ACCA TAXATION (F6) PRACTICE EXAM (SAMPLE)

STUDY GUIDE

SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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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. 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.

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. 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. What is the rule regarding claiming AIA, FYA, and WDA in the final accounting period?

A. All can be claimed without limitations

B. AIA can be claimed only

C. None can be claimed

D. All can be claimed with a cap

2. What is the time limit for electing to de-pool short life assets?

A. 31 January - 18 months after relevant tax year ends

B. 31 January - 22 months after relevant tax year ends

C. 31 January - 24 months after relevant tax year ends

D. 31 January - 20 months after relevant tax year ends

3. How does one calculate the chargeable gain during a takeover?

A. By subtracting the old share price from the new share price

B. Only when cash is involved in the transaction

C. Based on original purchase value of the shares

D. There is no chargeable gain regardless of the method

4. Which of the following describes a 'relevant transaction' for VAT purposes?

A. A transaction involving the sale of tax-free goods

B. A transaction involving the supply of goods or services

C. A transaction that is exempt from VAT

D. A transaction that includes only cash payments

5. In terms of capital gains, what is the general treatment of plant and machinery?

A. They are treated the same as real estate

B. They are exempt from capital gains tax

C. They typically are considered wasting unless specified otherwise

D. They are taxed at a flat rate

6. What is the primary function of VAT for registered companies?

A. To increase overall sales

B. To allow refunds on tax paid on business purchases

C. To simplify tax filing

D. To promote exports

7. When should the annual exempt amount be deducted from BADR relief gains?

A. After it has been fully utilized for all gains

B. Before non-BADR qualifying gains are calculated

C. After it has been utilised for all non-BADR qualifying gains

D. At any time throughout the year

8. Which of the following assets is usually exempt from capital gains tax?

A. Gold bars

B. Residential properties

C. Wasting chattels

D. Commercial buildings

9. Which type of chargeable gain should the annual exempt amount be used against first for tax relief?

A. Corporate assets

B. Residential property

C. Stocks and shares

D. Wasting chattels

10. At what stage is relief utilized when calculating capital gains tax?

A. Before calculating the gain

B. After calculating gain on disposal of an asset

C. During the filing of the tax return

D. It is not utilized at all

Answers

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

Explanations

1. What is the rule regarding claiming AIA, FYA, and WDA in the final accounting period?

A. All can be claimed without limitations

B. AIA can be claimed only

C. None can be claimed

D. All can be claimed with a cap

In the context of capital allowances, when a business reaches its final accounting period, specific rules apply regarding the claimable allowances, including the Annual Investment Allowance (AIA), First Year Allowance (FYA), and Writing Down Allowance (WDA). During the final accounting period, the AIA can only be claimed on qualifying expenditure incurred up to the end of that period. However, if the business is ceasing operations, the ability to claim AIA may be affected. For the FYA and WDA, there are restrictions that can apply based on the nature and timing of the acquisitions. The ruling on AIA, FYA, and WDA, being constrained in a final accounting period, often means that businesses may not be able to claim these allowances as they typically would in a period where they are continuing operations. Therefore, the correct answer reflects the understanding that, under these circumstances, none of the allowances can be claimed, as the conditions for doing so are not met due to the closing of the business. This understanding is crucial in tax planning, especially when preparing for the closing of a business, as it impacts the overall tax liabilities and potentials for reducing taxable profits.

2. What is the time limit for electing to de-pool short life assets?

A. 31 January - 18 months after relevant tax year ends

B. 31 January - 22 months after relevant tax year ends

C. 31 January - 24 months after relevant tax year ends

D. 31 January - 20 months after relevant tax year ends

The correct answer indicates that the time limit for electing to de-pool short life assets is 31 January - 22 months after the relevant tax year ends. This timeline is significant for businesses that hold short life assets, as it allows them to make decisions regarding the treatment of these assets for tax purposes within a specified period. Short life assets are assets that have a relatively rapid depreciation, and the ability to de-pool them allows taxpayers to simplify their capital allowances claims. The deadline of 31 January - 22 months following the end of the relevant tax year provides a window of opportunity for businesses to assess their capital assets' performance and make necessary elections in their tax returns without facing penalties or complications. In the context of the options provided, the other timeframes do not align with the current regulations regarding short life asset elections. Each alternative suggests differing time limits, indicating misunderstanding of the current rules governed by tax law. Thus, the established deadline of 31 January - 22 months remains crucial for compliance and effective tax planning for entities dealing with short life assets.

