

Your manager has sent you a memorandum in relation to the Harrow Tan Ltd group. An extract from the memorandum and a schedule of group information prepared by Corella, the group finance director, are set out below.

Memorandum from your manager – dated 7 September 2017

Tosca Ltd - promotion of new product

Tosca Ltd manufactures high quality glass bowls. It accounts for value added tax (VAT) using the annual accounting scheme.

Tosca Ltd has developed a new product, which is expected to increase the company's annual turnover from £1,200,000 to £2,000,000. The new product is to be marketed to the company's customers, all of whom are UK based retailers, via promotional evenings in various parts of the UK.

At the promotional evenings the retailers will be provided with a meal. They will also be given a sample of the new product costing approximately £90, and a pen costing £40.

(iv) Tosca Ltd - promotion of new product

- The VAT implications of:
 - the expected increase in the turnover of Tosca Ltd; and
 - the entertainment and gifts at the promotional evenings.

Required:

Prepare the meeting notes as requested by your manager. The following marks are available:

(iv) Tosca Ltd – promotion of new product. (6 marks)