COMPANY TAX U6 AND L6 COM

* 6) GENERAL CONDITIONS FOR THE DIDUCTIBILITY OF EXPENSES:  
  Deductibility refers to the ability of an expense to reduce the taxable income of a business. In short, this is the ability of an expense to be subtracted from taxable income and during the fiscal year for expenses to be eligible for deduction or to be considered as fiscally deductible expenses from the revenue released by a company in order to obtain a taxable net income, they have to satisfy the following conditions:  
  - If the value of the expense is 1000.000 FRS or above, it must be paid by any other means apart from the physical cash.  
  - The source document carrying the expense must carry the unique identification number of the tax payer, except for documents from foreign suppliers  
  - They should be related to the operating activities of the business and should be in direct interest of the operation of the business or be related to the normal management and running of the business.  
  - The expenses should correspond to effective or actual conditions and should have been regularly invoiced and recorded.  
  - They should not be over stated, inflated or exaggerated.   
  - They should not correspond to the sumptuous or costly looking expenditures.  
  - They should be part of expenditure of the fiscal period as stipulated by the actual account concept.   
  - They should have been recorded and justify by accounting documents.   
  - They should not be undertaken for personal purposes.   
  - Payments made to persons of the liberal profession who are operating in violation of the rules and regulation of their profession shall not be deductible.   
  - All payments made to person resident in a country or an area? Considered as “tax heaven” by the Cameroon tax law shall not be deductible.   
  - Payment made to person of the liberal profession who are operating in violation of the rules and regulation of their profession shall not be deducted  
  7) THE FISCAL CLASSIFICATION OF EXPENSES  
  The fiscal law classifies expenses into six (6) categories as follows:  
  • Overheads or general expenses which brings together purchases, transport expenses, external services, taxes, rate and fiscal expenses, insurance premium, donation and subventions;  
  • Financial expenses  
  • Actual losses  
  • Provisions; and  
  • Losses incurred on exchange transaction  
  8) THE EXAMINATION OF EXPENSES:  
  Apart from the general conditions for the deductibility of expenses of specific fiscal rules applied to some expenses in order to have an overall view of these specific rules, all expenses will be studied, following their classification by nature. This study will enable us to decide whether an expense is eligible for deduction (deductible expenses) or not   
  8.1) ACCOUNNT 60: PURCHACES AND VIRIATION OF STOCKS:  
  The elements of account 60 are deductible when they fulfill the general conditions for the deductibility of expensed and when the rules of stock valuation are respected. Purchase and consumption of materials and stores are analyzed in table s16 of the statistics and tax return  
  8.2) ACCOUNT 61: TRANSPORT EXPENSES:  
  The element of account 61 is deductible when they fulfill the general conditions for expenses; however, the following specific aspect should be highlighted   
  • Transport (traveling) expenses paid to an employee or salaried shareholder on leave and his family (wife and children) are deductible only if the journey was effective  
  • Again, payment to salaried workers of transport allowances are allowable or deductible only if they do not give chance to any reimbursement on presentation on the actual bill or invoice; that is, transport expenses should not be cumulative or duplicated expenditure is said to be cumulative or duplicated when a flat allowance is allocated and the actual amount incurred by the workers are reimbursed to them  
    
  8.3) ACCOUNT 62 EXTERNAL SERVICES:  
  The elements of account 62 are described when they fulfill the general conditions for deduction of expenses; however, the following specific aspects should be highlighted.  
  • Rents paid on personal estates (e.g. equipment machinery …)  
  They are deductible if they are not overstated or exaggerated with regards to their amounts.  
  They are not deductible when they are paid to a particular shareholder holding at least 10% of the share capital.   
  For the application of this provision, shares of spouse, ascendant and descendant are considered belonging to the shareholder or partner  
  • Rent paid on real estates ( lands, buildings)  
  They are deductible if they are not exaggerated with regards to their amount. The clause n shareholding does not apply here. This simply means that rents paid to shareholders for say? A building put at the disposal of the company is fully deductible if they are not exaggerated.  
  • Repairs and maintenance  
  They are only deductible when their objective is not to increase the life span of the asset in question. Capital expenditures are therefore not deductible.   
  • Insurance on assets( account 625)  
  They are deductible when subscribed to the benefit of the enterprise’ if the occunce of the risk covered will lead diminution of the net assets of the enterprise. It is therefore admitted as general expense insurance premium aimed at covering risk of the disasters, therefore fixed assets and stocks of non-recovery of debt  
  • Life insurance  
  Life insurance subscribe for by the enterprise for risk coverage on the death of the personnel, say the general manager is not deductible. The reason is that, personnel are not assets  
  • Health insurance  
  They are deductible only if they are paid to an insurance company located in Cameroon on behalf of the personnel and on condition that they are no reimbursements for hospital bills to the benefits of the persons insured. For health insurance to be deductible, the law insist that it should be for the benefit of all the personnel or a given Category of the personnel and not individual  
  Illustration: rents paid on personal estate to a shareholder  
  NOUKI J.S.C…released an accounting net income of 28000.000frscfaf. We are informed that a shareholder named Mr. Smith holds 9% of the capital while Mrs. holds 5%. Meanwhile Mr. Smith receives annual rent of 1500 000 FRS for a heavy equipment put the disposal of a company.  
  Required: Determine the taxable net income  
  Solution  
  Shareholding proportion: 9%+5%=14 > 10%  
  Account profit 25000 000CFAF  
  Reinstatement: rent 1500 000CFAF  
  Taxable profit 26000 000CFAF  
    