3. How does one calculate the chargeable gain during a takeover?

A. By subtracting the old share price from the new share price

B. Only when cash is involved in the transaction

C. Based on original purchase value of the shares

D. There is no chargeable gain regardless of the method

In the context of a takeover, calculating the chargeable gain involves understanding how the specifics of the transaction affect the former shareholders. When cash is involved in the transaction, it is essential to determine any gain arising from the disposal of shares. In this situation, the chargeable gain is calculated as the difference between the selling price (which may include cash received and the value of shares received in the new entity) and the original purchase price of the shares. Therefore, if cash is part of the transaction, it is clear that this would trigger a taxable event, allowing for the calculation of any capital gains based on the difference between the acquisition cost and the proceeds received. While it is indeed possible to have scenarios that do not result in a chargeable gain, the primary focus of calculation arises when cash exchanges hands. The value for calculating the chargeable gain can also incorporate shares in the acquiring company, although option B emphasizes the relevance of cash, which serves as a straightforward indicator for assessing the gain. In contrast, the other choices either misunderstand the mechanics of capital gains tax in corporate transactions or incorrectly state that no chargeable gain exists. Particularly, disregarding transactions without cash or equating them solely to share price differences overlooks the comprehensive approach needed for proper

4. Which of the following describes a 'relevant transaction' for VAT purposes?

A. A transaction involving the sale of tax-free goods

B. A transaction involving the supply of goods or services

C. A transaction that is exempt from VAT

D. A transaction that includes only cash payments

A 'relevant transaction' for VAT purposes is one that involves the supply of goods or services. This definition aligns with the core principles of VAT, where the value-added tax is levied on the supply of goods and services. The supply can occur in various forms and across different sectors, and it is essential to understand that VAT applies to transactions that do not fall outside the taxable framework. Transactions that involve the sale of tax-free goods do not qualify as relevant for VAT, as they are not subject to taxation. Similarly, exempt transactions from VAT do not contribute to the VAT system and thus do not count as relevant transactions. Additionally, limiting relevant transactions to those involving only cash payments does not capture the broader definition since VAT applies to transactions made through various payment methods, including credit, debit, and electronic payments.

5. In terms of capital gains, what is the general treatment of plant and machinery?

A. They are treated the same as real estate

B. They are exempt from capital gains tax

C. They typically are considered wasting unless specified otherwise

D. They are taxed at a flat rate

Plant and machinery are generally considered wasting assets for capital gains tax purposes, unless explicitly stated otherwise. This means that the expected useful life of these assets is deemed to be less than 50 years. As wasting assets, they typically do not attract capital gains tax upon disposal, as the tax law provides relief recognizing that their value diminishes over time. In the context of capital gains, specific rules apply to different types of assets, and plant and machinery being categorized as wasting assets signifies the lower likelihood of substantial capital appreciation. This treatment aligns with tax policies aimed at encouraging investment in business assets that devalue over time due to wear and tear or technological obsolescence. The other options either incorrectly categorize plant and machinery or misrepresent the taxation mechanism related to them. For instance, treating these assets the same as real estate overlooks the distinctions between the two asset classes, where real estate typically appreciates in value. Moreover, stating that they are exempt from capital gains tax simplifies the complexity of tax treatment without acknowledging the specific provisions for wasting assets. Lastly, taxing them at a flat rate does not apply, as capital gains taxation generally depends on the type of asset and its classification under tax law, rather than a flat rate being uniformly applied.

6. What is the primary function of VAT for registered companies?

A. To increase overall sales

B. To allow refunds on tax paid on business purchases

C. To simplify tax filing

D. To promote exports

The primary function of VAT (Value Added Tax) for registered companies revolves around the mechanism that allows businesses to reclaim tax paid on business purchases. Registered companies collect VAT on their sales (output tax) and also incur VAT on their purchases (input tax). The tax system is designed so that businesses can deduct the VAT they have paid on their inputs from the VAT they collect on their sales. Thus, if a company has paid more VAT on its purchases than it has collected on its sales, it can receive a refund or carry forward the excess input tax to future periods. This mechanism ensures that the tax burden is ultimately borne by the end consumer, and businesses are not disadvantaged by VAT when making purchases necessary for their operations. This feature is essential as it promotes fair competition by allowing companies to operate without suffering from a tax disadvantage on their inputs. The other options, while beneficial in certain contexts, do not encapsulate the main function of VAT regarding how it operates for registered businesses. For example, increasing overall sales may be a result of effective business strategies, but it's not a direct function of VAT. Simplifying tax filing is also a benefit, but not the primary role of VAT. Similarly, promoting exports through zero-rating is a particular application rather than

