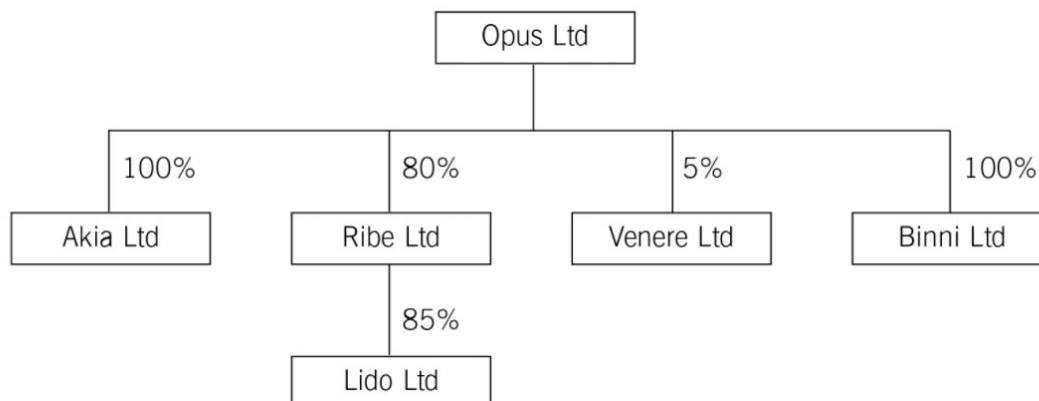


Your manager is due to attend a meeting with the finance director of Opus Ltd. A schedule of information obtained from the client files and an email from your manager in connection with the Opus Ltd group are set out below.

#### Schedule of information

Opus Ltd — holdings in other companies as at 31 March 2014



Results for the period ended 31 March 2014

	Opus Ltd £	Akia Ltd £	Ribe Ltd £	Lido Ltd £	Venere Ltd £	Binni Ltd £
Trading profit/(loss)	10,000	(93,000)	41,000	75,000	160,000	78,000
Property income	8,000	—	—	—	—	—
Chargeable gain	Note 3	6,000	—	21,000	—	—

#### Notes

##### Holdings in other companies

1. All of the companies are UK resident trading companies.
2. All of the companies, including Binni Ltd, have always paid corporation tax at the main rate due to a large number of overseas associated companies.
3. Opus Ltd — acquisition of the holdings in other companies
  - Opus Ltd acquired Akia Ltd and the shareholding in Ribe Ltd (together with its subsidiary Lido Ltd) on 1 January 1999.
  - Venere Ltd has an issued share capital of 1,000,000 ordinary shares. Opus Ltd acquired 170,000 ordinary shares in Venere Ltd on 1 July 2004 for £65,000. It sold 120,000 of these shares on 1 October 2013 for £150,000. The indexation factor from July 2004 to October 2013 is 0.216.
  - Opus Ltd acquired Binni Ltd on 1 December 2013.
4. The minority interests in Ribe Ltd and Lido Ltd are owned by individuals.
5. Venere Ltd is a 75% subsidiary of Jarrah Ltd, a company with no connections to the Opus Ltd group.

##### Results for the period ended 31 March 2014

6. All of the companies, with the exception of Binni Ltd, have prepared accounts for the year ended 31 March 2014. Binni Ltd has prepared accounts for the ten months ended 31 March 2014.
7. Where necessary, the results shown above have been adjusted for tax purposes.
8. Akia Ltd's trading loss includes writing down allowances in the main pool of £35,000.
9. Akia Ltd is not expected to return to profitability for a number of years.
10. Ribe Ltd has trading losses brought forward of £68,000 as at 1 April 2013.

### **Email from your manager**

Please carry out the following work in preparation for the Opus Ltd meeting.

#### **(c) Error in the corporation tax return of Binni Ltd**

A detailed review of the results of Binni Ltd for the year ended 31 May 2012 has revealed that no adjustment was made in respect of an amount of disallowable expenditure. As a result of this, the company's corporation tax liability for the year was understated by £8,660. I have told the company that there may be interest and penalties in respect of this error.

Explain how the interest on the underpaid tax will be calculated and state the matters which would need to be considered if the company were unwilling to disclose the error to HM Revenue and Customs.

#### **Required:**

#### **(c) Error in the corporation tax return of Binni Ltd.**

Note: You are not required to calculate the amount of interest payable or to consider any penalty which may be charged. (6 marks)