ACCA Taxation (F6) Practice Exam (Sample)

Study Guide

BY EXAMZIFY

Everything you need from our exam experts!

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here’s how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Don’t worry about getting everything right, your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations, and take breaks to retain information better.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don’t just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning.

7. Use Other Tools

Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There’s no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly — adapt the tips above to fit your pace and learning style. You've got this!

Questions

1. **Which entity is required to pay National Insurance contributions for employees?**
   - A. The employees themselves
   - B. The employers
   - C. The government
   - D. Neither party is obligated

2. **What happens to shares in the event of a reorganisation?**
   - A. New shares are issued based on book value
   - B. New shares replace old ones with cost allocated by market value
   - C. Shareholders must sell their shares immediately
   - D. Old shares are nullified and replaced with cash

3. **What must be done with profit before applying basis year rules for businesses?**
   - A. It must remain unchanged
   - B. It must be documented for future reference
   - C. It should be adjusted
   - D. It should be calculated on annual reports

4. **At what point would a business typically differentiate between registered and non-registered for VAT?**
   - A. Based on annual revenue
   - B. Based on the number of employees
   - C. Based on the type of products sold
   - D. Based on location

5. **What are the three main categories of trading income?**
   - A. Income from salary, dividends, and property
   - B. Income from trading, investments, and gifts
   - C. Income from trading, property investment, and miscellaneous
   - D. Income from wages, bonuses, and side jobs

6. **What is the rate of capital gains tax for business asset disposal relief?**
   - A. 5%
   - B. 15%
   - C. 20%
   - D. 10%

7. **What is the definition of a balancing allowance?**
   - A. Profit on sale of asset
   - B. Loss on sale of asset
   - C. Neutral effect on account
   - D. Additional charge on profits

8. **When can structures and buildings allowance be claimed?**
   - A. When a building is under construction
   - B. When a building is brought into qualifying expenditure
   - C. Only if the building is new
   - D. When there is a change in ownership

9. **What defines WDA for small pools?**
   - A. Claiming up to £500 for any pool
   - B. Claiming up to £1,000 if the balance is below the limit for 12 months
   - C. Claiming up to £2,000 if using machinery
   - D. Claiming for only main pools

10. **What value does spouse 2 acquire an asset at if spouse 1 dies?**
   - A. The average market value over the past year
   - B. The cost incurred by spouse 1
   - C. The market value at the date that spouse 1 died
   - D. Zero, as the asset is inherited

Answers

1. **B**
2. **B**
3. **C**
4. **A**
5. **C**
6. **D**
7. **B**
8. **B**
9. **B**
10. **C**

Explanations

1. Which entity is required to pay National Insurance contributions for employees?

A. The employees themselves

B. The employers

C. The government

D. Neither party is obligated

Employers are required to pay National Insurance contributions on behalf of their employees as part of their payroll obligations. These contributions fund various social security benefits within the UK, such as the state pension and other welfare benefits. The employer's National Insurance contributions are usually calculated based on the employees' earnings and are an important component of the overall cost of employment. While employees also make their own National Insurance contributions based on their earnings, the obligation for employers to contribute is a distinct requirement that reflects their responsibility toward employee welfare and benefits. The government does not directly pay these contributions for employees; rather, it collects contributions from both employees and employers to ensure the social security system is funded. Thus, it is the employers who hold the obligation to ensure these contributions are made.

2. What happens to shares in the event of a reorganisation?

A. New shares are issued based on book value

B. New shares replace old ones with cost allocated by market value

C. Shareholders must sell their shares immediately

D. Old shares are nullified and replaced with cash

In the context of a reorganisation, the process often involves replacing old shares with new ones, where the cost allocation is typically done by market value. This approach is significant because it reflects the current valuation of the company at the time of the reorganisation, ensuring that shareholders receive an equitable value for their ownership stake. When a company undergoes a reorganisation, it may do so to improve its capital structure, change its share distribution, or facilitate a merger or acquisition. By using market value as the basis for allocating costs to the new shares, the company aims to maintain fairness and transparency, aligning the value of shareholders' investments with the company's current market standing. This method allows shareholders to participate in the new equity structure based on what their previous shares are worth in the market, rather than just a historical value or book value, which may not accurately represent the company's worth at the time of reorganisation. In contrast, the other options imply either a disregard for market conditions or an immediate cash-out scenario, which typically do not reflect standard practices associated with reorganisations. Thus, the correct understanding of the treatment of shares during a reorganisation lies in the valuation based on market value, leading to the issuance of new shares that accurately represent the shareholders

