MARK PLAN AND EXAMINER'S COMMENTARY

The marking plan set out below was that used to mark this question. Markers were encouraged to use discretion and to award partial marks where a point was either not explained fully or made by implication. More marks were available than could be awarded for each requirement. This allowed credit to be given for a variety of valid points which were made by candidates.

Question 1

Total Marks: 40 marks

General comments

The candidate is in tax department of a firm of ICAEW Chartered Accountants acting for clients Phillip and Estelle Thompson who are directors and shareholders of a company.

This question considers ways in which Phillip and Estelle may effect their retirement from the company by disposing of shares to a current employee of the company or gifting the shares to their son and daughter. The question tested a range of taxes; Capital Gains, Inheritance Tax, and Income tax. These are mainstream topics and candidates should have been able to deal with the question very well.

Various elections and reliefs featured in the question. The question was purposely silent on a number of issues in an attempt to get candidates to think about the further information they would require to make a decision and recommendation to the clients.

1.1

Overall candidates approached this question very well by dealing with the three aspects of the plan in the order presented in the exhibit. The sale and gift of shares were dealt with well, with the strongest candidates being able to correctly identify and apply the restrictions to gift relief for CGT, and BPR for IHT, in respect of the gifts. Many candidates identified the difference in how the gifts are valued for CGT and IHT purposes, but only the strongest candidates were able to correctly apply the diminution in value and related property principles to the scenario. This was surprising as this is a basic concept that candidates cover at Taxation Compliance.

The distribution of surplus cash balances within Thompson Ltd was answered less well. Many candidates were confused by what such a payment was. The better answers correctly identified that there would be a dividend strip and went on to consider the income tax implications. Weaker candidates incorrectly believed that the payment would be a disposal by the company, or a potentially exempt transfer by the company. Another common problem, was candidates seeing this as a profit extraction question and producing detailed analysis of bonus v dividend. This was not the case and it was very explicit in the scenario that a dividend was going to be paid. This was a classic example of candidates answering the question they wanted as opposed to the question set.

1.2

Most candidates were able to make sensible suggestions based on their analysis of the tax implications. Those candidates concluded that a gift to the children was preferable to a gift into trust, and that a pre-sale dividend would likely result in higher tax than simply keeping the cash within the company. Stronger candidates identified that a pre-sale dividend would reduce the surplus cash balance within the company, which would increase the availability of BPR on a subsequent gift to the children.

1.3

Most candidates correctly identified the information required to conclude their recommendation, although answers were generally quite rushed due to mis management of time. Weaker candidates also produced very general "lists" which were not focussed to the information in the scenario.

	Marks
Notes in preparation for a meeting with Philip and Estelle Thompson **Retirement planning**	
The plans set out in the client's e-mail have a number of different tax consequences, I have considered the consequences under separate headings below and provided a summary of my final recommendation at the end of the notes:	
Cash distribution before sale/transfer:	
The company has a cash balance of £300,000. Assuming that all of this cash could be distributed before the sale/transfer of the shares, this would give rise to a potential dividend of £150,000 each. If this were to be received before 5 April 2018, the dividend would form part of Philip and Estelle's taxable income for 2017/18.	1
The first £5,000 of dividend income each would be taxed at 0%. The remaining £145,000 of dividend income would be taxed on the clients, as higher rate taxpayers, at 32.5% and any dividend that fell into the additional rate band would be taxed at 38.1%.	1 1
In addition, as adjusted net income would exceed £100,000 they would lose their personal allowance of £11,000, if they were to take the full dividend. This would increase the effective rate on the dividends.	1 1
The alternative would be to pay a dividend below the full £150,000 available, to take advantage of the 0% dividend income band of £5,000, and also to preserve personal allowances.	1
We would need to know the exact level of the clients' income for 2017/18, before taking account of the dividend, to be able to calculate this amount.	1
Sale of shares to Francis:	
The sale of the shares to Francis would give rise to a substantial capital gain.	1
The gain would be split between Philip and Estelle. They would each have sale proceeds of £400,000, less a base cost of £20,000 (£50,000 x 20/50). Giving a gain of £380,000 each.	1
They would each be entitled to a capital gains tax annual exempt amount of £11,100 and to be able to deduct your capital losses brought forward of £10,000. This would leave each of them with a gain of £358,900.	1 1
As higher rate or additional rate taxpayers, Philip and Estelle would be taxed at 20% on these gains, giving rise to a capital gains tax liability of £71,780	1
If there was a distribution of the cash reserves before sale, this might reduce the amount that Francis was willing to pay for 40% of the business. If so, this would reduce the amount taxable at 20%. However, the tax on the cash distribution would be at 32.5% or 38.1% and effectively higher, due to the potential erosion of the personal allowance.	1 1
It would therefore be more tax efficient to keep the majority of the cash in the company and receive capital sale proceeds for the shares, rather than dividend income.	1
In addition, the disposal to Francis may qualify for entrepreneurs' relief, which would reduce the tax payable on the gain to 10%, for each of Philip and Estelle; Tax payable of £35,890 each.	1 1
However, the conditions that need to be satisfied for entrepreneurs relief to be applicable are that:	
The shares must be in a trading company: we would need to establish that the holding of a substantial cash balance and the residential investment properties did not render this company to be considered as an investment company by HMRC.	0.5 1

