-type: none"> • Given the sensitive nature of customer and accounting data, if not properly secured, SSC can become a target for cyberattacks or data breaches. (External parties may hack the system.) 	1	<ul style="list-style-type: none"> • Put access controls in place to ensure that only authorised personnel and bots have access to sensitive data. • Sign confidentiality agreements with SHAI and 	2

<ul style="list-style-type: none"> Data collected by the bots may be improperly used by the vendor, i.e. it will have authorised access but it could be used for unauthorised means. (Internal parties may misuse the information.) 	1	<ul style="list-style-type: none"> include punitive measures for data breaches occurring at SHAI. Have a signed service level agreement with SHAI, which clearly prohibits the use of the collected data for unauthorised/ illicit means and which specifies that the vendor should implement adequate measures to mitigate use of the data collected by its personnel. 	
Compliance and regulatory			
<ul style="list-style-type: none"> The implementation of the strategy may not be aligned or up to date with changing regulations and compliance requirements, as non-compliance may result in legal penalties (i.e., POPIA). 	1	<ul style="list-style-type: none"> Regular training of staff. Ensure SSC maintains proper audit trails and documentation. Subject its electronic systems to pre-scheduled compliance audits. 	1
Technical feasibility			
<ul style="list-style-type: none"> There can be technical issues with the AI tools, apps and bots, such as bugs causing the system to crash, which can disrupt the business. In the event of a technical bug, the error can be replicated over large quantities of data, well as across multiple functions which makes the process to rectify the issue onerous. Errors in technical configuration can lead to inaccurate decision making, communications, accounting and reporting. (If proper controls are not implemented (not just for the configuration part) over the development and implementation of the AI tools, apps and bots, this will lead to errors in the financial and non-financial data.). 	1 1 1	<ul style="list-style-type: none"> Robust testing before the tools are launched to processing of live data. Review of the data processed and produced by a competent individual. Appointment of suitably skilled staff to address the technical issues as they arise, to minimise disruptions to daily operations. A signed service level agreement (SLA) to set out the terms and conditions and requirements for configurations. 	3
Compatibility issues			
<ul style="list-style-type: none"> The systems developed may not be compatible with existing accounting systems and software, resulting in disruptions in workflows. 	1	<ul style="list-style-type: none"> SHAI must assess compatibility of its systems with SSC's accounting systems and software. 	1
Change management			
<ul style="list-style-type: none"> Employees may resist the adoption of strategy due to fear of job losses, particularly as it 	1	<ul style="list-style-type: none"> An effective, clear, empathetic and transparent communication strategy, 	3

<p>could lead to a cut of 50% of the staff compliment if the digital solutions are implemented.</p> <ul style="list-style-type: none"> Also, there may be resistance to change as employees fear changes in their roles and responsibilities. The adoption of a digital strategy requires a culture shift for which employees may not be ready. 	<p>1</p> <p>1</p>	<p>including discussions with unions and employee representatives, particularly as the workforce is likely to be cut, which means that retrenchments are imminent.</p> <ul style="list-style-type: none"> Carefully consider the employee mix, operational needs and where possible and practical, upskilling employees to enable them to take up new roles within SSC should their current jobs be made redundant. Adequate training of employees to be able to effectively work alongside SHAI and AI tools and handle exceptions that bots cannot manage. Fair retrenchment packages. SSC should consult with legal experts to ensure a fair and legally compliant retrenchment process. 	
Process complexity			
<ul style="list-style-type: none"> Non-standardised or non-routine accounting processes may be difficult to automate effectively with RPA. 	<p>1</p>	<ul style="list-style-type: none"> Process mapping to identify routine processes that can be automated and those that are non-routine and will still need to be done manually or with human intervention. 	<p>1</p>
Content curation			
<ul style="list-style-type: none"> Cooking shows that are being watched may not be aligned with the SSC brand and/or vision. The AI tools may be designed in such a way that it does not mitigate cognitive and information biases stemming from data used from social media, online recipes and TV shows. This could cause decisions made by AI tools to perpetuate these biases. 	<p>1</p> <p>1</p>	<ul style="list-style-type: none"> Assign individuals with overall oversight and responsibility. Regular calibration and testing of bots should take place, human oversight during the initial deployment phases should be maintained. 	<p>2</p>
Reputational Impact:			
<ul style="list-style-type: none"> Negative public perception of SSC due to AI monitoring social media and reducing the workforce. 	<p>1</p>	<ul style="list-style-type: none"> Develop a public relations strategy to communicate the benefits of digital transformation, engage with stakeholders early in the process to manage their expectations. 	<p>1</p>

		<ul style="list-style-type: none"> Maintain a visible human touch in consumer-facing activities and ensure fallback protocols are in place. 	
Disaster recovery			
<ul style="list-style-type: none"> If systems or bots fail, manual fallback may not exist. 	1	<ul style="list-style-type: none"> Robust disaster recovery planning and system backups. 	1
Other valid points			
<ul style="list-style-type: none"> 'Long-term' knowledge of the business and its products may be lost (i.e. some form of institutional memory) if the bots take over. 	1	<ul style="list-style-type: none"> Experienced personnel should document their knowledge and experience, e.g. in training manuals. 	1
Thank you for the opportunity, I hope you will find the above in order Kind regards Candidate			
Available	26	Available	26
Maximum	9	Maximum	9
<i>X1: Communication skill – layout and presentation</i>			1
<i>Z2: Business external environment</i>			1
Total for part (c)			20