  8.4) ACCOUNT 63: External services B  
  The elements of account 63 are deductible when they fulfill the general conditions of deduction of expenses. However, there are some exceptions:  
  i) Head office expenses and royalties for study, research, technical financial or accounting assistance  
  These expenses are usually recorded by account 621-research engineering and documentation or632-intermediation and consultancy remunerations.  
  a) Definitions  
  - Head office expenses are expenses incurred within the framework of relation existing ts head office.  
  - Studies are research works carried ou the enterprise by third party.  
  - Financial assistance is concerned with sums advanced or lent to the enterprise, including other financial services such as guarantee  
  - Technical assistance corresponds to the supply of technology.  
  - Accounting assistance can be manifested in many forms such as the timely detachment of officials to follow up the setting up account systems and accounting audit missions.  
  b) Calculation of the limit of deductibility  
  The head office expenses and the above-mentioned services, rendered to Cameroonian enterprises by foreign or Cameroonian natural or artificial persons are deductible to the limit of 5% of the taxable net income before the deduction of these expenses; or 2.5%of the annual turnover for public works firms and 7.5% of the annual turnover for research work and design firms (including engineering consultancies) operating in accordance with the regulations governing their operation.  
  Particularly, the total expenses are reinstated and after the calculation of the intermediary taxable net income (taxable income before deduction of the expenses).  
  For public and research works undertaking the unit of deductibility is 2.5% and 7.5% respectively of the annual turnover realized. It therefore means that amounts above the limit are not deductible and eligible for reinstatement.  
  If the actual amount of the expenses is less than the limit calculated, the actual amount should be considered and deducted. If it is greater than the deductibility limit, the limit should be considered and deducted.   
  In case of a deficit, this provision shall apply to the intermediary net profit of the last financial year that registered a profit, with no limitation of time.  
    
  Illustration: deductibility of head office and related expenses  
  PUPI Plc. realized an accounting net profit of 456 000 000 CFAF for the year ending 31 December 20XXX  
  During the year accounting honoraria were paid by PUPI Plc. to the American parent company, amount 22 725 000 CFAF   
  Required: Determine the taxable profit on the basis of the above data and in the case where the profit was 124 000 000CFAF  
  Solution  
  • Determination of the taxable profit where the accounting profit is 456 000 000 CFAF  
  Accounting profit 456 000 000   
  Reinstatements  
  Head office expenses accounting honoraria 22 725 000  
  Intermediary taxable profit 478 725 000  
  Deductions:  
  Head office expenses: accounting honoraria   
  (5% of 478 725 000 = 23 936 250) > 22 725 000 (22 725 000)  
  Note: the taxation office deducts the smaller amount for higher taxable   
  Profit that can benefit the state.  
  Taxable profit 456 000 000  
    
    
  • Determination of the taxable profit where the accounting profit is 124 000 000CFAF   
  CFAF   
    
  Accounting profit 124 000 000  
  Reinstatements  
  Head office expenses accounting honoraria 22 725 000  
  Intermediary taxable profit< 146 725 000  
  Deductions:  
  Head office expenses: accounting honoraria   
  (5% of 146 725 000=7 336 250)<22 725 000 (7 336 250)  
  Note: the taxation office deducts the smaller amount for higher taxable   
  Profit that can benefit the state.  
  Taxable profit 139 388 750  
  ii) Commissions and brokerages paid on goods purchased abroad (Account 6321)  
  They are deductible to the limit of 5% of the free On Board (FOB) value of the purchases concerned –purchase price. Accessory expenses on purchase should be recoded in the expenses accounts concerned.  
  iii) Royalties for use of patents, brands, designs, software, trademarks and similar rights (account634)  
  They are deductible when their validity is in process. However, they are not deductible when they are paid to a company located out of the CEMAC or ECCAS zone and participating in the capital and the management of the Cameroonian company. In this case, the royalties are considered as distribution of profit; they are subject to company tax and tax on income from security. However, these royalties will be considered as remunerations paid to foreign firms and eligible to a 5% deduction on the intermediary taxable profit (or eligible to 2.5% or 7.5% of annual turnover for public and research work undertakings) when paid to a firm situated out of the ECCAS zone and not part taking in shareholding and management;  
  Illustration: royalties paid to foreign firms   
  SFANVINC Company Ltd Cameroon realized a profit before corporation tax of 8000 000 CF AF during the year ending 31/12/20X7; This Company paid royalty as follows for the use of the wine table:  
  • 2 000 000CF AF to a Spanish wine producer,   
  • 2 500 000CF AF to an Equatorial Guinean wine company  
  Required:   
  i) - determine the fiscal profit of SOFAVING  
  ii)-determine the fiscal profit under the hypothesis that the production manager of SOFAVINC is an employee of the Spanish wine producer and the Spanish wine producer own share in SOFAVINC  
    