Philip and Estelle must both be officers or employees of the company. We would need to clarify the exact roles that Philip and Estelle hold.	0.5 1
In terms of other conditions, the shares are unquoted and have been held by Philip and Estelle for at least 12 months.	1
The sale of shares would have stamp duty implications for Francis at ½% of the £800,000 purchase price – a cost to Francis of £4,000.	1
Philip and Estelle would both have cash in their estates rather than shares after the sale. Assuming the shares in Thompson Ltd qualified for business property relief at the rate of 100% (assuming the company is a trading company and not an investment company) and that cash does not, their estates would suffer a greater inheritance tax charge on death. The rate of death IHT is 40%, but how much IHT would be charged would be determined by the amount of nil rate band available and the value of the other assets in the death estates. They would each be entitled to pay 0% IHT on the first £325,000 of their assets on death. This £325,000 will have been used against the value of the gift of the shares to their children.	1 1 1 1
Gift of shares to children: personal gift or gift into trust?	
In addition to selling 40% of the company to Francis, Philip and Estelle intend to give 60% of the company to Alan and Sandra (30% each).	
Personal gift of the shares to your children: If they give the shares directly to their children, they will incur capital tax consequences, as follows:	
A personal gift of the shares to the children would give rise to a capital gain for each of Philip and Estelle, of £570,000 (600,000 – 30,000).	1
This gain could be reduced by claiming gift relief, assuming that Thompson Ltd qualifies as an unquoted personal trading company for the purposes of gift relief.	0.5 0.5
However, the amount of gift relief available would be restricted because of the cash and investments held by the company.	1
The gain eligible for gift relief would be calculated as:	
Gain on gift of shares x MV CBA/MVCA 570,000 x (250,000/ 1,000,000) = £142,500.	2
Therefore £427,500 of the gain would be taxable and £142,500 could be held over against the base cost of the shares for Alan and Sandra.	1
The tax on this gain (assuming the annual exempt amount and capital losses have already been used against the gain on the sale of shares to Francis) would be 20% x £427,500 = £85,500 each. This would reduce the amount of cash you have available for retirement.	1
Entrepreneurs' relief could be claimed on this gain, reducing the CGT due to £42,750 (10% x £427,500), assuming that the lifetime limit for entrepreneurs' relief has not been exceeded.	1
This gift would also be a potentially exempt transfer for inheritance tax purposes. The value of the PET, would be the diminution in value of Philip and Estelle's estates. The related property rules would apply as the 60% of the shares were held jointly by Philip and Estelle. The value of a 60% holding is £1.75million, a value of £875,000 each to Philip and Estelle.	0.5 0.5 2
No tax would be payable in lifetime and tax might be payable, (after deduction of a maximum of £6,000 of annual IHT exemption and a maximum of £325,000 of nil rate band) at 40% on death.	1
The minimum IHT payable would be £217,600, assuming the nil rate band and two annual exemptions were available against the transfer.	1