Part (d) Describe the controls that should be put in place by SSC over the journal entries recorded by the bot.		Marks
1.	Employee training (all) – provide regular training to employees on the use of the bots to minimise the risk of incorrect usage.	1
2.	Segregation of duties (validity) – ensure that different individuals or teams are responsible for ‘bot’ configurations, bot operation and oversight. This will prevent a conflict of interest and reduces the risk of errors or fraud.	1
3.	Access controls for users (validity) – implement user access controls to ensure that only authorised personnel can run the bots. <ul style="list-style-type: none"> • The use of access tables (read/write tables) to limit access to authorised users (least privilege). • The use of unique username and password combinations. • Password controls such as a minimum of eight characters; a combination of letters and numbers; not easily guessed, inclusion of special characters, etc. 	1
4.	Access controls for the bot (validity) – define and limit the access rights of bots to specific systems and data required for the journal processing task. Limit the bot’s access to specific journal entries or prevent the bot from creating and approving the same journal entries.	1
5.	Supporting documentation (validity) - For each journal, supporting documents should be attached and kept in the electronic journal file or embedded in the accounting system and reviewed by authorised personnel before being posted.	1
6.	Approval (all / validity) – the journal entries created by the bots should be reviewed and approved by authorised personnel before being posted.	1
7.	Data validation controls (all) – Configure the bots to perform data validation checks before processing journal entries. This should include verifying the validity, completeness and accuracy of input data and can include for <u>example</u> the following. <ul style="list-style-type: none"> • Reasonability check: Rand value of debits = rand value of credits. (Control totals for the journals posted must agree.) • No blank fields for amount or GL codes or other fields etc. / the system does not process the journal if each general account name has / does not have a corresponding amount. 	1
8.	Sequence checking (completeness and validity) - The bots should allocate a unique sequential number to each journal entry and sequence check journal entries to identify missing and duplicate journal entries.	1
9.	Activity logs (all) – ensure that all access activities and bot activities (journal entry creation, modification, authorisation and deletion) are logged with detailed time stamps and user identifiers.	1
10.	Exception reporting (all) – configure the bots to be able to detect or flag <i>anomalies or errors</i> during journal entry processing. The following are <u>examples</u> of possible reports: <ul style="list-style-type: none"> • Any entries flagged by the bot as uncertain or falling outside defined parameters (e.g. materiality / monetary thresholds or unusual account combinations) should trigger exception reports. • Journal entries recorded twice / duplicates; entries where only one side (debit or credit) was recorded, entries missing a date, etc. 	1
11.	Follow-up procedures (all) – All access logs, activity logs and exception reports must be reviewed, followed up and resolved by relevant staff.	1
12.	Monitoring / operational testing of the ‘bot’ (all) <ul style="list-style-type: none"> • Testing of bot before operational implementation should be performed. 	

	<ul style="list-style-type: none"> Perform periodic reconciliations of bot output (journal entries) with information sources to detect discrepancies (can request review over 'bot' controls in the scope internal auditors). 	1
Available		12
Maximum		6
Total for part (d)		6

Part (e) Briefly explain whether or not you agree with the conclusion of the bot that 1 June 2024 is the acquisition date of PED by SSC (in accordance with IFRS).		Marks
<ul style="list-style-type: none">State what the acquisition date should be, if you do not agree with the bot's conclusion.Give reasons for your answer.		
1	The acquisition date is the date on which SSC obtains control over PED. SSC has control over PED when it has – power over PED, and <ul style="list-style-type: none">exposure or rights to variable returns from its involvement with PED, andthe ability to use its power to affect the amount of its returns.	1
2	An investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities.	T
3	Relevant activities are those activities that significantly affect the investee's returns.	T
4	In accordance with PED's Memorandum of Incorporation, power is obtained directly and solely from voting rights attached to its shareholding and how the voting rights related to the shareholding are exercised at the annual shareholders' meeting.	1
5	This means that the party with the majority of the voting rights will have the power to direct the relevant activities of PED. It is therefore not necessary to get into an investigation of the relevant activities	1
6	SSC has a 10% shareholding in PED and acquired an option to purchase 60% of the shares in PED on 1 February 2024.	1
7	In assessing whether SSC has power over PED, the potential voting rights in the form of the option to acquire 60% of PED's ordinary shares from nVestor are considered when they are substantive.	1
8	The options are substantive when SSC has the practical ability to exercise its option, i.e., when the options can be exercised. <ul style="list-style-type: none">Given that the options were acquired on 1 February 2024 and were exercisable from 1 April 2024, that would be the date of practical ability to exercise the option. This is before the next general shareholders' meeting of PED on 30 June 2024.There is no financial barrier preventing the exercise of the options. This further supports that SSC has the practical ability to exercise power over PED from 1 April 2024.SSC will benefit from synergies from the relationship with PED. This further supports that the options are substantive from 1 April 2024.	1 1 1
9	SSC has exposure to variable returns from its involvement with PED through the dividends it will get from its shareholding.	1
10	SSC is able to use its voting rights and power to affect the amount of its returns and dividends as it is acting on its own accord.	1
11	Based on the above, SSC has power over the relevant activities of PED through its shareholding and the potential voting rights. SSC has exposure to variable returns and the ability to use its voting rights and power to affect the amount of its returns and dividends. Thus, they have control. <i>(Mark for concluding on control)</i>	1
12	For the reasons outlined above, 1 June 2024 is not the acquisition date. The acquisition date is rather 1 April 2024.	1C
Available		12