  SOLUTION  
  i)profit before tax  
  Add Reinstatements:   
  - Royalties to Spanish firms  
  Intermediary taxable profit   
  Less deduction:  
  Remuneration to foreign firm:  
  (5% x10 000 000=500 000<2 000 000)   
  Taxable profit   
    
  CF AF  
    
    
  2 000 000  
    
    
    
  500 000 CXF AF   
  8 000 000  
    
  2 000 000  
  10 000 000  
    
    
  (500 000)  
  9 500 000   
    
    
    
  Ii) profit before tax  
  Add Reinstatements:   
  Royalty to Spanish firm  
  Taking part in share holding  
  Taxable profit   
    
    
  2 000 000 8 000 000  
    
    
  2 000 000  
  10 000 000  
    
  iv) Remunerations of external staff (account 638)  
  They are only deductible when they are compensations for effective work done.  
  v) Missions (outstation) and reception expenses(account 638  
  They are only deductible when they correspond to effective service; however, if for the same expenses, we have two different amounts: the annual expenses from an invoice (or bill) and a flat amount for mission allowances, the flat amount must be reinstated.  
  8.5) account 64: rates and taxes  
  The element of account 64 is deductible when they fulfill  
  The general conditions for deduction of expenses and they concern professional taxes paid within the accounting period concerned with the calculation of net profit such as:  
  - Business permit and licenses  
  - Registration duty   
  - Road taxes, etc  
  The following rates and taxes are not deductible:   
  - Fiscal fines, penalties, fiscal condemnation for violation of the tax law, economic and fiscal provisions.   
  - Company tax  
  - snal income  
  However, tax relief granted on the deductible taxes shall fall under revenue of the financial year during which the company shall be notified of the authorization of payment there of.  
  8.6) account 65: other expenses  
  The elements of account 65 are deductible when they fulfill the general condition for deduction of expenses. However, the following specific cases should be considered.  
  i) Sitting allowances and other remunerations to administrators( account 6581)  
  They are only deductible when they are paid because of effective work done such as: attendance to board meeting proven by attendance sheets and special mission. Also, the amount of the sitting fees should not be exaggerated. Attendance fees granted for the simple fact of bng mmb board of directors are to be reinstated. Salaries and sitting allowances paid to shareholders and partners of a public limited company and private limited company are fully deductible.  
  ii) Gifts, donation and sponsorship (account 6582 and 6583 respectively)  
  There are not deductible. However gifts, subventions and sponsorships are deductible to the limit of 0.5% of annual turnover ( before turn over taxes) when they are paid to the research and development bodies, to organizations of public and general interest with a philanthropic, social, sporting, educational, scientific, and cultural nature located in Cameroon. Again, gifts and donations made to clubs participating in elite national competitions or to organizers of official sports completions are deductible when they are justified and within the limit of 5% of the annual turnover.  
  iii) Operating provisions( account 659)  
  The accounting law authorizes the constitution of provisions mainly based on the fact that risk should be highly foreseeable. The principles of fiscal law lead to the non-deductibility of some provisions which are nevertheless justified by accounting point of view. Deductible provisions must fulfill the following conditions  
  ¬ Fundamental conditions:  
  • The provisions must be related to a deductible expense.  
  • The provisions must have a specific reason.  
  • The provisions must be probable and not only possible.  
  • The provisions must be related to the period of calculation of company’s tax.  
  ¬ Conditions of forms:  
  • The provisions must be recorded during the accounting period of calculation of company tax.  
  • The provision must be recorded in the statistic and tax return.  
  The deductibility of provisions can be summarized on the following table  
  Nature of provision deductible reasons  
  Provisions for company tax No The company tax is non-deductible  
  Provision for doubtful costumers Yes  
  No If problem  
  If imaginary( especially for the amount)  
  Provision for state debts No Not usually deductible  
  Provision for fire accident No Incidental ( no assurance of the occurrence of it  
  Provision for renewal of vehicles No Investment   
  Provision for depreciation of securities and for depreciation of stocks yes If actual loss ( current c cost is < purchase cost  
  The expense should be probable  
  Provision for sundry incidences No Incidental (not probable)  
  Provision for works or sales guarantee No Incidental   
  Provision for constitution or retirement or lay off funds No Incidental   
  Provision for life insurance No Incidental   
  Provision for paid leaves No Non-deductible for the amount too be paid as leave allowances known and not probable. Reinstate the provision of current and deduct the provision of previous year  
    
