



Operational Case Study Examination

November 2021–February 2022

Pre-seen material

COVID-19 Statement

This pre-seen and the case study in general (while aiming to reflect real life), are set in a context where the COVID-19 pandemic has not had an impact.

Remember, marks in the exam will be awarded for valid arguments that are relevant to the question asked. Answers that make relevant references to the pandemic or social distancing will, of course, be marked on their merits. In most cases, however, candidates may find it helpful to assume that there are no restrictions to the movement of people, goods or services in place.

TreadCushy



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Your role

You are a Finance Officer working within the Finance Department of TreadCushy. You are principally involved in the preparation of management accounting information and providing information to managers to assist with decision making. At times you are also expected to assist with the preparation of the financial statements and answer queries regarding financial reporting and other financial matters.

Introduction

TreadCushy is a company that designs, manufactures and sells a range of athletic shoes made using natural and recycled materials. The company is based in Keyland, a country located in mainland Europe, which has the K\$ as its currency.

TreadCushy was founded in 2007 by Sophia Grigg and Harry Blanc. Prior to founding the company, Sophia and Harry worked for the same major worldwide athletic shoe and clothing brand. Sophia and Harry were, and still are, passionate about the environment, sustainability and the use of natural materials. Whilst working for this worldwide brand, they increasingly found themselves frustrated at the lack of focus on environmental concerns and the lack of natural and recycled materials being used to create athletic shoes.

As a result, Sophia and Harry decided to develop their own brand of athletic shoes and founded TreadCushy in 2007 based in a small workshop. They worked closely with raw material suppliers and by early 2010 they had developed the first range of casual athletic shoes made almost entirely from natural materials. These included wool, natural rubber, sugar cane and caster beans. The athletic shoes were launched to the market in mid-2010. Sales, all of which were through the company's own website, amounted to 25,000 pairs in the first year after the launch.

Sophia and Harry decided that production would be kept "in-house" so that they could control the sustainability of the manufacturing process and to ensure that there was a focus on craftsmanship. Therefore, in early 2010, a site in Central Keyland was purchased. A Production Facility, Distribution Centre and Head Office were established on that site.

In its early stages, the company was funded with venture capital finance as well as by private investors who saw promise in this new and innovative brand. The passion and drive of both Sophia and Harry, as well as the support of early investors, ensured that TreadCushy went from strength to strength, not only gaining brand awareness in Keyland but in many other European countries.

In 2015, the company launched a range of athletic shoes with uppers made from fabric created from yarn derived from wood pulp. With such fabric giving natural weather-resistant properties, Sophia and Harry developed a range of performance athletic shoes for running which were first launched to the market in 2017. In the same year, TreadCushy opened its first store in the capital city of Keyland having previously relied entirely on direct selling through its own website. In addition, the Production Facility was expanded, and a new Distribution Centre was opened 10 kilometres from the main site.

In the year to 30 June 2021 the company's revenue was K\$68 million and profit before tax was K\$6 million. During that year, the company sold more than 700,000 pairs of athletic shoes in 10 European countries and opened its fourteenth store. By 2025, TreadCushy aims to be selling over 1 million pairs of athletic shoes a year across more than 20 countries. The company also has the aim to be carbon neutral by 2030.

Extracts from the TreadCushy website:

What's special about our athletic shoes?

There are three main things that make our athletic shoes special:

Made from 100% natural or recycled materials

We use yarn made from sustainably sourced wool or wood pulp to create our shoe uppers. We use combinations of natural rubber and sugar cane composites to mould into the midsoles and outsoles of our athletic shoes. All insoles are made from castor bean, laces from recycled plastic and even eyelets are stitched using sustainably sourced cotton thread. Finally, all our packaging is made from 100% recycled cardboard.

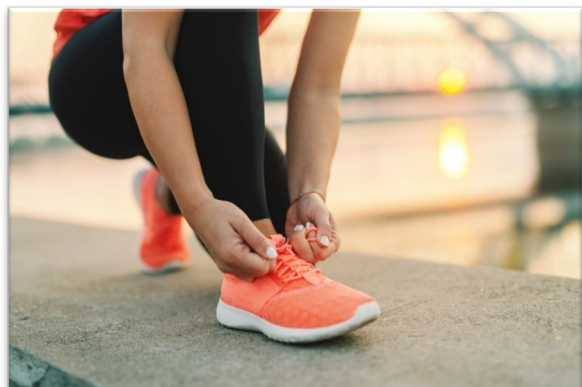


Made in Keyland at our own Production Facility

We pride ourselves on keeping 100% of our production in-house. From weaving the fabric used to create our shoe uppers, to assembly and final inspection of the shoes. All this is carried out at our Production Facility in Central Keyland by our skilled craftspeople.

Created with both comfort and style in mind

All our athletic shoes are designed to be stylish whilst also being the most comfortable pair of athletic shoes that you will own. We strongly believe that once you've owned a pair of TreadCushy athletic shoes, you'll never want to go back to another athletic shoe brand!



Where can I buy a pair of TreadCushy athletic shoes?

Step 1: Pick from:

One of our **retail stores**, locations of which can be found by clicking **here**.

or

Our **online store**, which is available on this website by clicking **here**.

or

Our **shopping app**, available to download by clicking **here**.

Step 2: Choose either:

CASUAL RANGE

For a pair of comfortable and stylish athletic shoes to wear every day.

or

PERFORMANCE RANGE

For a pair of athletic shoes which will support your feet and enhance your running performance.

Wool

Natural wool upper for complete comfort, available in many different designs and colours.

