

QUESTION

Twist manufacturing Company Limited (Twist) started operation on 27th May, 2018 and prepare accounts to 31st December each year. The following transactions took place.

- In January, 2017, Twist acquired Nissan petrol at the price of GH¢150,000
- In June, 2018, Twist acquired three Home-Used Laptops at GH¢ 500 each, of which the Managing Director uses one of them for his personal business.
- In June, 2018 Twist rented factory building of which it pays annual rentals of GH¢ 20,000. The rented building was constructed at the cost of GH¢ 500,000.
- In July, 2018, the engine of the Nissan petrol was changed at a cost of 18,075.
- In August, 2018 Twist paid for Goodwill amounting to GH¢100,000 for 5 years.
- In March 2019, it exchanged the vehicle for office equipment. The value of the office equipment agreed with the owner was GH¢80,000.00. The exchange was deemed satisfactory to both parties and documentations were carried through.
- In April, 2019, the building was gifted to Twist manufacturing Company Limited and all the necessary documents were carrying through. The market value at the time of receipt was equivalent to the cost at which the building was constructed. Twist insured the office building with “We care Insurance Company” and paid monthly premium of 200 per month.
- In November, 2019, an explosion occurred in Twist Limited which destroyed the factory building completely. “We care Insurance Company” compensated Twist an amount of GH¢ 245,000.
- Twist leased plant for 6 years in January, 2020 of which Twist will be paying an annual rental of GH¢120,000. The plant can be acquired outright for cash of GH¢450,000. The implicit interest rate of the lease is 10% and the expected useful life of the building is 7 years.
- In February, 2020, office equipment was sold for a consideration of GH¢ 54,000

Required:

- i. Compute Capital Allowance for Twist manufacturing Company Limited for the relevant years of assessment in accordance with the third Schedule of the Income Tax Act 896.
- ii. *(Note your computation should not exceed 2020 year of assessment)* (9 marks)
- iii. Provide notes to support your computation in (i) above (11 marks)