  8.6) account 66: personnel expenses  
  • the element of account 66 (salaries, benefits in kind and allowances) paid to any employee (shareholders or not) are deductible from the results so far as they are not over stated or exaggerated as compared to the service rendered and they correspond to effective work, and are in conformity with conventional norms. Any access should be justified in a nutshell; any abnormal salary should be reinstated.   
  • Employer’s social contributions (account 664): they are deductible if the receiving organizations are located in Cameroon. Those paid to foreign organizations are not deductible  
  However, when it concerns employer’s contribution to a foreign old age pension form for the benefit of an expatriate, the deductibility is limited to 15% of the basic salary of the works concerned.  
  • Paid leaves(account 6623):they are deductible for the period during which the employee effectively takes his/her leaves  
  • Flat allowances paid to personnel (account 663): these are allowances (representation, displacement and house allowances) paid to managerial or senior staff to cover expenses which they incurred. These allowances are deductible if:  
  - They are incurred fully exclusively and necessarily in the performance of the duties of the enterprise.  
  - They are not exaggerated in relation to the post held by the beneficiary;  
  - They respect the non-cumulative principle (paying once for an item)  
  8.7) Account 67: financial expenses:  
  Interest paid to shareholders in respect of sums they leave with or place at the disposal of the company over and above their capital (amounts placed in shareholders or partners current accounts) shall be deductible to the limit of the central bank interest rate increase with 2 points (2%)  
  Illustration: deductibility of interest on shareholders current accounts  
  Balla Plc paid interest on shareholders Pajou’s current account with a principal of 50 000 000 CF AF 9months at the rate of 16% .the central bank rate for the period stood at 11.5  
  Required: determine the deductible interest and the amount of the interest to be reinstated.  
  Solutions: deductible rate =11.5% +2%=13.5%  
  Interest paid at 16% = (50 000 000 x16 x9)/ 1 200= 6 000 000 CF AF   
  Deductible interest= (50 000 000x 13.5 x9) /1 200=5 062 500CF AF  
  ¬ Excess interest to be reinstated=6 000 000 -5 062 500=937 500CF AF  
  OR  
  Remuneration rate =16%  
  Central bank rate 11.5%  
  Fiscally acceptable rate=11.5+2%=13.5%e  
  Difference in rate=16.5%-13.5%=2.5%  
  Excess interest to be reinstated = (50 000x 2.5x 9)/1 200=937 500CF AF  
  8.7) ACCOUNT 68: depreciation expenses  
  The elements of account 68 are deductible when:  
  - They fulfill the general the general condition of deduction of expenses  
  - They concern a depreciable fixed asset belonging to the firm.   
  - They are recorded during the accounting period of calculation of company tax.  
  - They are calculated following the strait line or constant method with the legal rate of depreciation provided by the tax code  
  According to section 7b of the GTC, the threshold for expendable equipment and tools which should be recorded under fixed asset is four hundred thousand (400 000CF AF)  
  8.8) other specific expenses  
  The following specific cases should be highlighted:  
  i) Sumptuous expenses   
  These are expenses on non-business related issue. They are in principle non-deductible and include:  
  - Expenses of any sort related to the exercise of hunting, fishing, tourism, sports, pleasure trips;  
  - Expenses incurred on pleasure items.  
  However, these expenses can be deductible if they are necessary for the activity of the enterprise.  
  ii) thefts, proper losses and others ( account 658/81 and others)  
  Any loss or shortage of asset that is caused by any of the following situations is deductible if the company has engaged against the act of legal punitive procedure embezzlement, theft, or bankruptcy of a debtor. The following are not deductible if they have not been transferred or recovered:  
  • expenses incurred on behalf of a third party  
  • transferable expenses such as:   
  - Expenses on the sale of fixed asset,   
  - Deferred expenses (formation expenses, research and development expenses, expenses on issues of bonds).  
  Iii) The case of previous losses  
  - Any loss sustained in a given year shall be considered as an expense on the following year and deductible from profit made in that year. Should this profit be inadequate or insufficient for the deduction to be made in its entirety, the loss still outstanding shall be carried to subsequent years up to the fourth year that follows the year of the loss.  
  For example, the loss registered in the year ending 31/12/20x0 can be set off against the profit of the years 20x1, 20x2, 20x3, and 20x4.  
  9) THE FISCAL EXAMINATION OF REVENUUES  
  The general conditions for the taxation of revenues are that:  
  • the revenue should relate to the fiscal year in question,  
  • the revenue should have been recorded or accounted for;  
  • the revenue should not be understated,  
  6 The revenue should not relate to a tax allowance.  
  The following aspects should however be highlighted on each of the revenue accounts: 9.1 Account 70: Sales revenue  
  The elements of account 70 are taxable when they fulfill the general conditions of taxation of revenues.  
  9.2) Account 71: Operating subsidies and grants  
  They are taxable on account of profits of the period during which they are paid.  
  9.3) Account 72: Self - constructed assets  
  The elements of account 72 are taxable so far as the corresponding expenses are deductible.  
  9.4) Account 73: Variations of stocks of items and services practiced  
  They are taxable in as much as they are compensations for deductible expenses.  
  9.5) Account 75: Other revenues  
  The elements of account 75 are taxable when they fulfill the general conditions of taxation of revenues; however there are some exceptions:  
  • Operating provisions written hack (Line 19, Table 22 STR. STANDARD SYSTEM),  
  They are not taxable when they are related to non-deductible provisioned, expenses; tor instance written back provision on paid leave (line 19, Table 22 STR Standard .system). They are taxable when they relate to deductible provisions; for instance a provision on doubtful customers which was deductible during the year 20X0 will be taxable if written back in the year 20X1.  
  • Indemnity for life insurance on-behalf of the Company (line 19, Table 22 STR, standard system)  
  They are taxable with deduction of insurance premium paid for life insurance on behalf of the company previously reinstated.  
  Tax credit (deduction) of deductible taxes  
  Examples of deductible taxes include business license, permits and registration duties. Any reimbursement of these taxes by the taxation office is taxable. Tax credits are receipts of the year of notification of the order of payment. They are recorded by the credit of account 75 - Other revenues.  
  This should not be confused with the tax credit rotated to the company tax recorded by the credit of account 899, which will escape from taxation and will only come as a ded buction of the company tax payable.  
  9.6) Account 77: Financial revenues  
  The elements of account 77 are taxable when they fulfill the general condition for taxation of revenues: however they are some specific aspects to be retreated: i) Dividends and interest on deposits  
  The tax on dividends and interest on deposits is withheld at source .by the person making the payment and subtracted from the annual company tax liability by the company so as to obtain the net company tax payable. This provision does not apply to parent companies which -receive dividends from their subsidiary firms. Practically, accountants record dividends and interests in one of two manners:  
  # First alternative: They record only the payment of the dividend or interest at its. net value by:  
  D: Cash account (by the net dividend or net interest)  
  C: 77 — financial revenues (by the net dividend or net interest  
    