Wood

Natural wood upper for added weather proofing, available in many different designs and colours.

Hill

With a wood upper and a shoe design adapted for hill running, available in a range of Basic, Regular and Elite designs, each in five colours.

Flat

With a wood upper and a shoe design adapted for flat running, available in a range of Basic, Regular and Elite designs, each in five colours.

The directors



Sophia Grigg, Managing Director, is one of the co-founders of TreadCushy and has responsibility for the business as a whole. She also has responsibility for marketing and together with her co-founder, Harry Blanc, has final sign-off on new designs and products. Sophia has a keen interest in sustainability and is continually looking for ways to reduce any harmful impact of the business on the environment.



Harry Blanc, Product Development & IT Director, is the other co-founder of TreadCushy and has overall responsibility for the development of new athletic shoe designs, as well as the IT Department. Harry is passionate about fitness and well-being and is keen to expand the product base of the business into apparel and other fitness related products. He is also interested in digital and social media marketing and has recently appointed a dedicated Social Media Marketing Manager.



Oleg Scragg, Production Director, has been in post since 2010, having previously been a Senior Production Manager at a garment manufacturing facility. He has responsibility for the Production Facility (which includes the raw materials warehouse). He has an interest in sustainable production and works closely with Sophia to continually improve the working practices at the Production Facility.



Jack Tang, Sales & Distribution Director, has been in post since 2020. He has responsibility for online sales, retail stores and the Distribution Centre. Jack has experience with technology and IT systems and would like the Distribution Centre to embrace the use of more technology.



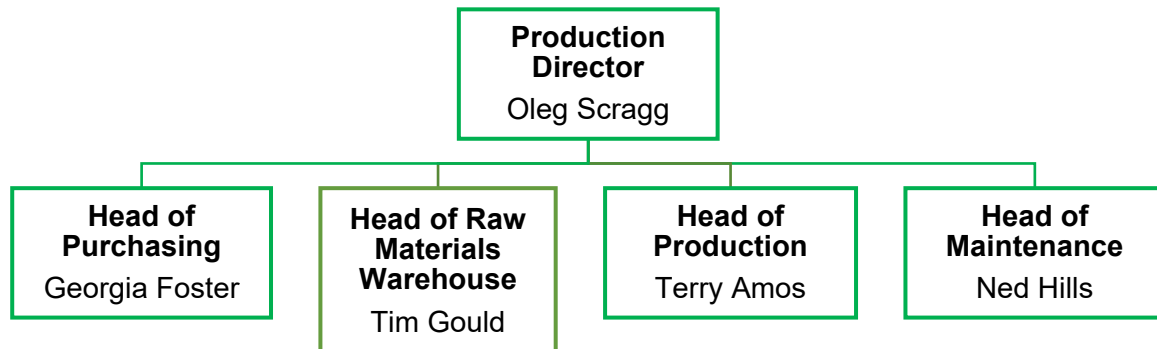
Emily Queda, Finance Director, has been in post since 2012 and has been qualified as an accountant since 2002. She has responsibility for the Finance Department and was instrumental in securing financiers in the early stages of the business. Emily believes that the business is on a sound financial footing and that now is the time to invest in new products and markets.



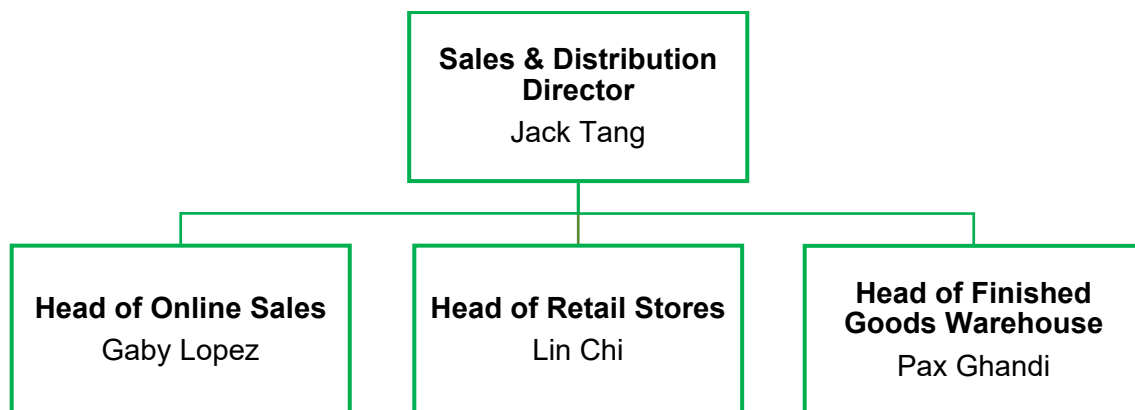
Sara Gomez, Human Resources Director, has been in post since 2018 when the post was created. Previously Emily Queda had been responsible for human resources. Sara has responsibility for all aspects of human resource management across the business. She was keen to take this role because of TreadCushy's excellent reputation for staff welfare.

