



**National University of
Science and Technology**
Think in Other Terms



**FACULTY OF COMMERCE
DEPARTMENT OF FINANCE
BACHELOR OF COMMERCE HONOURS DEGREE IN FISCAL STUDIES
PART IV – 2nd SEMESTER FINAL EXAMINATION – APRIL/MAY 2014
AUDIT PRACTICE AND INVESTIGATION 2 [CFS 4202]
TIME ALLOWED: 3 HOURS**

INSTRUCTIONS TO CANDIDATES

1. Answer FIVE (5) Questions only.
2. Start the answer to each full question on a fresh page of the answer sheet.
3. Questions may be written in any order, but must be legibly numbered.
4. Write legibly.
5. Show workings

INFORMATION FOR CANDIDATES

The paper contains six (6) questions.

Question 1

Briefly discuss some of the risk indicators you can use in the assessment of risk in a Post Clearance Audit. **[20 Marks]**

Question 2

Given a Post Clearance Audit review, what issues would you look at in respect of:

- a. A commercial invoice. **[10 Marks]**
- b. A valuation declaration. **[10 marks]**

Question 3

- a. Briefly describe the phases of money laundering. **[15 Marks]**
- b. Explain some of the techniques that are normally used in the integration process. **[5 Marks]**

Question 4

PCD (Pty) Limited is a South African company that is in the civil engineering industry. It has been constructing a mining site for DJ (Pvt) Limited, a Zimbabwean company in Shurugwi and the project is expected to take 32 months. The project involves designing the site, which was wholly executed by head office in South Africa and then erecting the structures in Zimbabwe where it has opened an office near the site, which is manned by its project engineer who will be in Zimbabwe throughout the construction period. The project engineer is supported by 30 locally recruited staff that is all on contract for the duration of the period. PCD has approached you for advice on the tax implications of executing

the project in Zimbabwe especially considering PAYE for its expatriate staff and also the profits from the project. They believe the project engineer should be taxed in South Africa and that their profits by the same token should be taxed in South Africa since the contract for the execution of the project was concluded in South Africa.

You are required to write a report giving your opinion based on the relevant articles of the OECD Double Taxation model since Zimbabwe has a DTA with South Africa. **[20 Marks]**

Question 5

Tax planning is often viewed as an activity that is not moral. Discuss this view with reference to tax avoidance and tax evasion. **[20 marks]**

Question 6

- a. Briefly explain what you understand by transfer pricing. **[5 marks]**
- b. Discuss why it is difficult to find an exact arms length price in transfer pricing. **[15 marks]**

END OD EXAMINATION PAPER