    
  In this case, during the fiscal analysis of revenues at the end of the fiscal year, the deducted tax on the dividend or interest is reinstated into the accounting net income so as to actually tax the gross dividend or gross interest. After the calculation of the company tax on the basis of the taxable net income, the tax is then deducted from the company tax since it was an advance on company tax.  
  • Second alternative: They record both the declaration of the dividend or the interest at its gross value and its payment at its net value as follows (the prescribed method):  
  ⎫ Declaration:  
  D: 4711 - Sundry Debtors (by the net dividend or net interest receivable)  
  D: 4478 - State, tax deductions at source (by the income tax. to be deducted at source)  
  C: 77 - Financial revenues (by the gross dividend or gross interest)  
  ⎫ Payment of the dividend or interest:  
  D Cash account (by the net dividend or interest)  
  C: 4711 - Sundry Debtors (by the net dividend or interest)  
  Or again if the declaration and payment are simultaneously made, the entry should be:  
  D Cash account (by the net dividend or net interest).  
  D: 4478 - State, tax deductions at source (by the income tax to be deducted at source).  
  C 77 - Financial revenues (by the gross dividend or gross interest).  
  When tins alternative is used during the fiscal year, the deducted tax. On the dividend or interest shall no longer be reinstated to the accounting net income during the fiscal analysis of revenues at the end of the fiscal year. However, after the calculation of the company tax on the basis of the taxable net income, the tax is then deducted from the company tax since it is an advance on company tax.  
  9.7) Account 78; Transfer  
  The elements of account 78 are taxable because they constitute the compensation of deductible expenses.  
  9.8) Account 79: Provisions written back  
  The elements of account 79 are taxable when they respect, the general conditions of taxation of revenues. However, they are not taxable when they are related to a non-deductible provision expense.  
    
    
  EXERCISES ON THE COMPANY TAX  
    
  TYKO Pic, a general trade business, P.O. Box 565411 Yaoundé was created on the 1st January 20X0 with a capital of 550 000 000 CFAF. For the financial year ended December 31st 20X9, its main profit and loss accounts show the following data:  
  A) Ordinary activity profit or loss:  
  • Total debit 374 352 500 CFAF  
  • Total credit 508 362 500 CFAF  
  B) Extraordinary activity profit or loss:  
  • Total debit 92 000 000 CFAF  
  • Total credit 47 990 000 CFAF  
  From an examination of the profit and loss accounts, the following observations are made:  
  a) Payment of 320 000 CFAF during the year as fiscal penalties.  
  b) The examination of depreciation schedules reveals that a truck bought on 1sl July 20X8 for 25 000 000 CFAF with a useful life of 4 years has been depreciated following the reducing balance method (coefficient: 1.5).  
  c) The statement of provisions reveals:  
  • Provision for doubtful customers: 2 470 000 CFAF (of which 2 000 000 CFAF for customers against whom the company has engaged a legal procedure).  
  • Provisions for company Tax: 4 300 000 CFAF.  
  • Provisions for the renewal of fixed assets: 2 000 000 CFAF.  
  • Provisions for paid leaves: 2 500 000 CFAF.  
  • Previously taxed provisions written back :  
  Provisions for Company Tax: 2 940 000 CFAF.  
  Provisions for staff leave: 4 000 000 CFAF.  
  d) Royalties paid to foreign and national service providers on account of administrative and accounting assistance amount to:  
  • 9 000 000 CFAF to a South African company;  
  • 10 000 000 CFAF to the DJAMBOU Accounting Firm based in Douala.  
  e) Mr Emmanuel, a commercial senior salaried employee of the company received 2 800 000 CFAF during the year 20X9 as a flat allowance, for displacements to South Africa. He has been reimbursed 1 600 000 CFAF on presentation of justificative vouchers for several displacements in Cameroon.  
  f) The company imported an equipment whose purchase price is 16 500 000 CFAF from Germany and paid 8.5% of the price as brokerage on the purchase   
  g) Some shareholders put at the disposal of the company funds of which deposits and withdrawals were as follows:  
  • WENEGOH:  
  - Balance as at 01/01/20X9: 5 000 000CF AF  
  - Deposit on 01/10/20X9: 10 000 000CF AF  
  - Withdrawal on 31.10.20X9: 3 000 000cf af  
  • TSANKING:  
    