Production, Sales & Distribution and Finance teams

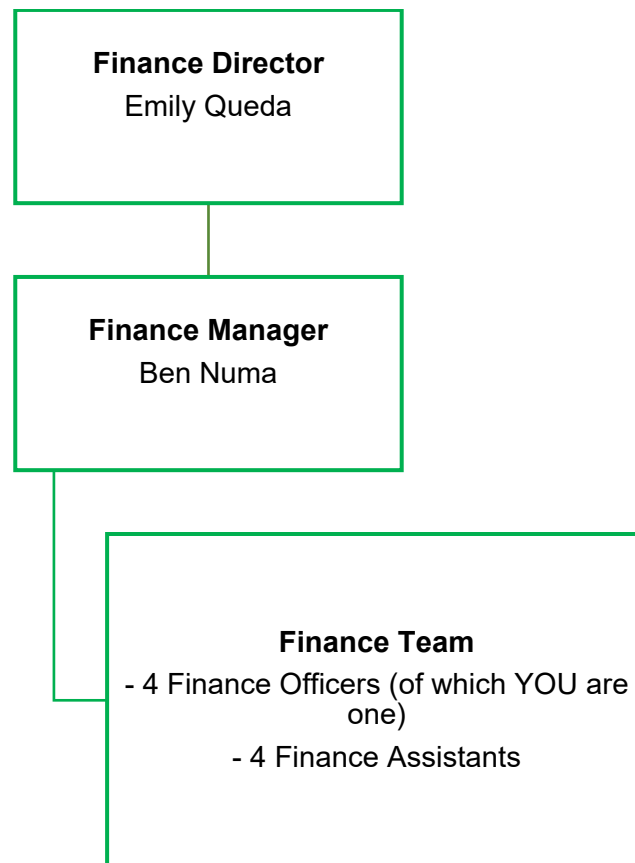
Production:



Sales & Distribution:



Finance:



Other information about company operations

Sales markets and sales channels

TreadCushy sells its athletic shoes to customers in Keyland and 9 other countries in Europe. The company has always had a policy of direct selling to customers and does not currently sell through intermediary retailers or wholesalers. Until 2017, all sales were made online via the company's website. In 2017, TreadCushy opened its first retail store in the capital city of Keyland. There are now 8 stores in major cities in Keyland and a further 6 stores in the capital cities of 6 other European countries. For the year ended 30 June 2021, TreadCushy's revenue is analysed as follows:

Revenue analysis	Keyland K\$ million	Northern European K\$ million	Southern Europe K\$ million	Total K\$ million
Online sales	30.9	14.9	5.4	51.2
Retail stores	9.7	6.8	0	16.5
Total	40.6	21.7	5.4	67.7

Sales are not uniformly distributed across the year. Peak sales are in the period October to December and then in the period April to June and correspond to new design launches which typically happen in March and September of each year. Online sales are managed from an office at the Distribution Centre (see below). Customers can either order from the website or through the TreadCushy shopping app which was launched in 2020.

TreadCushy athletic shoes appeal to a broad range of customers, across a wide age range. The Casual range is designed for casual every day wearing and is fast becoming one of the most "trendy" brands of athletic shoes to be seen in: partly because of TreadCushy's appealing designs and partly because of its sustainability credentials. The Performance range of running shoes is also growing in popularity and has a good reputation. It is currently targeted at people who use running to keep fit or as a hobby, rather than elite runners. For both the Casual and the Performance ranges, TreadCushy's prices are slightly above the market average for similar products.

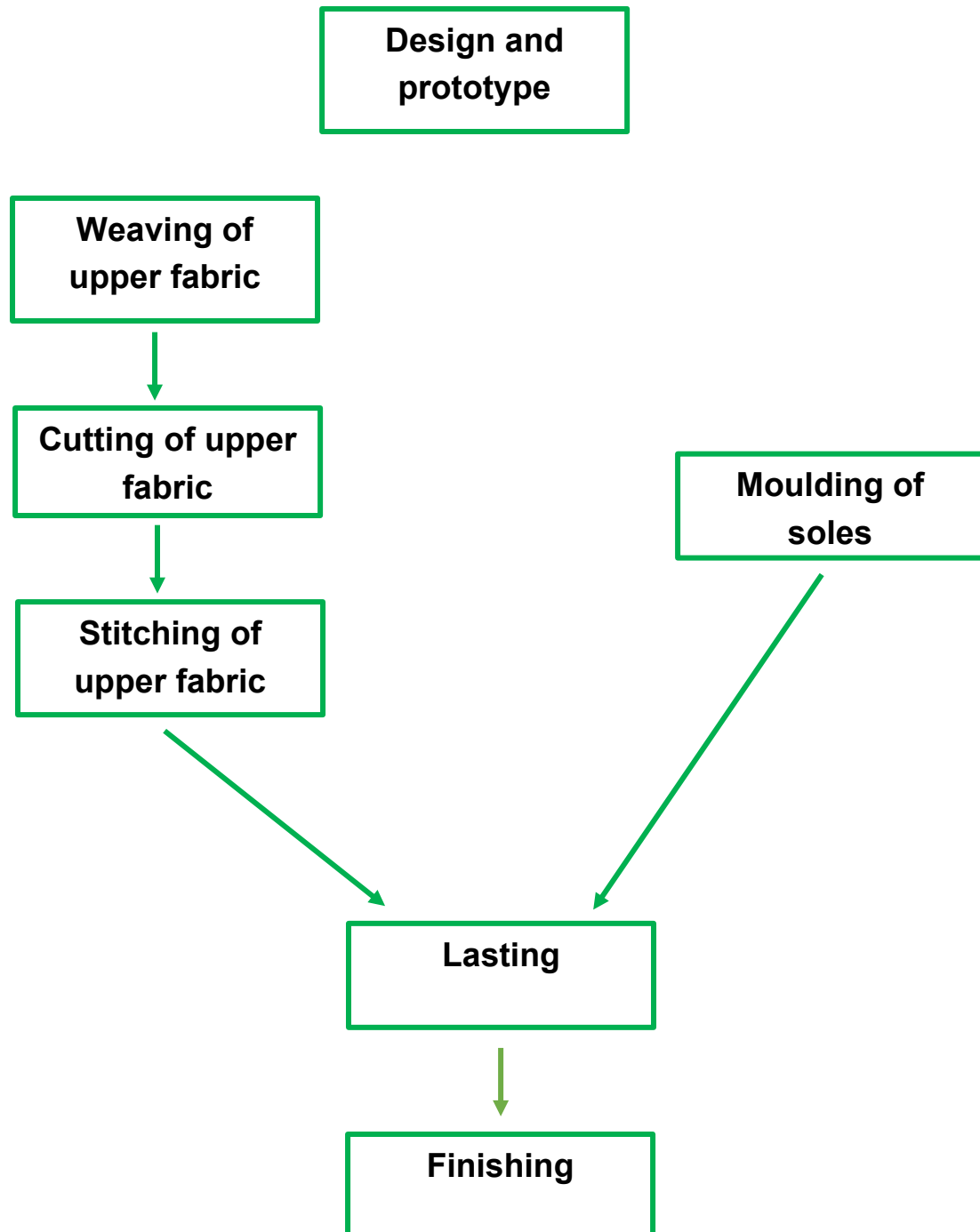
The mix of sales between Casual and Performance shoes is different in retail stores and online. This is because many customers prefer to come into store so that they can benefit from the expertise of the sales team when selecting their Performance shoe. Many of TreadCushy's customers are loyal to the brand and own more than one pair of TreadCushy athletic shoes.

