

Institute of Professional Legal Studies
Admissions Test December 2023
Section D – Numeracy

Question 1

Stephen Fraser is a self-employed consultant occupational psychologist. Stephen is seeking to calculate the necessary amount of income tax he will need to pay.

Income tax is calculated in ‘bands’ according to your net income, which is your gross income after any expenses have been deducted. This means that the rate of income tax you have to pay on a portion of your income increases in staged amounts. For example, if you have an income that falls into band 4, you do not pay 45% tax on your whole salary, you only pay a tax of 0% on the first £12,570 you earn, and 20% on the next £37,700 you earn.

Stephen’s gross income for consultancy work in the last financial year was £230,540.

Stephen had the following expenses all of which meet the deductibility test for a self-employed person:

- i) Office premises rent of £17,560;
- ii) Fuel costs of £5,340;
- iii) Stationery costs of £470;
- iv) Insurance costs of £2,400; and
- v) A digital tablet that cost £370.

The income tax bands for the financial year are:

Band 1: £0 - £12,570	0%
Band 2: £12,571 - £50,270	20%
Band 3: £50,271 - £150,000	40%
Band 4: Over £150,000	45%

How much net income (after tax) does Stephen receive?

- (a) £122,488
- (b) £153,450
- (c) £132,488
- (d) £112,488
- (e) £172,450

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Question 2

Roger Wilkinson was involved in a road traffic collision where he sustained a broken leg resulting in a permanent limp and permanently impaired mobility.

The case went all the way to a contested hearing. Roger was successful in the contested hearing and claimed for the following financial losses:

- i) A mobility scooter which cost £13,000;
- ii) 12 sessions of physiotherapy at a cost of £50 per session;
- iii) Installation of a ramp at his home to enable Roger to access the property on the mobility scooter at a cost of £6,500; and
- iv) £100,000 loss of earnings.

The Judge awarded Roger £65,000 to compensate him for injuries suffered. The Judge also awarded all of the expenses and financial losses Roger claimed for, except the claim for £100,000 loss of earnings was reduced to a figure of £45,000 in light of the fact Roger would still be able to work despite his impaired mobility.

How much did the Judge award?

- (a) £132,100
- (b) £127.050
- (c) £131,100
- (d) £129,050
- (e) £130,100

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Question 3

Capital Gains Tax is charged on the disposal of a chargeable asset by a chargeable person. In general, it is charged on the difference in the market value of an asset between the time that a person acquired it and sold it. If there are any costs associated with purchasing or selling the chargeable asset then these costs are deductible before the Capital Gains Tax is calculated.

Lesley Parker (chargeable person) bought a log cabin (chargeable asset) for £90,000 in the Mourne Mountain range area of County Down in May 2018. Lesley used the cabin for walking holidays in the mountains. The purchase of the cabin required payment of commission of 2% of the purchase price to the estate agent. Conveyancing fees were also paid to the solicitors acting in the purchase of £1,800.

In the first year the value of the cabin rose by 7%. The value increased by 5% in year 2. In the third year the value of the cabin rose by 4%. In the fourth year the property rose in value by 6%. In year 5 the value of the property decreased by 2%.

Lesley sold the cabin in June 2023 for market value. Conveyancing fees of £2,000 were paid to the solicitors acting in the sale.

Assume that Capital Gains Tax is payable at a rate of 10%.

How much Capital Gains Tax does Lesley have to pay?

- (a) £1,923.98
- (b) £1,363.98
- (c) £10,363.98
- (d) £2,045.97
- (e) £1,563.98

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Question 4

Thomas Johnson was convicted after trial of burglary of a dwelling. A number of items were stolen in burglary:

- i) An LED television worth £399.99;
- ii) A Claude Butler mountain bike worth £1,199;
- iii) A silver necklace worth £250.50;
- iv) A slow cooker worth £99.99; and
- v) An espresso machine worth £299.

During the investigation the PSNI managed to recover the espresso machine and slow cooker. However, the slow cooker was damaged beyond repair.