  - Deposit made since the 01/01/20X8: 15 000 000 CFAF  
  - Withdrawal on 30/06/20X9: 10 000 000 CFAF  
  These funds have been remunerated at the rate of 16%, The Central Bank rate for advances of the current year has been 11.5%.  
  h) The company organized a swimming gala for Its main customer of which the cost found in the accounting records of the company Is 1 560 000 CFAF.  
  i) The following items appear within sundry expenses:  
  • 750 000 CFAF of life insurance to the benefit of the General Manager;  
  • 7 000 000 CFAF of donation granted, to the Cameroon National Football Team;  
  • 12 000 000 CFAF of donation granted to ‘Group FOKOU Plc' on the occasion of its anniversary.  
  j) The company received net dividends from securities of 5 010 000 CFAF, recorded at the net value.  
  k) The sum of 5 300 000 CFAF of financial revenue is exempted from tax following a recent fiscal measure.  
  l) Advance payments of company tax made during the year are as follows:  
  • Prepaid tax on purchases 885 200 CFAF  
  • Fiscal minimum (1.1% of turnover) ? CFAF  
  • Other, levies 754 800 CFAF •  
  m) Fiscally deductible deficits of the previous years are as follows:  
  • 20X6 27 700 000 CFAF  
  • 20X7 19 900 000 CFAF  
  • 20X8 12 600 000 CFAF.  
  n) The turnover (tax exclusive) of the company stands at 1 250 000 000 CFAF for the 20X9 financial year:  
  Work required:  
  Calculate the taxable net income of the 20X9 fiscal year, using table 22 of the STR.  
  Calculate the company tax for the 20X9 fiscal year using table 23 or 24 of the STR.

Lesson …: PRESENTATION OF LIQUIDITY BALANCE SHEET  
  
  
Objectives :  
- To define the liquidity balance sheet ;  
- To move from the accounting balance sheet to the liquidity balance sheet;  
- To identify the various types of reclassifications;  
- To establish the condensed liquidity balance sheet.  
There is need for an entity to express her balance sheet on the basis of liquidity such that the risks weighing on her towards her debtors and creditors can be actually valued. This form of balance sheet gives information to stakeholders on the solvency and above all, the financial liquidity of the entity.  
  
  
I- Definition  
The Revised SYSCOHADA defines liquidity balance sheet as a balance sheet whose headings are based on the criteria of liquidity for assets and due dates(or exactions) for payment for liabilities.  
  
  
II- Moving from the accounting to the financial balance sheet  
The is done with the help of tables of reclassification of the various headings of the accounting balance sheet which are presented as follows :  
  
- Table of reclassification of assets  
  
  
Elements   
Book value  
(BV) Actual value (AV) Capital Values Fixed assets (FA) Operating values (OV) Realisable values (RV) Cash and equivalents (CE)  
Capital gains (+) Capital losses (-)   
  
  
- Table of reclassification of liabilities  
  
  
Elements   
Amounts Owners equity  
(OE) Medium & long term debts(MLTD) Short term debts(STD)  
  
  
III- Identification of the various types of reclassifications  
  
  
III- 1 Financial analysis of headings of assets  
  
  
Elements Capital values Fixed assets Operating values Realisable values Cash &  
equivalents  
Gains (+) Losses (-)   
Intangible fixed assets   
AV>BV   
AV X   
-   
-   
-  
Tangible fixed assets   
AV>BV   
AV X   
-   
-   
-  
Financial fixed assets   
AV>BV   
AV 1 year   
- Part of less than  
1 year   
-  
Stocks AV>BV AV safety stock - -  
  
Realisable values   
AV>BV   
AV - Part with difficulties to be recovered of less than 1 year. Part immediately recoverable  
Cash &  
equivalents   
AV>BV   
AV -   
-   
-   
x  
Asset conversion variance   
x   
x   
X   
-   
X   
-  
  
N.B :  
• The values to be considered are the actual values (AV) or financial values ;  
• There is capital gain when the actual value is more than the book value and capital loss when the actual value is less than the book value.  
• When asset conversion variance is covered with a provision :  
- It has to be added to realisable values if it originates from receivables or payables of less than one year ;  
- It has to be added to fixed assets if it originates from receivables or payables of  
more than one year ;  
- If the origin of the variance is not indicated, it has to be added to cash & cash equivalents.  
  
  
ILLUSTRATION  
Let’s consider the following balance sheet of Thalia Entity as at 31/12/2018 :  
  
Assets Liabilities  
Headings Amounts Headings Amounts  
Lands 5 000 000 Capital 53 000 000  
Buildings 25 000 000 Reserves 3 800 000  
Transport equipment 30 000 000 Net profit after tax 16 920 000  
Goods 5 800 000 Provisions for risksand expenses 680 000  
Customers debts 2 000 000 Financial debts 5 000 000  
Customers, bills receivable 2 500 000 Suppliers debts 4 500 000  
Marketable securities 1 800 000 Taxes and rates 1 200 000  
Bank 10 000 000   
Cash 3 000 000   
Total 85 100 000 Total 85 100 000  
  
Additional information:  
- Lands are valued at 6 500 000F ;  
- Transport equipment is valued at 28 000 000F ;  
- Safety stock represents 20% of total stock;  
- As for bills receivable, 500 000F are difficult to be recovered and 200 000F shall be recovered in two years;  
  
- The net profit shall be appropriated as follows: 920 000F to reserves, the balance to be distributed to shareholders in03 months ;  
- 25% of provisions for risks and expenses are not justified;  
- Financial debts shall be paid as follows : 1500 000 F in 6 months’ timeand the  
balance in 2 years;  
- 1 000 000 F of suppliers debts shall be paid in 14 months and the balance in three months.  
  
