

MOCK EXAM 1

Required Knowledge of Swiss Law

(Section 4 par. 2 let. d AOA; section 6 and 34 AOO)

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Please note that:

- You have 150 minutes to solve this exam. Of course, you are free to plan the allocated time.
 - **You must answer directly on the answers form (blue document).**
 - Use only a black or blue pen.
 - At the end of the exam, all the sheets must be returned (including the following question sheets).
 - In order to ensure equal treatment, no explanation will be given concerning the questions before or during the examination.
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1. Oversight of Auditors

Question 1

Which of the following statements in connection with licensing/licensing duty is **wrong**?

- A) Natural persons / Individuals and companies which provide statutory audit services are required to obtain a license.
- B) An audit firm is licensed as auditor or audit expert if all members of the highest management/administrative body and its executive board are persons who are licensed accordingly.
- C) For natural persons / individuals to obtain a license as audit expert and auditor the applicant has to be of "good repute".
- D) An audit firm is licensed as audit expert or auditor if the management structure allows an adequate monitoring of the individual engagements.

Question 2

Which of the following statements is **wrong**?

- A) Audit firms are licensed for the provision of audit services for public companies, if they fulfil the conditions for being licensed as an audit expert, ensure that they comply with statutory requirements and are sufficiently insured against liability risks.
- B) Only audit firms under state oversight are within the scope of FAOA inspections.
- C) A public company may not employ a person who during the preceding year led the audit services for this company or held a decision making function in the respective audit firm.
- D) A voluntary submission as audit firm under state oversight is possible.

2. Swiss Contract Law

Question 3

Among the following statements, which one is correct?

- A) Under Swiss law, the parties must choose one of the types of contracts provided for in the law.
- B) There exist relatively few mandatory rules in Swiss contract law and the parties are generally free to determine the content of their agreement.
- C) Under Swiss law, a contract must be made in writing to be valid.
- D) Under Swiss law, contracts are generally governed by the Code of commerce.

Question 4

FidSwiss Ltd. and Ms. King have entered into an employment contract. Select the correct answer.

- A) The contract is valid only if in writing.
- B) The contract is valid even if the parties have erroneously indicated "sales contract" on the cover page.
- C) The salary to the employee must be based on the amount of time he/she works.
- D) The parties may provide that FidSwiss Ltd. is entitled to terminate the contract at any time without notice, but this provision must be in writing.

Question 5

David, as buyer, and Peggy, as seller, entered into a sale agreement relating to a Pablo Picasso painting. They agreed that David would pick up the painting two (2) months after the conclusion of the agreement. David and Peggy both live in Switzerland and the painting is displayed in Peggy's living room. No written agreement has been signed.

Among the following statements, which one is wrong?

- A. David must pay the agreed price even if robbers steal the painting while it is still in Peggy's house.
- B. David will only become the owner of the painting when the painting will have been handed over to him.
- C. David became the owner of the painting at the time when the agreement was concluded.
- D. David must check the condition of the painting as soon as it is in his possession and must immediately inform Peggy of any defect he may identify if he wishes to assert his warranty claim.

Question 6

Which of the following statements is **correct**?

- A) By law, if a debtor is in default as to the payment of a pecuniary debt, he/she must pay penalty interest at 7% per annum.
- B) Subordination is a key characteristic of the mandate.
- C) A mandate can be terminated following two weeks' notice, unless the parties agree to another termination period.
- D) The claims in connection with professional services provided by lawyers become time-barred after five years.

3. Swiss VAT

Question 7 - Place of supply of goods and services

Revision AG based in Zurich is responsible for the bookkeeping of Online Versandhandels GmbH located in Stuttgart (Germany). Once a year, Revision AG delivers several binders to its client with all booking entries and details (for example : purchase and turnover invoices) for the year under consideration.

- 1) Revision AG is responsible for the bookkeeping of its client. Audit and advisory work is considered as a service. Place of supply is where the recipient is based i.e. in Stuttgart in that case. Revision AG's invoice must be issued without Swiss VAT.
- 2) Revision AG delivers several binders to its client with all booking vouchers and accounts details for the year under consideration. Such is considered as a supply of a good and not as a service.
- 3) Revision AG provides a service that is rendered in Zurich. The Place of supply is in Zürich and therefore, Revision AG must invoice its work with Swiss VAT.
- 4) The principle with regard to the taxation of the supply of services is that they are taxed at the place of the recipient. In the present case the supply is not subject to an exemption according to article 8 paragraph 2 VAT Law and therefore, article 8 paragraph 1 VAT Law is applicable (rule). The services of Revision AG are taxable in Germany at the place of the recipient.

