Problem

**Question 1 :**

* 1. The Mason Gift Company had sales of $730 000 in the past year, with operating expenses of $95 000 and cost of goods sold of $280 000. Interest expenses amounted to $32 500 and $12 500 in interest income was received. Shares purchased in January 2009 for $22 000 were sold for $29 500. Compute the taxable income of Mason Gift Company and its tax liability if the corporate tax rate is 30%.
  2. Outline the importance of the dividend imputation system in Australia.

Question 2:

Joanna Pickford has been working with ABC Bank for a year and has just been promoted to junior financial adviser. Her first client wants to set up a savings account to accumulate $30,000 for a new car and the client can deposit $200 each fortnight from his salary into the account. ABC Bank currently pays interest on its savings accounts at a daily compound rate of 4.0% p.a. Joanna worked out that with depositing $5,200 (26 x $200) into the account each year it would take the client 5.29 years (30,000 FV, 5,200 +/- PMT, 4 i COMP n) to reach his target. As there are 26 fortnights in a year this would be equivalent to 137.5 fortnights so she told the client that he would have to make 137 fortnightly deposits of $200 and a final deposit of $100 (0.5 of $200) one fortnight later.

1. Do you agree with Joanna’s calculations? Explain why.
2. If not,
3. how long will it take the client to reach his savings target and
4. how much should the last deposit into the account be?

Question 3:

Kym Baker had a HECS liability of $12,500 at the end of the year in which he finished his degree. The HECS debt accumulates interest at a rate equal to the inflation rate, which was 1.25% per annum over the first year after he graduated and 0.35% for the following year. At the end of the second year after graduation Kym’s annual taxable income has increased to $29,000 and he is required by the tax office to pay an amount equivalent to 1% of his annual taxable income to reduce his HECS debt.

How much HECS does Kym owe at the end of the second year after graduation after making payment for that year to the Tax Office?

Draw appropriate time-line(s) to demonstrate your calculations