  
TASK : Present the table of reclassification of assets  
SOLUTION  
  
Elements Book values Actual  
Value Capital values Fixed assets Operating values Realisable values Cash &  
equivalents  
Gains (+) Losses (-)   
Lands 5 000 000 6 500 000 1 500 000 - 6 500 000 - - -  
Buildings 25 000 000 25 000 000 - - 25 000 000 - - -  
Trans. eqpt 30 000 000 28 000 000 - 2 000 000 28 000 000 - - -  
Goods 5 800 000 5 800 000 - - 1 160 000 4 640 000 - -  
Trade debts 2 000 000 2 000 000 - - - - 2 000 000 -  
Bills receivable 2 500 000 2 500 000 - - 500 000 - 1 800 000 200 000  
Marketable securities 1 800 000 1 800 000 - - - - - 1 800 000  
Bank 10 000 000 10 000 000 - - - - - 10 000 000  
Cash 3 000 000 3 000 000 - - - - - 3 000 000  
Total 85 100 000 84 600 000 1 500 000 2 000 000 61 160 000 4 640 000 3 800 000 15 000 000  
  
III.2- Financial analysis of liability headings  
  
  
  
Elements Actual  
Values Owners equity  
(OE) Medium & long term debtsMLTD) Short term debts(STD)  
Capital, reserves, b/f X - -  
Net income (result) Portion retained  
as reserved   
- Portion distributed as  
dividends  
Capital gain (+ value) Capital gain Capital gain - -  
Capital loss (- value) Capital loss Capital loss - -  
Provisions  
for risks and expenses Justified   
-   
X   
-  
Not justified   
67%   
-   
33%  
Financial debts - If more than 1 year If less than 1 year  
Advances and payments   
-   
-   
X  
Suppliers - If more than 1 year X  
Other debts - If more than 1 year If less than 1 year  
Bank advances - - x  
Liability conversion  
variance   
X   
X   
-   
-  
  
  
  
Illustrtion:Let’s consider the previous illustration and present the table of  
reclassification of liability headings.  
  
SOLUTION :  
  
  
Elements   
Amounts Owners equity  
(OE) Medium & long term debts(MLTD) Short term debts(STD)  
Capital 53 000 000 53 000 000 - -  
Reserves 3 800 000 3 800 000 - -  
After tax net profit 16 920 000 920 000 - 16 000 000  
Capital gain or loss - 500 000 -500 000   
Prov. for risks and expenses 680 000 113 900 510 000 56 100  
Financial debts 5 000 000 - 3 500 000 1 500 000  
Trade credits 4 500 000 - 1 000 000 3 500 000  
Taxes and rates 1 200 000 - - 1 200 000  
TOTAL 84 600 000 57 333 900 5 010 000 22 256 100  
  
IV- Establishment of liquidity balance sheet  
  
  
The liquidity balance sheet is established from the main headings of the tables of reclassification of assets and liabilities as follows :  
  
  
CONDENSED LIQUIDITY BALANCE SHEET AS AT 31/12/2018  
ASSETS LIABILITIES  
ELEMENTS AMOUNTS % ELEMENTS AMOUNTS %  
Fixed assets Owners’ equity   
Operating values Medium and L.T debts   
Realisable values Short-term debts   
Cash & its equivalents   
TOTAL TOTAL   
  
NB: % =total of heading X 100  
Total of balance sheet  
  
  
Illustration: Using the tables of reclassification of assets and liabilities of Thalia  
Entity, present the condensed liquidity balance sheet.  
  
  
SOLUTION :  
  
THALIA ENTITY  
CONDENSED LIQUIDITY BALANCE SHEET AS AT 31/12/2018  
ASSETS LIABILITIES  
ELEMENTS AMOUNTS % ELEMENTS AMOUNTS %  
Fixed assets 61 160 000 72,3 Owners’ equity 57 333 900 67,8  
Operating values 4 640 000 5,5 Medium and L.T debts 5 010 000 5,9  
Realisable values 3 800 000 4,5 Short-term debts 22 256 100 26,3  
Cash & its equivalents 15 000 000 17,7   
TOTAL 84 600 000 100 TOTAL 84 600 000 100  
  
Conclusion :  
The liquidity balance sheet is actually based on an analysis of security in terms of the solvency of the entity. That is, the liquidity balance sheet helps us to know if assets can sufficiently cover up debts.  
  
CONSOLIDATION EXERCISE.  
The documents in appendices 1 and 2 are provided to be used in appraising thefinancial situation of LIVANO Entity.  
TASK:  
1. Present the table of reclassification of assets.  
2. Present the table of reclassification of liabilities.  
3. Present the condensed fincial balance sheet.  
  