Production Facility

TreadCushy makes all its shoes at its single Production Facility where it weaves the fabric from which shoe uppers are made, moulds the soles of the shoes and where the shoes are assembled and finished. The site includes a number of different buildings used for the different production operations and a Raw Materials Warehouse.

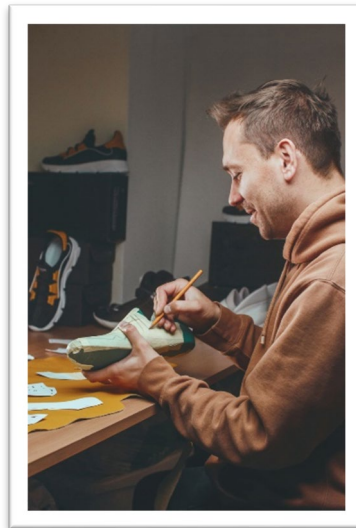
Production is typically for inventory rather than to order. On completion of production, finished goods are sent to TreadCushy's separate Distribution Centre which is located 10 kilometres from the Production Facility.

The production process



Design and prototype

New shoe designs are launched twice a year. Each design starts as a conceptual drawing in the Product Development Department. After initial approval, the paper design is digitalised using CAD software, which allows a pattern to be created. From this initial pattern, prototypes of the shoe are developed and rigorously tested, with the pattern and material requirements tweaked until the perfect shoe has been created. After final design approval, any new moulding and cutting dies required for production are sourced and then production can commence.



Weaving of fabric

All the fabric used to create the upper of TreadCushy's shoes is woven at the Production Facility by modern weaving machinery. The company buys in yarn made from either high-quality wool or from wood pulp and this is woven into rolls of fabric.

Cutting

Each shoe upper consists of a number of segments that need to be cut out from the fabric that has been woven. Two methods are used to cut out these segments: by hand using cutting dies or using digital laser-cutting machinery.

Stitching

All the segments of a shoe upper (outer layers and lining) are stitched together by one of TreadCushy's skilled craftspeople using modern sewing machines, designed specifically for the task. At this stage, eyelets are stitched into the upper ready for laces.

Moulding of soles

At the same time as shoe uppers are being made, a separate production team makes the midsoles and outsoles. Pellets of natural rubber and a composite made from sugar cane are combined in a melting vat and the soles are moulded by an injection moulding process.

Lasting

Lasting is the process where the shoe is assembled and takes its shape. A last is a metal model for the foot shape relevant to the type and size of the shoe being created. Lasting machinery is set up with the relevant lasts and the floppy shoe uppers are stretched onto these lasts. The bottom ends of the upper are folded over onto the base of the last and the midsole and outsole of the shoe are then pressed onto the upper by the machine. After the sole is added the shoe is taken off the last and is ready for finishing.



Finishing

Finishing involves adding insoles, laces and labels, before final quality checks and packing into our distinctive recycled cardboard TreadCushy shoe boxes.

Purchasing and suppliers

The main raw material inputs to the production process are:

Yarn	<ul style="list-style-type: none">• There are two types of yarn used by TreadCushy: one made from wool and one made from wood pulp.• Each type of yarn has a single supplier. Both suppliers create their yarns in Keyland from natural resources sourced sustainably in the country.
Natural rubber	<ul style="list-style-type: none">• Natural rubber in pellet form is sourced from three different suppliers: two in Asia and one in South America.• All three of TreadCushy's natural rubber suppliers are members of the World Federation Alliance of Sustainable Sourcing.
Sugar cane composite	<ul style="list-style-type: none">• Since TreadCushy was founded, it has worked with TB Sweet Nature, a company based in South America, to develop a composite made from the waste product of sugar cane.• TB Sweet Nature is TreadCushy's only supplier of this composite which is used in the production of shoe soles.