If business property relief were available at the rate of 100%, the value of the gift would be nil. We would need to know more about the company and its activities to judge if BPR were to be available.	0.5
Tutorial Note: HMRC regard a company as trading in this context if it is wholly or mainly a trading company. In this case the investment activities appear to account for less than 50% of the company's profits and so the company could be regarded as trading and the value of the shares eligible for BPR.	1
Any assets not used by the business may not be eligible for BPR and be treated as excepted assets – in this case the residential properties count as business assets, as they are used in the company's business. The cash balance of £300,000, as it is not held for working capital needs, but, instead, held for the purpose of investment, would count as an excepted asset, if the cash were still held as part of the business at the date of the gift.	1 1
If BPR is available we need to ensure that the donees retain the shares, or replacement property for 7 years, in order to retain the eligibility to BPR eligibility should you die within 7 years of the gift.	1
Gift into trust:	
If you created a trust and transferred the shares to the trust, it could either be an interest in possession or a discretionary trust.	1
For IHT purposes the creation of a trust is a chargeable lifetime transfer, charged to IHT at the rate of 20% or 25% depending on whether the trust or the donor pays the IHT due in lifetime.	0.5 0.5
Assuming that both of you still have a nil rate band of £325,000 available and also have two annual exemptions available, the tax payable in lifetime would be £108,800 or £136,000 depending on the rate of tax payable.	
Business property relief at the rate of 100% could reduce this tax to nil, if the company is regarded as a trading company.	1
The creation of the trust would bring about the same CGT consequences as mentioned above, apart from the fact that the gift relief available on the creation of the trust would be given due to the immediate charge to IHT on the creation of the trust. In these circumstances the cash and investments would not restrict the amount of available gift relief and the full gain of £600,000 each would be eligible for gift relief.	0.5 1
Once the shares are in the trust the trust will pay tax on any dividend income arising from the shares (at the rate of 38.1% for a discretionary trust and at 7.5% for interest in possession trusts). Payments to beneficiaries will be paid under deduction of a tax credit.	1
There will be capital gains tax consequences to remove the assets from the trust.	0.5
If the trust created is a discretionary trust, Inheritance tax will also be payable on every exit from the trust and every 10 year anniversary of the creation of the trust.	0.5
The advantage of creating a trust would be the ability to ensure that the assets remain within the family, however there could be a substantial tax cost involved in using a trust.	1
Recommendation:	
Although we would need to have additional information, where indicated, to give final advice about the tax consequences of the transactions stated, the current position would appear to be:	
It would not appear to be beneficial to distribute the cash in the company as a pre-sale/transfer dividend due to the higher and additional rates of income tax chargeable on a dividend, compared to rates of CGT on the sale of shares.	

The sale to Francis will give rise to CGT and entrepreneurs' relief may be available to reduce the CGT payable to the rate of 10%. The transfer to Alan and Sandra will give rise to both CGT and IHT consequences. Although the CGT on transfer into the trust is lower than on transfer directly to Alan and Sandra, the additional tax costs of operating through a trust may outweigh this initial tax saving. The IHT due on the transfer into trust could be substantial and the whether BPR is available or not would be a deciding factor in determining whether a transfer into trust was advisable or not. We could apply to HMRC for advance clearance that BPR Is available.	3
Total possible marks Maximum full marks	54 40

Question 2

Total Marks: 35 marks

General comments

The candidate is an ICAEW Chartered Accountant employed by TabletTech Ltd (TT). TT have identified a potential business to purchase; PhoneCharger Ltd which was incorporated by Alice Crane. Alice still holds 100% of the share capital. The purchase of the company can be effected either by the purchase of shares or the purchase of trade and assets. The question covered CGT, IT, CT and also ethics focussing on enablers of offshore tax evasion; which was a new section in the learning materials this year.

2.1

Most candidates understood this requirement and approached calculating the gross proceeds in a sensible way, beginning with the net cash required and working backwards.

On the sale of shares, the standard of attempt was good. However only a small proportion of students correctly identified that the gain would be subject to 10% and 20% CGT due to exceeding the ER limit. A surprising number of candidates interpreted the sale of shares by Alice as a repurchase by the company, and therefore wasted time setting out the conditions for capital treatment of a company purchase of own shares.

The sale of trade and assets was dealt with well, with most candidates making a reasonable attempt to calculate the value of goodwill in the company. Weaker candidates considered the possibility of a pre-liquidation dividend, when this was clearly not relevant.

2.2

This section was generally answered less well. The general approach tended to be to discuss group aspects of corporate tax without focussing on the detail in the scenario. Stronger candidates produced a well-structured answer, comparing costs of the two possibilities, and correctly setting out the VAT and stamp tax issues. Weaker candidates produced a confusing answer, with little detail.