Appendix 1: Balance sheet of LIVANO Entity as at 31/12/2018  
  
ASSETS LIABILITIES  
Headings Gross Dep. /Imp. Nets Headings Nets  
Intangible fixed assets  
Tangible fixed assets Equity securities Goods  
Ordinary customers  
Doubtful customers  
Customers, bills receivable  
Sundry debtors Marketable securities Banks  
Cash 3.600 000  
18.000 000  
6.000 000  
14.400 000  
14.400 000  
3.120 000  
7.200 000  
6.000 000  
4.800 000  
4.200 000  
1.800 000 -  
6.000 000  
1.200 000  
2.400 000  
-  
720 000  
-  
-  
-  
-  
- 3.600 000  
12.000 000  
4.800 000  
12.000 000  
14.400 000  
2.400 000  
7.200 000  
6.000 000  
4.800 000  
4.200 000  
1.800 000 Capital  
Reserves  
Net profit  
Prov. / risks & expenses Loans from fin. Inst. Suppliers  
Sundry creditors Suppliers, bills payable State 36.000 000  
2.400 000  
7.380 000  
2.400 000  
6.000 000  
8.400 000  
3.000 000  
3.000 000  
4.620 000  
Totals 83.520 000 10.320 000 73.200 000 Totals 73.200 000  
  
  
Appendix 2 : Other financial information:  
  
• Intangible fixed assets comprise of:  
o 20% of research and development expenses with 100% rate of success.  
o 80% of business funds.  
• Tangible fixed assets are to be considered at 80% of their accounting net values.  
• Equity securities are estimated to have an actual value of 120% of their net accounting value.  
• Goods have a global actual value of 90% of their net accounting value, with 10% safety stock level.  
• The recovery of doubtful debts appears to be very difficult.  
• Bills of exchange are not discountable.  
• 80% of marketable securities may be sold in fifteen months.  
• As for provisions for risks and expenses, 1 500 000 CFAF are justifiable, but the risk and expenditure shall be taken charge of after 15 months.  
• Of the net profit, 2 400 000F shall be retained in reserves while the balance shall be distributed as dividends.  
  
SOLUTION  
1. Table of reclassification of headings of assets.  
  
Equivalents  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
2. Table of reclassification of headings of liabilities.  
  
Headings Actual  
Values Owners  
Equity M.&L.T  
Debts S.T  
Debts  
Capital gains 960 000 960 000 / /  
Capital losses -3 600 000 -3 600 000 / /  
Capital 36 000 000 36 000 000 / /  
Reserves 2 400 000 2 400 000 / /  
Net profit 7 380 000 2 400 000 / 4 980 000  
Provision for risks & expenses 2 400 000 / 2 400 000 /  
Loans 6 000 000 / 6 000 000 /  
Suppliers 8 400 000 / / 8 400 000  
Sundry creditors 3 000 000 / / 3 000 000  
Suppliers, bills payable 3 000 000 / / 3 000 000  
State 4 620 000 / / 4 620 000  
TOTALS 70 560 000 38 160 000 8 400 000 24 000 000  
  
  
3. LIQUIDITY BALANCE SHEET IN MAIN HEADINGS  
  
ASSETS AMOUNT % LIABILITIES AMOUNT %  
Fixed assets 26 280 000 37,24 Owners’ equity 38 160 000 54,08  
Operating values 9 720 000 13,78 Medium and L.T debts 8 400 000 11,91  
Realisable values 27 600 000 39,11 Short-term debts 24 000 000 34,01  
Cash & its equivalents 6 960 000 9,87   
TOTAL 70 560 000 100 TOTAL 70 560 000 100

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**Samuel Ngube**

Company tax up6 and L6 6) GENERAL CONDITIONS FOR THE DIDUCTIBILITY OF EXPENSES: Deductibility refers to the ability of an expense to reduce the taxable income of a business. In short, this is the ability of an expense to be subtracted from taxable income and during the fiscal year for expenses to be eligible for deduction or to be considered as fiscally deductible expenses from the revenue released by a company in order to obtain a taxable net income, they have to satisfy the following conditions: - If the value of the expense is 1000.000 FRS or above, it must be paid by any other means apart from the physical cash. - The source document carrying the expense must carry the unique identification number of the tax payer, except for documents from foreign suppliers - They should be related to the operating activities of the business and should be in direct interest of the operation of the business or be related to the normal management and running of the business. - The expenses should correspond to effective or actual conditions and should have been regularly invoiced and recorded. - They should not be over stated, inflated or exaggerated. - They should not correspond to the sumptuous or costly looking expenditures. - They should be part of expenditure of the fiscal period as stipulated by the actual account concept. - They should have been recorded and justify by accounting documents. - They should not be undertaken for personal purposes. - Payments made to persons of the liberal profession who are operating in violation of the rules and regulation of their profession shall not be deductible. - All payments made to person resident in a country or an area? Considered as “tax heaven” by the Cameroon tax law shall not be deductible. - Payment made to person of the liberal profession who are operating in violation of the rules and regulation of their profession shall not be deducted 7) THE FISCAL CLASSIFICATION OF EXPENSES The fiscal law classifies expenses into six

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