In addition, TreadCushy buys the following from a range of suppliers mostly based in Keyland:

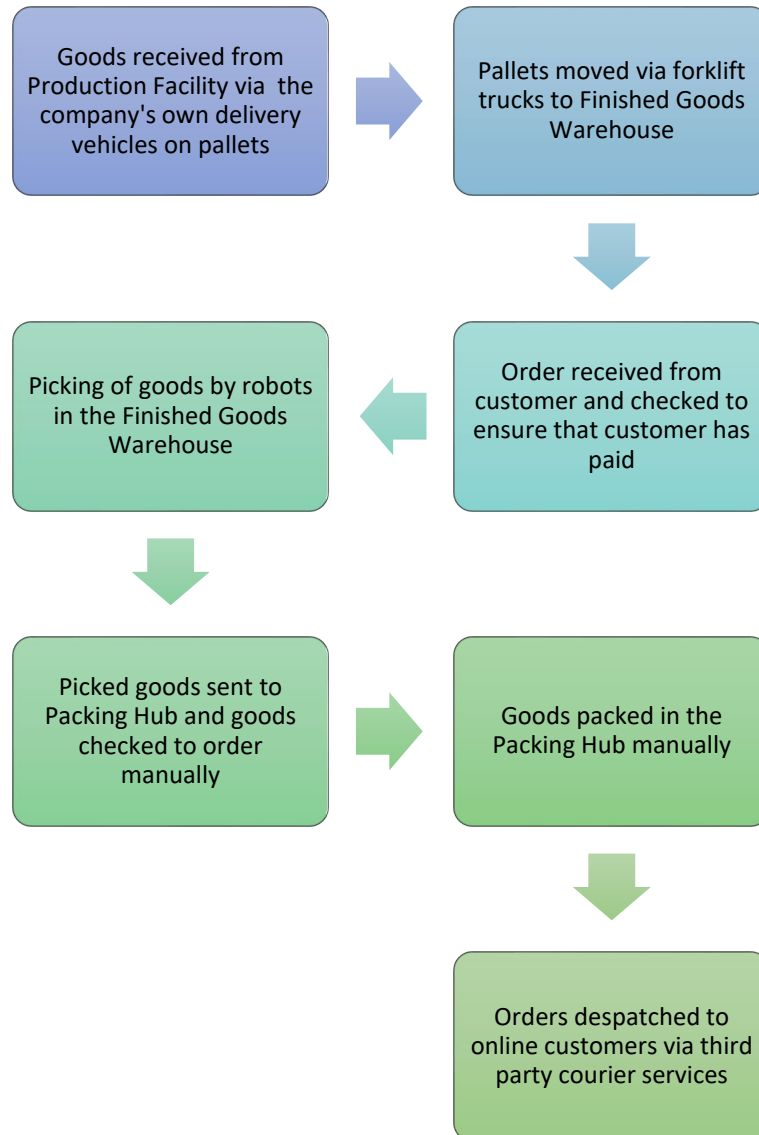
- insoles made from castor beans;
- laces made from recycled plastic;
- cotton thread; and
- packaging made from recycled cardboard.

TreadCushy takes a conservative approach to raw materials inventory management and takes advantage of bulk purchase discounts where possible. Payment terms granted by suppliers range from 30 to 60 days.

Distribution Centre and logistics

The company has a Distribution Centre located 10 kilometres from the Production Facility. The Distribution Centre includes a large warehouse for storage of finished goods inventory. There is also an office from which all online sales and retail store logistics are managed.

The process in respect of online sales is as follows:



Despatches to retail stores are carried out by an international logistics company.

TreadCushy takes a conservative approach to the management of finished goods inventory at the Distribution Centre. This is to ensure the full range of designs, colours and sizes are available for quick despatch to customers.

Retail stores

There are currently eight TreadCushy retail stores in Keyland, all located in major cities. There are a further six retail stores in the capital cities of other European countries. Each store is fitted out in the same way and displays the full range of our shoe designs. The retail stores sell only the TreadCushy brand.

Each store has a Store Manager whose responsibilities include inventory control as well as recruiting and training retail employees. Each Store Manager has a monthly sales target that they are expected to achieve.

Each store has touchscreen monitors giving customers information about the benefits of using natural resources such as wool, wood, caster beans and rubber as well as the science behind the shoe designs.

Employees

TreadCushy had the following number of employees on 30 June 2021:

	Number
Production Facility	284
Distribution Centre	124
Retail Stores	98
Head Office*	29
	535

*Head Office includes the product development, finance and human resources teams.

Standard costing and budgets

The company operates a standard absorption costing system using departmental overhead absorption rates based on either direct labour hours or machine hours for both variable and fixed production overheads. Standard cost cards are produced for each shoe design and are updated annually.

Budgets are prepared annually on an incremental basis. Managers have limited involvement in budget setting and limited budget responsibility for their respective areas.