Which of the above statements is/are correct?

- A) 1 / 2 / 3
- B) 1
- C) 1 / 4
- D) None

Question 8

Where is the place of supply of goods and services (in Switzerland / abroad)?

Note: The supplier is VAT registered in Switzerland.

On 15 February 201x Jewelry Bucherer sells jewels and watches for CHF 55'000 to Mike Miller, an English tourist. He leaves Zermatt and therefore Switzerland on 22 February 201x to go back to England.

Which of the following statements is **right**?

- A) As the sale of jewels and watches is considered as a supply of services, the place of taxation is where the recipient / client is located / established.
- B) Place of delivery is abroad because the client lives in England. Bucherer can directly issue an invoice without VAT.
- C) Delivery is subject to Swiss VAT. According to article 23 paragraph 5 of VAT Law, delivery of private goods to be transported abroad can be exempt from VAT liability under certain conditions.
- D)** Place of delivery is abroad due to the fact that Zermatt does not belong to Swiss VAT area.

Question 9

A Swiss taxable person has to invoice the US Embassy in Geneva for services provided in connection with the renovation of the heliport. The total amount of the work is estimated at CHF 255'000.

Which of the following statements is **right**?

- A) The Swiss taxable person invoices without VAT because at the end the customer is the United States of America. He therefore invoices a recipient located abroad.
- B) The work carried out by the Swiss taxable person is subject to Acquisition tax since the client is an embassy.
- C) The Swiss taxable person can issue an invoice without VAT to the U.S. Embassy but must obtain the specific signed form from the U.S. Embassy in Geneva.
- D) When reciprocity agreements are signed between countries, there is no VAT charged.

4. Audit Reports & Other Obligatory Examinations

Question 10

Export SA, a Swiss company, has seen its turnover increase but profitability decrease over the last few years following the strengthening of the Swiss Franc. At December 31, 2014, the balance sheet is as follows (all figures in CHF thousands):

Cash	500	Payables – third party	14,000
Receivables	15,000	Accrued liabilities	17,000
Inventory	6,000		
Fixed assets	13,000	Share capital	10,000
		Reserve from profit	5,000
		Accumulated loss	(11,500)
Total	34,500		34,500

At the end of your audit of the 2014 financial statements in March 2015 you note that:

- Receivables are overstated by 4,000 and will be adjusted accordingly.
- The profit for January and February 2015 amounts to 6,000.

Which of the following statements is (are) **correct**?

- 1) The company does not have a loss of capital.
- 2) The directors should convene an AGM and propose financial measures to address the loss of capital.
- 3) The directors do not have to act as there is a profit in 2015.
- 4) The company is not overindebted.

- A) 2), 3) and 4).
B) 2) and 3).
C) 4).
D) No statement is correct.

Question 11

1. Audit reports in accordance with ISA-CH 701 are based on NAS-CH 700 with the following Swiss characteristics :
 - Reference to Swiss law
 - Reference to the Articles of Incorporation
 - License & Independence
 - Effectiveness of the ICS
 - Appropriation of available earnings
2. Emphasis of matter, other question paragraph and remarks of Swiss Law are to be reported in accordance with ISA-CH 706.
3. Information and factors relating to the company's going concern in accordance with SAS 580 with an impact on the annual accounts must be disclosed before the audit opinion.
4. Non-verifiable facts based on documents not received from the audit client constitute limitations in scope of the audit and may lead to an emphasis of matter in accordance with ISA-CH 706.

Which of the statement(s) is/are **correct**?

- A. 1 / 3
- B. 2 / 4
- C. None
- D. 3 / 4

Question 12

The company Sunset SA qualifies for a limited statutory examination.

The CFO would like to “opt up” for an ordinary audit as the company is seeking bank financing.

The company has no appropriate internal control system (ICS) in place; therefore, you advise the client with the following:

Which of the following above statements above is (are) **correct**?

1. By law, it is sufficient for the company to obtain an audit report in accordance with ISA-CH 700.
2. In case of absence of an appropriate ICS in relation to a significant business process of the company, the existence of the ICS is confirmed and an emphasis of matter is added to the audit report.
3. The ICS is documented in writing. Our audit work shows however that the system has not been applied on a day to day basis for all significant business cycles. In such a situation, the existence of the ICS can be confirmed by the Board of Directors within the management representation letter and therefore the ICS existence can be confirmed in the audit report.
4. The company has a period of 2 years to properly implement the ICS before legally required.