2.3

Ethics was answered very well. Candidates have improved in this area in recent year. Answers were very logical and structured. The higher scoring answers outlined the potential implications and the penalties / sanctions that would be applicable.

	Marks
2.1	
Calculation of the consideration required so that Alice Crane can receive after tax consideration of £20 million.	
Share purchase	
Alice would be liable to capital gains tax on the disposal of the shares. She is eligible for entrepreneurs' relief on the disposal of the shares, because:	0.5 0.5
• The shares are in her personal trading company, and • She has held the shares and worked full time for the company for at least a year.	1
The gains on sale of the shares could be taxed at 10%, up to the lifetime limit of £10 million.	1
Gains over the £10 million would be taxed at 20%, because Alice is not a basic rate taxpayer.	1
Working back from the net proceeds required of £20 million, the gross consideration required by Alice would be:	1

After tax cash needs to be £20 million. The first £10 million of the gain will be taxed at 10% with the remaining amount of the gain being taxed at 20%. Therefore: 1

1

x - £ 1million (being £10 million at 10%) – 20% [(x-£2million)-£10 million) = £20 million 1
So: x -0.2x +£400,000 + £2 million = £21 million
So: 0.8x = £21 million - £2.4 million 1
So: 0.8 = £18.6 million

Therefore x = £23.25 million

Tutorial note: Candidates were awarded fully for their own figures where they adopted a sensible approach such as working back from £20 million and adding on the tax on each part of the gain.

Asset purchase:

Under this scenario, the total cash sale proceeds would be paid to the company and Alice would then have to extract the cash from the company. As PhoneCharger Ltd would cease to trade, the method of extracting cash would be through a liquidation of the company and a payment to Alice post liquidation. This payment will be taxed as a capital gain as the distribution of funds would be after trade has ceased. Again, as the gain is eligible for entrepreneurs' relief, the first £10 million of gain would be taxed at 10% and the remainder at 20%. The funds required to be distributed would be: 1 1 1

The proceeds received by Alice, on liquidation would again be £23.25 million then she would be taxed on a gain of £20 million, as calculated above. 1

The assets purchased by TabletTech Ltd would be:

	£'000		
Net current assets	11,600	These assets do not give rise to any capital gain	1
Plant and equipment	1,000	There might be balancing charges or allowances, we would need more information to be able to calculate this.	1
Property	3,504	Gain 3.6 million – 3.12 million £480,000. This will be taxed on the company at 20% (£96,000).	2
Total	16,104		

The balance of consideration paid would be for goodwill. The goodwill has no base cost, because it has been generated since incorporation. The goodwill would therefore be taxed in full as part of PhoneCharger Ltd's trading profit at 20%.

The cash available to Alice would therefore be 80% of the consideration paid for the goodwill plus £16.104 million, totalling £23.25 million. Goodwill would therefore have been sold for £8.93 million

The total consideration payable by TabletTech Ltd would be:

	£000	Tax £000	After tax £000	
Goodwill	8,930	1,786	7,144	
Property	3,600	96	3,504	2
Plant	1,000	0	1,000	
Net current assets	11,600	0	11,600	
Total	25,130	1,882	23,248	

Therefore, to purchase the assets, instead of the shares, would cost TabletTech Ltd an additional £1.882 million over and above the cost of purchasing the shares, if the net, after tax consideration payable to Alice is to remain at £20 million. 1