Maximum	6
<p><i>X1: Communication skill – logical argument</i></p> <p><i>Comment: The required asks candidates to briefly explain. Read together with the mark allocation, the IAC candidates are expected to gauge the depth of their response in this instance.</i></p>	1
Total for part (e)	7

Part (f) Assume for part (f), irrespective of your answer to part (e), that the acquisition date of PED by SSC is 1 June 2024.		Marks
Calculate the goodwill or gain on bargain purchase that should be recognised on 31 December 2024 by the SSC group relating to the acquisition of PED.		
<ul style="list-style-type: none">Start with the goodwill balance of R24 978 539 as calculated by the bot in the consolidation entry.While tax is applicable, ignore the tax effect only on the fair value adjustments on the initial investment of 10% in PED.Provide each adjustment in a separate line.Do not re-process any journal entries.		
Goodwill as presented	24 978 539	
Effects on goodwill of adjustments to consideration transferred	668 112	
Liability to nVestor incorrectly measured	(25 000 000)	½
Liability to nVestor at PV	21 843 112	
<i>Total cash flow = R25 million (½) + R1,2 million (½) + R1,2 million (½)</i>		1½
<i>FV = 27,4 million; N = 2 (1); RATE = 12% (1); PV = 21 843 112</i>		2
Shares issued incorrectly measured	(12 500 000)	½
Shares issued measured on acquisition date (250 000 x R48,50)	12 125 000	1
Remeasurement of 10% shareholding on acquisition date (R10 million - R8,2 million)	1 800 000	1
Removal of transaction costs	(600 000)	1
Removal of capitalised interest	(700 000)	1
Option not included in cost	500 000	1
Contingent consideration not included	3 200 000	1
Effects on goodwill of adjustments to fair value of net assets	933 600	
Property, plant and equipment		
Reverse incorrect adjustment	7 500 000	½
Recognise correct adjustment (R24 million - R12,5 million)	(11 500 000)	1
<i>Deferred tax on owner-occupied land (R15 million - R5 million = R10 million (1) x 27% x 80% (1))</i>	2 160 000	2P
<i>Deferred tax on factory building (R9 million - R7,5 million = R1,5 million (1) x 27% (½))</i>	405 000	1½P
Intangible asset		
Reverse incorrect provisional fair value	20 000 000	½
Recognise final fair value	(25 400 000)	1
<i>Deferred tax on brand name (R25,4 million x 27%)</i>	6 858 000	1P
Non-current asset held for sale		
Reverse incorrect adjustment	500 000	½
Recognise correct adjustment (R3 million - R100 000 = R2,9 million (1) - R2,2 million (½))	(700 000)	1½
<i>Deferred tax on capital gain</i>	86 400	2P

<i>(R2,9 million - R2,5 million = R400 000 (1) x 27% x 80% (1))</i>		
<i>Deferred tax on portion of recoupment</i> <i>(R2,5 million - R2,2 million = R300 000 (1) x 27% (½))</i>	81 000	1½ P
Lease		
<i>Adjustment to lease liability (R9 372 418 - R9 549 210)</i>	(176 792)	1
<i>Deferred tax on lease liability (R176 792 x 27%)</i>	47 734	1P
Adjustment to ROU asset		
<i>Reverse incorrect adjustment</i>	1 771 590	½
<i>PV of off-market component</i> <i>(RATE = 12% (1); N = 5 (1); PMT = -150 000 (1); PV = R540 716)</i>		3
<i>Adjustment = R9 372 418 (½) - R540 716 (1C) - R8 228 410 (½)</i>	(603 292)	2
<i>Deferred tax on right-of-use asset (R603 292 x 27%)</i>	162 889	1P
Trade receivables		
<i>R3,9 million (½) - (R3,5 million (½) - R160 000 (½))</i>	(560 000)	1½
<i>Deferred tax on trade receivables (R560 000 x 27%)</i>	151 200	1P
Reversal of total incorrect deferred tax adjustment	(2 190 129)	1
Contingent liability incorrectly adjusted for no past event	(1 660 000)	1
Goodwill on prior business combination	4 000 000	1
Other adjustments	2 700 000	
Removal of reclassification adjustment	2 700 000	1
Correct goodwill balance	29 280 251	
	Available	38
	Maximum	35
	Total for part (f)	35
	TOTAL FOR PART II	68