The Judge decided to order Thomas to pay compensation in relation to the full value of all items taken in the burglary, minus any items recovered that were in working order.

How much compensation was ordered by the Court?

- (a) £2,248.48
- (b) £2,148.49
- (c) £1,699.48
- (d) £1,949.48
- (e) £1,549.49

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Question 5

Yasser Ali is a self-employed photographer who is regularly hired by news organisations to provide professional photography for various events and activities.

Yasser charges clients £600 for a full day of photography and £350 for a half day. In addition, Yasser receives mileage at a rate of £0.50 per mile.

In the last financial year Yasser was retained on 143 days. On 87 of those days he was retained for a full day of photography and the remaining trips were half day shoots.

96 of the shoots were carried out in Belfast city centre, which is 9 miles from Yasser's home in Lisburn. 29 shoots were carried out in Derry/Londonderry which is 77 miles from Yasser's address. The remaining 18 shoots were carried out in Bangor, which is 21 miles from Yasser's home.

For a full day shoot Yasser was also entitled to food expenses of £10.

For a half day shoot Yasser was entitled to food expenses of £5.

What was Yasser's total income in the previous financial year including all travel and food expenses?

- (a) £76,425.00
- (b) £74,687.50
- (c) £75,275.00
- (d) £76,535.00
- (e) £77,425.00

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Question 6

Your Master has been instructed to administer the estate of Courtney Fairclough. Inheritance Tax is charged at a rate of 40% of the net value of all assets of an estate over £325,000. The net value is the gross value of the estate at the date of death minus any debts.

Courtney Fairclough's home was valued at £521,500. Courtney had also remortgaged the property in recent years to fund some travelling and cruise trips in her retirement. The total amount of the remortgage was £47,000. Courtney had funds in her current account in North of Ireland Bank of £15,375. Courtney's personal belongings in the property included jewellery with a value of £33,700 and various other personal effects with a total value of £18,400.

Courtney required care in a nursing home for six months prior to her death and has £12,674 of fees outstanding in relation to care. There were also outstanding land and property rates to a total of £3,225.

How much inheritance tax is due on Courtney's estate?

- (a) £74,280.40
- (b) £81,720.40
- (c) £80,430.40
- (d) £73,070.40
- (e) £85,500.00

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Question 7

John Kirkpatrick agreed to sell his house for £362,500. John's estate agent charged a fee of 2% of the sale price of the property, plus VAT (VAT being at the rate of 20%) as their commission for acting in the sale of the property.

The solicitor acting on John's behalf charged John £5,500 plus VAT for legal services in connection with the sale of the house.

John had £85,000 outstanding on the mortgage for the house and there was an early repayment fee to pay in connection with the mortgage of £3,725.

How much of the sale price of the property remains for John?

- (a) £259,575.00
- (b) £259,925.00
- (c) £343,475.00
- (d) £262,200.00
- (e) £258,475.00

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Question 8

Cassandra Jeffries has developed a non-alcoholic botanical spirit drink that is an alternative to gin.

The non-alcoholic spirit sector is growing rapidly. Cassandra's business operation was originally conducted solely out of her home.

In order to scale up the business, Cassandra approached private investors to raise funding for permanent business premises.

Cassandra was successful in securing investment of £125,000 from a local business magnate called Peter Singleton in order to purchase business premises.

In return for the investment, Cassandra agreed to pay Peter 25% of the profits on the sale of every bottle of spirits sold until the loan was paid back.

It costs Cassandra £3.50 to make each bottle of spirits. Marketing takes place primarily online and works out at an average cost of £1.25 per bottle. Each bottle of spirits sells for £16.50. Cassandra ran a special offer for the first 150 customers to buy one bottle and get the second bottle at half price. All customers availed of this offer.

How many bottles, rounded to the nearest bottle, will Cassandra need to sell in order to repay the loan?

- (a) 42,553
- (b) 42,659
- (c) 33,018
- (d) 38,651
- (e) 42,509