7. When should the annual exempt amount be deducted from BADR relief gains?

A. After it has been fully utilized for all gains

B. Before non-BADR qualifying gains are calculated

C. After it has been utilised for all non-BADR qualifying gains

D. At any time throughout the year

The correct application of the annual exempt amount in relation to Business Asset Disposal Relief (BADR) is significant for determining the calculation of gains. The annual exempt amount should be deducted after it has been utilized for all non-BADR qualifying gains. This is because the annual exempt amount applies first to these non-BADR gains before any is considered for the BADR gains. When considering the calculation sequence, it is essential to first eliminate taxable liabilities associated with non-BADR disposals, since this ensures that the relief is applied appropriately and maximizes the benefit for BADR gains. This approach helps to prevent the annual exempt amount from being used up on gains that do not qualify for BADR relief. In contrast, other options do not reflect the correct sequence for utilizing the annual exemption. For instance, utilizing the exemption before calculating non-BADR gains does not follow tax regulations that dictate the order of deductions. Similarly, the idea of deducting the exempt amount at any time throughout the year does not align with the structured tax year framework that governs capital gains tax relief. Therefore, the correct process is to use the annual exempt amount towards non-BADR gains first and only then apply it to BADR gains.

8. Which of the following assets is usually exempt from capital gains tax?

A. Gold bars

B. Residential properties

C. Wasting chattels

D. Commercial buildings

Wasting chattels are typically exempt from capital gains tax because they are defined as tangible movable property that has a limited life expectancy, specifically those with a useful life of less than 50 years. This exemption aligns with the principle that gains derived from the sale of such assets do not fall within the same classification as more permanent or appreciating assets like residential properties or commercial buildings. In practice, this means that when an individual sells assets such as equipment or certain collectibles, as long as these assets meet the criteria of wasting chattels, they would not incur capital gains tax on the profits from that sale. Understanding this distinction is crucial for tax planning and compliance, as it allows for the strategic management of asset sales to minimize tax liabilities. Other assets, such as gold bars and properties, have more complex capital gains tax implications due to their potential for appreciating value and are not typically exempt from such taxes.

9. Which type of chargeable gain should the annual exempt amount be used against first for tax relief?

A. Corporate assets

B. Residential property

C. Stocks and shares

D. Wasting chattels

The annual exempt amount for Capital Gains Tax should be used against chargeable gains from residential property first. This prioritization is important because disposals of residential property are typically subject to a higher level of taxation compared to other types of assets. As a result, individuals are incentivized to utilize their annual exempt allowance against these gains to reduce their overall tax liability. Under UK tax law, residential property is treated distinctly due to the additional implications it can have on taxation, including the potential for higher rates of Capital Gains Tax. The exemption helps mitigate some of the financial burden associated with realized gains from property sales. In contrast, other asset classes such as stocks and shares or wasting chattels do not carry the same level of tax implications and thus do not benefit from this priority in the application of the annual exempt amount. This approach aims to ensure that the most tax-advantageous positions are utilized effectively, safeguarding individuals from excessive tax burdens specifically tied to property dealings.

10. At what stage is relief utilized when calculating capital gains tax?

A. Before calculating the gain

B. After calculating gain on disposal of an asset

C. During the filing of the tax return

D. It is not utilized at all

When calculating capital gains tax, relief is utilized after calculating the gain on the disposal of an asset. This is because the capital gain is first determined by taking the selling price of the asset and subtracting its allowable costs, such as acquisition costs and any enhancements made to it. Once the initial gain has been established, reliefs such as annual exemptions or specific reliefs related to the nature of the asset can then be applied to reduce the taxable gain. Applying relief only after the gain has been calculated ensures that the taxpayer accurately knows the extent of the gain before any adjustments are made. This process is crucial to determine the correct tax payable and to ensure that any available reliefs are used appropriately to minimize tax liability. Therefore, understanding this sequential approach is vital for accurate taxation assessment.

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!