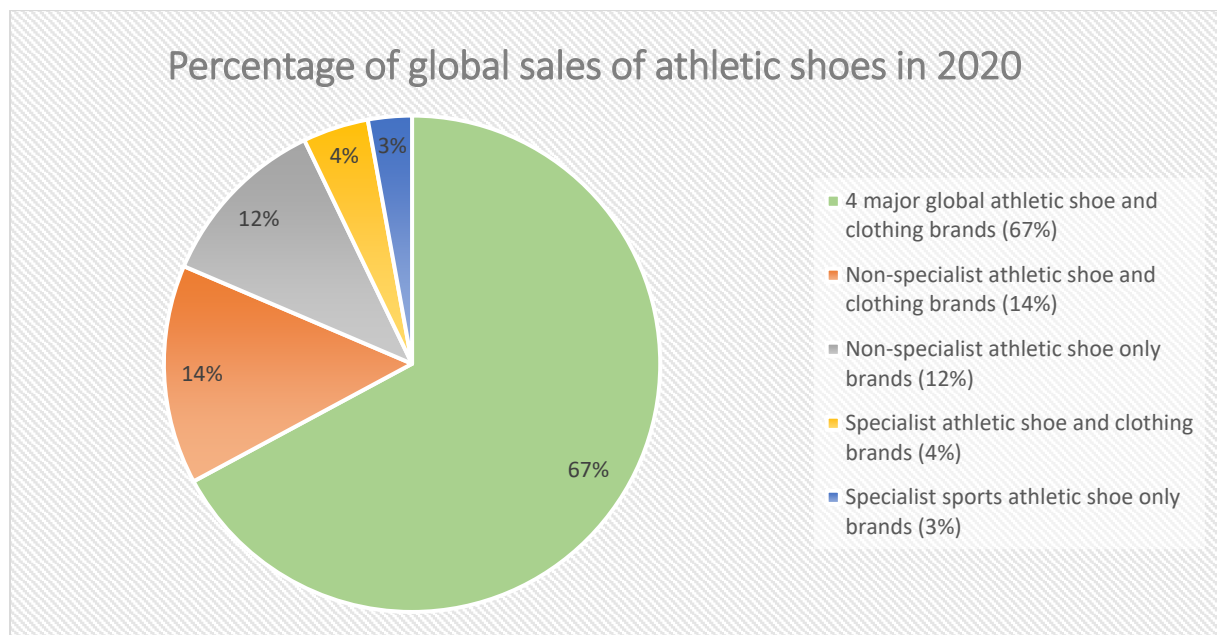
The industry

Global sales of athletic shoes

Global footwear sales in 2020 were K\$180 billion, of which K\$70 billion can be attributed to sales of athletic shoes.

The market for athletic shoes is dominated by four major athletic shoes and clothing brands that have a truly global presence. These four brands have operations across the world and sell a full range of athletic shoes and clothing for both sport and leisure. The other brands that sell athletic shoes can be categorised as either non-specialist or specialist, with the brand incorporating athletic shoes and clothing or just athletic shoes. Specialist brands are typically relatively small companies that focus on a niche within the market, such as athletic shoes made from recycled materials or athletic shoes for specific sports. TreadCushy is an example of a specialist athletic shoe only brand.

The K\$70 billion of global sales of athletic shoes in 2020 were generated as follows:



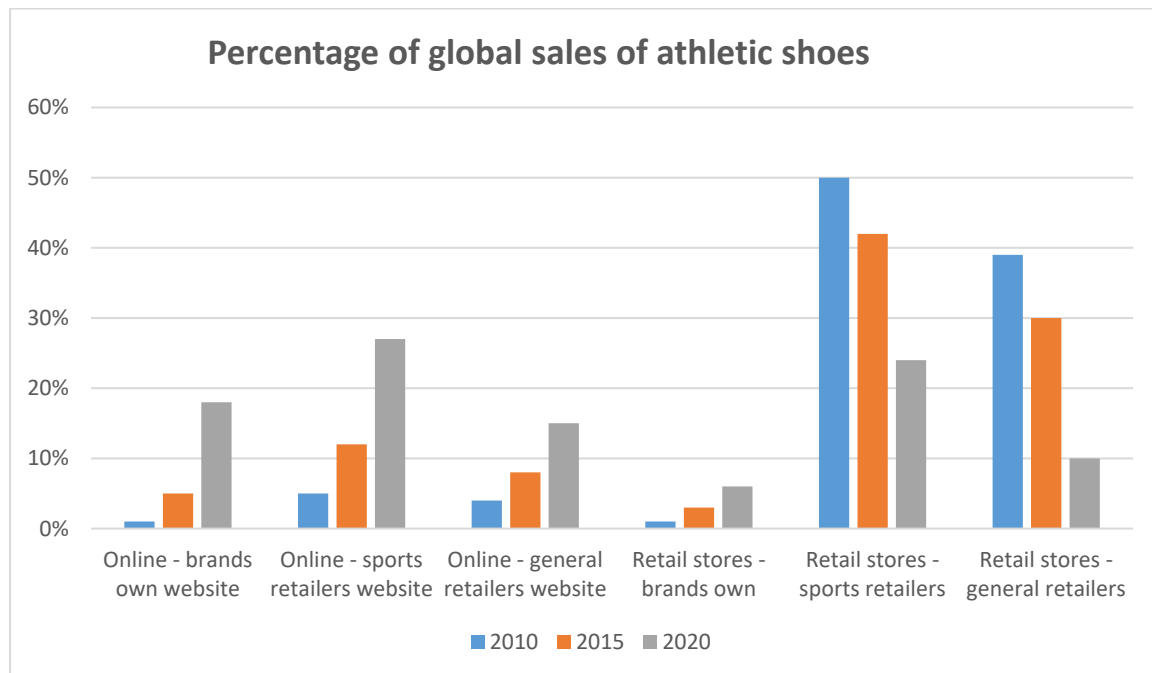
Of the K\$70 billion of athletic shoe sales generated in 2020, approximately 50% relates to high performance sports shoes (covering a wide range of sports) and 50% relates to casual athletic shoes.

The global market for athletic shoes has grown by an average of 5% a year over the last 10 years and is expected to grow by 7% a year over the next 5 years. This is due in part to increasing interest in health and fitness generally but is also driven by Millennials who see athletic shoes as a fashion statement.

Sales channels for sports athletic shoes

Over the last 10 years consumer shopping habits have changed significantly. In 2010 only 10% of all athletic shoe sales were made online, with the other 90% made in retail stores. In 2020, online sales were 60% of total sales made.