Total possible marks	20
Maximum full marks	16

2.2	
The purchase of TabletTech Ltd could take the form of either a share or an asset purchase. Given the need for net, after tax proceeds of £20 million, the respective cost of acquiring either shares or assets depends on the tax suffered by Alice.	
In part 2.1 the calculation showed that purchasing the shares would cost £23.25 million whereas purchasing the assets would cost £25.13 million	1
The property would be acquired at its current market value and any subsequent gain on sale would be calculated using a cost of £3.6 million. If TabletTech Ltd had purchased the shares, the property would have retained its historic cost of £2.4 million to use in calculating any gain on sale. This will therefore save tax of £96,000.	1 1
There would be no amortisation allowable on the goodwill	1
VAT	
Share purchase	
No VAT arises on the purchase of shares, because shares are exempt from VAT. PhoneCharger Ltd could join a VAT group with TabletTech Ltd.	1 1
Sale of trade and assets	
PhoneCharger Ltd is already registered for VAT. A purchase of the trade and assets would therefore be outside the scope of VAT provided the purchase qualified as a transfer of a going concern (TOGC). To qualify as a TOGC PhoneCharger Ltd must be transferring the whole of its business, as a going concern and there must be no significant break in trade. The purchasing company must also be registered for VAT.	1 1
The property transferred is more than 3 years old and so will be covered as part of the TOGC and no additional VAT will arise.	1
Stamp taxes	
Sale of shares	1
TabletTech Ltd will pay stamp duty at ½% on the purchase price of the shares in PhoneCharger Ltd. (£23.25 million x ½% = £116,250).	1
Sale of assets	
Stamp duty land tax (SDLT) will be due on the transfer of the property giving an additional cost to the purchaser of £3.6 million x 4%= £144,000.	1
Conclusion: In the short run, the purchase of shares would be cheaper than the purchase of assets.	1
However, the purchase of shares brings with it the history of the company, which might expose TabletTech Ltd to costs arising from past actions of PhoneCharger Ltd. It might, therefore be safer to purchase the trade and assets of PhoneCharger, even though the purchase of trade and assets might initially seem more expensive.	1
Total possible marks	14
Maximum full marks	12

2.3	
Ethical considerations of the payment of £5 million of purchase consideration to a nominated bank account in the Cayman Islands.	
The contract for the purchase of the shares or the assets will show the full purchase consideration. This contract will be available to HMRC and used to calculate taxes such as stamp duty. Therefore this payment will be visible to the UK tax authorities.	1
As an ICAEW Chartered Accountant I am bound by the ethical rules of my professional body.	1
My actions should not support a loss of revenue to HMRC.	1
The information given does not explain the reasoning behind the funds being sent to the Cayman Islands. We cannot simply assume that this request is to further some form of tax evasion and we should make enquiries of the vendor to determine the reason behind funds being sent to an offshore tax haven.	1 1
We should document our enquiries about this sum, with the client.	1
If we believe, upon enquiry, that the reason for sending these funds to the Cayman Islands is to evade tax, we should decline to make the payment to the Cayman Islands.	1
If the client goes ahead with arranging for funds to go to the Cayman Islands and we suspect that this is to evade tax, we should consider if this will constitute a money laundering offence and if we should report this to our MLRO.	2
Total possible marks Maximum full marks	9 7
Total possible marks for Q2 Maximum full marks for Q2	44 35

Question 3

Total Marks: 25 marks

The candidate is in practice in a firm of ICAEW Chartered Accountants acting for the Elm plc group of companies and has been asked to prepare notes for a meeting between their manager, Lewis Gordon and the Elm plc board. The candidate is required to deal with the features of group relationships and several issues in finalising the CT computation. These included; incorporation of a foreign PE and exit charges, share disposals and the SSE, including investment companies and gains groups.

General comments

Overall this question was answered well by most candidates. Good use of open book allowed many candidates to pick up marks on the incorporation of the overseas PE, with the standard of calculations being very good. The weaker candidates misinterpreted the question to be focussed on CFCs. This was not relevant as the scenario had been purposely created so that the new subsidiary was not a CFC. Some candidates also discussed migration of a company which displayed a misunderstanding of the issues in the scenario. The group aspects were also answered well, with the degrouping charge calculated correctly by the majority of candidates. The point on SSE being applicable where companies in a group can aggregate their shareholdings was only picked up by a minority of candidates. This is in the learning materials and it was surprising that it did not feature in the majority of answers. Candidates were very comfortable with this question.

	Marks
Issue 1	
On incorporation of Walker SARL, Elm plc's PE will cease to trade.	1
Incorporation will result in balancing adjustments arising on branch plant and machinery transferred to the non UK company.	1
Incorporation will result in chargeable gains / losses in the hands of the UK company (Elm plc)	1
Relief exists for chargeable gains on incorporation to be postponed where: • The trade of a foreign PE is transferred to a non-UK resident company with all the assets used for trade except cash • The consideration for the transfer is wholly or partly securities • The transferring company owns at least 25% of the ordinary share capital of the non-UK resident company • A claim for relief is made	2
Therefore, the conditions appear to have been met and the gains on the factory, warehouse, the gain on the fixed plant and machinery and the accounting profit on the 'new' goodwill are eligible to be postponed. Gains are as follows:	1