3. What must be done with profit before applying basis year rules for businesses?

A. It must remain unchanged

B. It must be documented for future reference

C. It should be adjusted

D. It should be calculated on annual reports

Before applying basis year rules for businesses, profit must be adjusted. This adjustment is crucial because it ensures that the profit reflects the true financial position of the business for tax purposes. Adjustments may include the consideration of items such as non-taxable income, capital allowances, or disallowed expenses. These adjustments allow for a more accurate calculation of taxable profit, facilitating the determination of the correct tax liability for a given year. In contrast, leaving the profit unchanged would not account for necessary modifications that reflect compliance with tax legislation. While documenting for future reference is always advisable in managing business accounts, it does not directly impact the application of basis year rules. Calculating profit based solely on annual reports may lead to inaccuracies without the necessary adjustments, as reports often contain figures that have not been modified for tax purposes. Thus, adjusting the profit is essential for aligning it with the requirements of the taxation framework.

4. At what point would a business typically differentiate between registered and non-registered for VAT?

A. Based on annual revenue

B. Based on the number of employees

C. Based on the type of products sold

D. Based on location

A business typically differentiates between registered and non-registered for VAT primarily based on annual revenue. This threshold is set by tax authorities to identify which businesses exceed a certain turnover limit that requires them to register for VAT. When a business's taxable turnover surpasses this threshold, it becomes obligated to register for VAT and charge VAT on its sales. The rationale behind this approach is to simplify compliance for smaller businesses and to ensure that only those businesses that have significant transactions and are likely generating a considerable amount of taxable supplies are required to act as VAT collectors for the government. In many jurisdictions, the annual revenue threshold is clearly defined, and it simplifies the registration process, focusing on financial capacity rather than other criteria. The other options—such as the number of employees, the type of products sold, or the geographical location—do not generally serve as the main criteria for determining VAT registration. While these factors may play a role in other regulatory or taxation contexts, they are not the principal determinants for VAT registration under most systems.

5. What are the three main categories of trading income?

- **A. Income from salary, dividends, and property**
- **B. Income from trading, investments, and gifts**
- **C. Income from trading, property investment, and miscellaneous**
- **D. Income from wages, bonuses, and side jobs**

The three main categories of trading income encompass trading income directly generated from business operations, income derived from property investments, and miscellaneous income that may arise from various business-related activities. Trading income refers specifically to profits made from the sale of goods or services in the normal course of business. Property investment income pertains to earnings derived from renting or leasing out properties and includes capital gains from property sales as well. Miscellaneous income can include other types of income that don't fit neatly into the trading or property investment categories but are nonetheless part of the overall business operations, such as income from one-time contracts or unique service offerings. The other options focus on categories that are not aligned with trading income. For example, income from salary, dividends, and property does not represent income specifically tied to the trading activities of a business. This mix includes personal income types and investment income, which are not classified as trading income. Similarly, income from wages and bonuses relates to employment income rather than business trading, and gifts do not constitute income derived from business activities. Therefore, the answer that identifies trading income, property investment, and miscellaneous income correctly illustrates the framework for assessing trading income categories.

6. What is the rate of capital gains tax for business asset disposal relief?

- **A. 5%**
- **B. 15%**
- **C. 20%**
- **D. 10%**

The rate of capital gains tax for business asset disposal relief is indeed set at 10%. This relief is available to individuals disposing of certain business assets, allowing them to pay a reduced rate of capital gains tax on qualifying gains. The conditions for obtaining this relief typically include a minimum period of ownership and the nature of the assets involved, such as shares in a trading company or sold business assets. This 10% rate provides significant tax relief compared to the standard higher rates of capital gains tax, which can go up to 20% for higher-rate taxpayers. Additionally, business asset disposal relief is designed to encourage investment in businesses and support those who are selling small enterprises or shares in qualifying trading firms.