Whether consumers buy their athletic shoes direct from the brand or from third party retailers has also changed slightly over the same 10-year period. Increasingly brands have used direct selling to consumers, either through their own online stores or their own dedicated retail stores. This is illustrated below:



Manufacturing

The vast majority of athletic shoes are manufactured in Asia. All four of the major brands outsource production as a means of keeping cost down.

However, over the past 10 years there have been a number of small companies proving that manufacturing in-house can be profitable. One such example is TreadCushy.

Financial statements for the year ended 30 June 2021

TreadCushy

Statement of profit or loss for the year ended 30 June 2021

	2021 K\$000	2020 K\$000
Revenue	67,740	59,120
Cost of sales	(32,515)	(28,970)
Gross profit	35,225	30,150
Selling, distribution and marketing costs	(23,053)	(21,585)
Administrative expenses	(6,100)	(5,440)
Operating profit	6,072	3,125
Finance costs	(390)	(390)
Profit before tax	5,682	2,735
Income tax expense	(1,620)	(805)
Profit for the year	4,062	1,930

TreadCushy
Statement of financial position at 30 June 2021

	2021 K\$000	2021 K\$000	2020 K\$000	2020 K\$000
ASSETS				
Non-current assets				
Property, plant and equipment		8,924		9,200
Right of use assets		724		620
		9,648		9,820
Current assets				
Inventory	8,580		8,420	
Other receivables	518		490	
Cash and cash equivalents	4,314		802	
		13,412		9,712
Total assets		23,060		19,532
EQUITY AND LIABILITIES				
Issued K\$1 equity share capital		100		100
Retained earnings		9,188		7,126
Total equity		9,288		7,226
Non-current liabilities				
Borrowings	4,600		4,600	
Lease liability	542		433	
		5,142		5,033
Current liabilities				
Trade and other payables	6,912		6,380	
Tax liability	1,620		805	
Lease liability	98		88	
		8,630		7,273
Total equity and liabilities		23,060		19,532

TreadCushy**Statement of cash flows for the year ended 30 June 2021**

	2021 K\$000	2021 K\$000
Cash flows from operating activities		
Profit before tax		5,682
Adjustments		
Depreciation for property, plant and equipment	1,640	
Profit on sale of property, plant and equipment	(13)	
Depreciation on right of use asset	80	
Finance costs	390	
		2,097
Movements in working capital		
Increase in inventory	(160)	
Increase in other receivables	(28)	
Increase in trade and other payables	532	
		344
Cash generated from operations		8,123
Tax paid		(805)
Interest paid		(390)
Net cash inflow from operating activities		6,928
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,431)	
Proceeds on disposal of property, plant and equipment	80	
Net cash outflow from investing activities		(1,351)
Cash flows from financing activities		
Dividend paid	(2,000)	
Repayment of lease principal	(65)	
Net cash outflow from financing activities		(2,065)
Net increase in cash and cash equivalents		3,512
Cash and cash equivalents at the start of the year		802
Cash and cash equivalents at the end of the year		4,314

Budget information for the year ending 30 June 2022

Total budgeted gross profit

	Casual		Performance		Total K\$000
	Wool K\$000	Wood K\$000	Hill K\$000	Flat K\$000	
Revenue	29,580	16,660	9,840	17,760	73,840
Cost of sales	(13,683)	(8,297)	(4,346)	(7,310)	(33,636)
Gross profit	15,897	8,363	5,494	10,450	40,204
Gross profit margin	54%	50%	56%	59%	54%

Budgeted sales

	Casual		Performance		Total
	Wool	Wood	Hill	Flat	
Sales volume (pairs)	348,000	196,000	82,000	148,000	774,000
	K\$	K\$	K\$	K\$	
Average selling price per pair*	85.00	85.00	120.00	120.00	
	K\$000	K\$000	K\$000	K\$000	K\$000
Revenue	29,580	16,660	9,840	17,760	73,840

Budgeted cost of sales

	Casual		Performance		Total
	Wool	Wood	Hill	Flat	
Sales volume (pairs)	348,000	196,000	82,000	148,000	774,000
	K\$	K\$	K\$	K\$	
Average cost of sales per pair*:					
Raw materials	17.65	19.45	24.20	22.60	
Direct labour	9.70	10.42	13.64	12.48	
Variable production overheads	2.39	2.49	3.03	2.86	
Fixed production overheads	9.58	9.97	12.13	11.45	
Total	39.32	42.33	53.00	49.39	
	K\$000	K\$000	K\$000	K\$000	K\$000
Cost of sales	13,683	8,297	4,346	7,310	33,636

*The average selling price and average cost of sales per pair, are the averages across all designs in each of the product ranges. For Performance shoes, there are three distinct ranges of design: Basic, Regular and Elite.

Example standard cost card

Casual Wool: Design TC210: Size 40 per pair				
	Quantity / hours	Standard price / rate K\$	Standard cost K\$	Standard cost K\$
Materials:				
Yarn	0.10 kg	30.00	3.00	
Sugar cane composite	0.16 kg	15.00	2.40	
Natural rubber	0.20 kg	20.00	4.00	
Other components			7.80	
Packaging			0.60	
Total				17.80
Direct labour:				
Weaving	0.025 hours	20.45	0.51	
Moulding	0.055 hours	20.45	1.12	
Cutting & Stitching	0.32 hours	20.45	6.54	
Lasting & Finishing	0.10 hours	20.45	2.05	
Total				10.22
Variable production overheads:				
Weaving	0.025 machine hours	28.40	0.71	
Moulding	0.05 machine hours	12.60	0.63	
Cutting & Stitching	0.32 labour hours	1.94	0.62	
Lasting & Finishing	0.10 labour hours	4.64	0.46	
				2.42
Fixed production overheads:				
Weaving	0.025 machine hours	114.80	2.87	
Moulding	0.05 machine hours	50.60	2.53	
Cutting & Stitching	0.32 labour hours	7.75	2.48	
Lasting & Finishing	0.10 labour hours	18.56	1.86	
				9.74
Total production cost				40.18