	£	Marks
Factory		
MV	700,000	
Cost	(250,000)	
IA	(74,250)	
Gain	375,750	1
Warehouse		
MV	500,000	
Cost	(550,000)	
Loss	(50,000)	1

Fixed P&M

MV	250,000
Cost	(200,000)
IA	(2,200)
Gain	47,800

1

Goodwill

MV	1,250,000
Cost	(nil)

Intangible profit 1,250,000 1

Net gains to be postponed = £373,550 plus the profit on the new goodwill of £1,250,000

As the entire consideration was in the form of shares then the whole gain and the intangible profit can be postponed. 1

However, as Elm plc has now disposed of some of the shares in Walker SARL (on 1.1.17) and in addition, Walker SARL has disposed of the factory (on 31.12.16) within 6 years of the transfer, the gains will become chargeable on the UK company and will be calculated as follows: 1

Remaining balance of net gain deferred x $\frac{\text{Gain on asset at incorporation}}{\text{Gross gains at incorporation}}$ 1

On sale of the factory the following gain will become chargeable:

£373,550 x $\frac{375,750}{423,550}$ =£331,392

The balance of the postponed gain carried forward is therefore £42,158. 1.5

In terms of the disposal of securities, the gain previously deferred is chargeable in addition to any gain arising on the disposal of the securities themselves. The disposal of the shares will not meet the conditions for SSE because the securities have not been held for the required period. Therefore a chargeable gain will arise on Elm plc as follows: 0.5

Balance of gain x A/B where A = MV of securities disposed of and B is total MV of securities held immediately before disposal: 2

£42,158 x $\frac{£1,350,000}{£3,450,000}$ = £16,496

There will also be crystallisation of the intangible profit 1

£1,250,000 x $\frac{£1,350,000}{£3,450,000}$ = £489,130

In addition, the disposal of the securities themselves will realise a chargeable gain and in this situation, the SSE does not apply. The gain will be £569,712 (£1,350,000-£768,000-£12,288). 1

Total chargeable gains are therefore £917,600(£331,392+16,496+£569,712)

Issue 2

A degrouping charge arises on the office block because Labrador Ltd is no longer a 75% subsidiary of Elm plc. 1

The charge on the office block arises under the chargeable gains rules. Because it does not arise as a result of a share sale, it arises in Labrador Ltd at the beginning of the accounting period in which it leaves the group. 1

	£	
Proceeds (MV at transfer)	2,400,000	1
Cost	(1,400,000)	
Indexation 0.392 x £1,400,000	(548,800)	
Chargeable gain	451,200	
Because Labrador Ltd leaves the group within three years of the transfer of the property, there is also a stamp duty land tax degrouping charge of: 4% × £2,400,000 = £96,000.		1 0.5
Issue 3		
This is a disposal to an unconnected third party and a loss therefore arises on the disposal of £12 million – £14 million = £2 million. The loss is not disallowed by the substantial shareholding exemption because Parrot Ltd is not a trading company. It has substantial non-trading activities due to its investment property.		1
A chargeable gains group exists where a principal company owns at least 75% of its direct subsidiaries and has an effective interest of more than 50% in each sub-subsidiary. Therefore, Elm plc, Terrapin. Ltd and Cat Ltd are all part of the same chargeable gains group.		1 0.5 0.5 0.5
An election can be made to reallocate the allowable loss to another group company.		
Issue 4		1
The disposal of the shares should be exempt under the substantial shareholding exemption. The Elm plc group is a trading group and Bassett Ltd is a trading company, and the shares have been held for more than twelve months.		0.5
Although neither of the companies which sold shares owned a 10% substantial shareholding, the holdings of all group members are aggregated in determining whether that test is satisfied.		1 1
Issue 5		1
The brought forward capital losses in Terrapin Ltd of £36,000 are available to offset against the gain of £140,000.		
The capital losses brought forward in Cat Ltd of £550,000 are pre-entry losses and not available for use by the group.		0.5
Gains and losses can be 'transferred' to other group members by making an election under s171A TCGA 1992.		1
All profits and gains in the FY 2016 are taxed at 20% irrespective of the level of profits.		0.5
Total marks available for Question 3 **Maximum marks available for Question 3**		**33.5** **25**