

QUESTION 1

Ros sells whiteboard erasers. She is paid a salary of \$2,000 per calendar month and commission of 20% of sales she makes. Her accounts for the current income year were as follows:

Receipts	\$
Salary (\$6,000 of this was for salary for the previous year which her employer was unable to pay her due to cash flow problems)	30,000
Commissions	15,000
Long service leave (paid on 25 June of the current income year for 5 weeks leave commencing 30 June of the current income year)	2,500
Interest (Ros had invested \$20,000 for 12 months on 5 January two years ago at 12%. On termination of this period she reinvested the principal and interest, \$22,400, for a further 12 months at 10%. When the investment matured she withdrew the total funds in the current income year)	24,640
Alimony payments from her former husband	3,000
Clothing Allowance	1,000
Rent from rental property	12,000
Payments	
Childcare costs	4,000
Interest repayments (Ros' study occupied 10% of the house. She was provided with an office at her employer's premises but preferred to do some administrative work at home on the weekends.)	10,000
Home electricity expenses	1,500
Conference expenses for Salespersons' Motivation Conference. Held by the Institute of Salespersons.	250
Superannuation contributions to a private scheme	1,000
Dresses bought at the local shops to be used for work only	1,800
Loan repayments on rental property loan. Monthly repayments were \$2,500 of which \$2,250 represented interest.	30,000
New hot water system for rental property to replace the old system which blew up after having been in use for 5 years. It's written down value at the date it was scrapped was \$220. The new hot water system had an effective life of 8 years and had been acquired on 15 October CY (<i>do not pool</i>)	500
New sofa on 1 December CY for use in rental property	290

Required:

Calculate Ros' taxable income and net tax payable for the current income year including Medicare levy.

Provide brief reasons for the **exclusion** of any items from the calculation.