7. What is the definition of a balancing allowance?

A. Profit on sale of asset

B. Loss on sale of asset

C. Neutral effect on account

D. Additional charge on profits

A balancing allowance arises when an asset is sold for less than its tax written down value at the time of the disposal. This situation represents a loss on the sale of the asset for tax purposes. When a business disposes of an asset, the tax written down value reflects the cost of the asset, adjusted for any capital allowances that have been claimed over the years. If the selling price of the asset is less than this value, the business can claim this loss against taxable profits, resulting in a reduction of tax liability. In this context, a balancing allowance effectively allows the taxpayer to recover some of the initial investment in the asset through their tax filings, reflecting the economic reality that the asset did not generate expected returns. This is particularly relevant for businesses managing their taxable profits and cash flow. The other options relate to different scenarios: profit on the sale of an asset would normally not result in a balancing allowance but rather an adjustment to taxable income, while a neutral effect on account and an additional charge on profits do not describe the mechanism involved in balancing allowances accurately.

8. When can structures and buildings allowance be claimed?

A. When a building is under construction

B. When a building is brought into qualifying expenditure

C. Only if the building is new

D. When there is a change in ownership

Structures and buildings allowance can be claimed when a building is brought into qualifying expenditure. This means that the allowance is available as soon as the expenditure incurred on the construction or acquisition of the building is capitalized and meets the qualifying criteria, such as being used for a qualifying purpose. The focus here is on the point at which the capital expenditure is recognized for tax purposes rather than the status of the building itself. This allows taxpayers to account for the cost of constructing or purchasing a building over time, benefiting from the tax deductions associated with that expenditure. In contrast, claiming the allowance during the construction period or only for new buildings is not correct, as the allowance is specifically tied to when the expenditure is recognized as qualifying. Any stipulation regarding changes in ownership also doesn't pertain to the claim itself but rather to other considerations such as potential adjustments in tax properties.

9. What defines WDA for small pools?

A. Claiming up to £500 for any pool

B. Claiming up to £1,000 if the balance is below the limit for 12 months

C. Claiming up to £2,000 if using machinery

D. Claiming for only main pools

The concept of Writing Down Allowance (WDA) for small pools is specifically defined by the annual amount that can be claimed based on the balance of the asset pool. The correct answer highlights that businesses can claim up to £1,000 if the balance of the pool is below this limit for 12 months. This provision is designed to simplify the depreciation process, allowing smaller businesses to receive a more immediate financial benefit from their investments in assets. By allowing a higher threshold for claiming WDA, it encourages businesses to invest in capital assets without being burdened by complex calculations and lower allowances that may not provide significant tax relief. Other options fall short in terms of accurately defining the specific criteria for small pool WDA claims. For instance, a claim cap of £500 is insufficient compared to the actual provision, while limits related to machinery or exclusively main pools do not align with the broader criteria established for small pool claims. Thus, focusing on the stipulated amount associated with balances under the defined threshold provides clarity on the eligibility for WDA when dealing with small pools.

10. What value does spouse 2 acquire an asset at if spouse 1 dies?

A. The average market value over the past year

B. The cost incurred by spouse 1

C. The market value at the date that spouse 1 died

D. Zero, as the asset is inherited

When spouse 1 dies, spouse 2 acquires the asset at its market value at the date of spouse 1's death. In the context of taxation and inheritance, this market value is referred to as the "probate value" or "open market value" of the asset at the time it is inherited. The reason this is important is that it determines the basis for any future capital gains tax calculations. When spouse 2 eventually sells the inherited asset, they will pay capital gains tax on the difference between the sale price and the market value at the date of spouse 1's death. This step-up in basis is designed to alleviate the tax burden on individuals who inherit assets, reflecting the true value of the asset at the time it was received rather than the value when originally purchased by spouse 1. Other options do not accurately reflect tax treatments for inherited assets. The average market value over the past year would not be valid for determining basis. Similarly, the original cost incurred by spouse 1 would be relevant only if spouse 2 were selling the asset directly without any consideration for the date of death valuation. Lastly, stating that the value is zero would misunderstand the tax implications of inheritance; inherited assets carry an estate tax valuation and do not

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

https://accataxationcertification-f6.examzify.com

We wish you the very best on your exam journey. You've got this!