Notes on standards and budget preparation

1. Standards are reviewed and updated annually for any known changes.
2. Normal raw material losses are included in the standard cost of each product.
3. All direct labour overtime premium is treated as variable production overhead. Idle time is not budgeted for.
4. Production overheads are allocated and apportioned to cost centres and absorbed based on either direct labour hours or machine hours. There are four production overhead cost centres for weaving, moulding, cutting & stitching and lasting & finishing. Each production cost centre has its own variable and fixed production overhead absorption rates.
5. Budgeted selling prices include an allowance for planned discount promotions.

Articles

Business Today

1 October 2021 No. 1,223

TreadCushy: So, what's the secret?



It's the business that just seems to keep growing. From humble beginnings and the sale of its first pair of shoes in 2010, the last 3 years have seen revenue growth averaging 15% a year: a phenomenal rate of growth in a market which is dominated by major international brands. So, what's the secret of TreadCushy's success?

In an interview with Sophia Grigg, TreadCushy's Managing Director and co-founder, she states that there is no secret. For her, the success of the brand is a result of giving consumers what they want: an athletic shoe made from natural materials that is both stylish and comfortable at the same time. The company works hard on keeping designs fresh and is one of the few athletic shoe brands that keeps its manufacturing in-house. Even the fabric from which the shoe uppers are made is woven at TreadCushy's Production Facility.

It is clear from my interview with Sophia that she is passionate about the impact that the TreadCushy brand has on the environment. All the resources used in a pair of TreadCushy shoes are either sustainably sourced from nature or are recycled. Keeping manufacturing in-house, means that Sophia and her management team can limit wastage and ensure that the production process is as environmentally friendly as it can be.

Over the last 10 years, TreadCushy has managed to tap into growing consumer awareness on all matters related to sustainability. Not only that, through its clever designs, it has created shoes that are seen as "cool". And, that's another reason for its success: whether you are 16 or 60, TreadCushy shoes are increasingly the shoes to be seen in.

The future looks bright for this company. With new product ranges in the pipeline and continued focus on quality and sustainability, Sophia is confident that TreadCushy can continue to compete with the major brands!

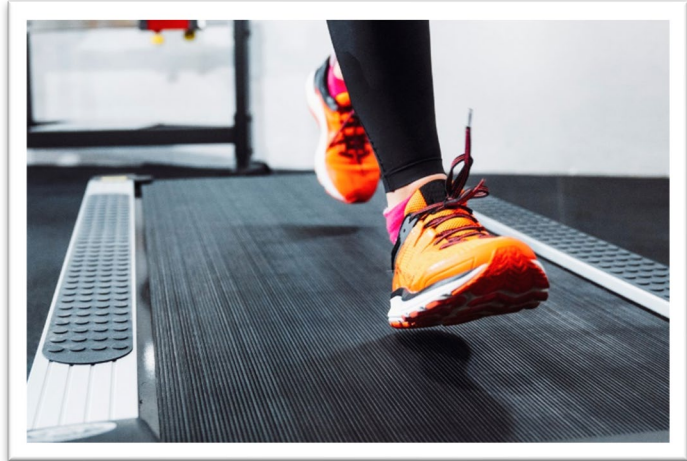
Running Weekly

17 October 2021 No. 450

Running shoes: what are the next new things?

Smart tech has already revolutionised the way that we monitor how we exercise. Through devices that we can wear on our wrist or arm, it's now easy to track our heart rates and our fitness progress on our mobile devices.

Smart tech in running shoes is a newer invention but is starting to make traction in the market. Prices of running shoes with smart tech embedded into the sole of the shoe are falling, as the leading brands (and some lesser-known brands) find ever more efficient ways to produce such shoes. This can only be good news for us!



It's not only running shoes that are changing. With the abundance of running shoe designs available in the market today, it's often difficult to choose a pair which suits our running style. More and more runners are turning to gait analysis (which involves running on a specialist treadmill that scans running action) before making a purchase.

Whether we over- or under- pronate when we run really matters when it comes to selecting what can be an expensive pair of running shoes. The good news is that increasingly athletic shoe companies seem to be more aware of this. Just last month one of the big four worldwide brands launched an in-store gait analysis service, free as long as you purchased a pair of shoes. How's that for customer service?

Tax regime in Keyland

- The corporate income tax rate to be applied to taxable profits is 30%.
- Unless otherwise stated below, accounting rules on recognition and measurement are followed for tax purposes.
- The following expenses are not allowable for tax purposes:
 - accounting depreciation
 - amortisation
 - impairment charges
 - entertaining expenditure
 - donations to political parties
 - taxes paid to other public bodies.
- Tax depreciation allowances are available on all items of plant and equipment (including computer equipment) at a rate of 25% per year on a reducing balance basis. A full year's allowance is available in the year that the asset is acquired. Tax depreciation allowances are not available for property assets.
- Tax losses can be carried forward indefinitely to offset against future taxable profits from the same business.
- Sales tax is charged on all standard rated goods and services at a rate of 20%. Tax paid on inputs into a business can be netted off against the tax charged on outputs from that business. All businesses are required to pay over the net amount due on a monthly basis.