- A) 1 / 2 / 4
- B) 2 / 3
- C) 4
- D) None of them

Question 13

1. A fundamental principle for effective separation of functions is the separation between the management and the registration of an economic good.
2. The auditor needs to assess whether controls over the company's important financial processes have worked throughout the year and not just at the end of the year.
3. The auditor needs to gain an understanding of the ICS in order to develop its audit strategy. To this end, it must analyze the five elements of the COSO model: control environment, risk assessment, information system, control activities and monitoring activities.
4. As part of the assessment of the control environment, the auditor appreciates, among other things, the attitude and behavior of the management, the professional skills of the employees and the supervisory activities of the supervisory bodies.

Which of the above statement(s) is/are **wrong**?

- A. 2
- B. 2 / 3
- C. 1 / 4
- D. 3 / 4

Question 14

Which of the following statements is **correct** re the Swiss Merger Act?

- A) The auditors' examination according to art. 15 MA in the course of a merger obliges the licensed audit expert to carry out a valuation in accordance with an accepted valuation method.
- B) If a share corporation is overindebted, the company is not allowed to merge with another company.
- C) As soon as the merger is registered with the competent Commercial Register, the shareholders' meeting of the transferring company is allowed to take the liquidation resolution in accordance with art. 736 fig. 2 CO. The company will be deleted upon termination of the mandatory one year waiting period.
- D) Apart from the merger, the Swiss Merger Act („MA“) regulates the spin-off (or demerger), the conversion and the transfer of assets and liabilities. The transfer of assets and liabilities according to the MA never requires any examination by the company's auditors.

Question 15

Which of the following statements is **correct** re the capital increase of a share corporation?

- A) If the contribution for the new shares is made in cash, no confirmation of verification by a licensed auditor is required.
- B) The CO authorizes to have a share capital denominated in USD.
- C) If the articles of association specify a capital band, the shareholders' meeting authorizes the board of directors by amendment of the articles of incorporation to increase the share capital within a period of no longer than three years.
- D) According to art. 652g CO the resolution and the ascertainment of the board of directors re the capital increase shall be made in the form of a public deed. Upon issuance of the public deed, the capital increase is legally effective and the company is entitled to issue the new shares

Question 16

Which of the following statements is **correct** regarding the liquidation of a share corporation (*société anonyme, Aktiengesellschaft*)?

- A) Where the liquidators ascertain during the liquidation process that the company is overindebted (in accordance with art. 725 para 2 CO), the cantonal Commercial Register must be immediately notified and declare bankruptcy.
- B) A distribution of the company's assets may already take place during the waiting period of 3 months if a licensed audit expert confirms that the debts have been redeemed and that in the circumstances, it may be safely assumed that no third party interests will be harmed.
- C) If the shareholders' meeting has not waived the audit requirement (no „Opting-out“), the licensed audit expert is obliged to keep the business records of the liquidated company for a period of ten years at a safe and accessible storage.
- D) Where the liquidation lasts for a longer period than 12 months, the liquidators must draw up interim accounts every year.

Question 17

Which one of the following statements is **correct** in connection with a merger according to the Swiss Merger Act?

- A) The publication of the creditor calls can be waived by the merging companies if a licensed expert auditor confirms that there are no known or expected claims, which cannot be satisfied by freely available assets of the legal entities involved.
- B) No examination by the auditor of the merger agreement and merger report is required if the board of directors of all merging entities have waived the audit requirement.
- C) No examination by the auditor of the merger agreement and merger report is required if all merging entities have previously waived their audit requirement ("*Opting-Out*").
- D) If a company is over-indebted (in accordance with art. 725b 2 CO) it can not merge with another company.

5. Ordinary Audit & Limited Statutory Examination

Question 18

Which of the statement(s) below is/are **true**?

- 1) The Swiss Auditing Standards (SAS) are not identical to the International Standards on Auditing (ISA) effective for audits of financial statements for periods beginning on or after 15 December 2019.
 - 2) For a limited statutory examination, the auditor is not required to test the entity's compliance with Financial Market Infrastructure Act (FMIA) regulations.
 - 3) The law requires a detailed report to a corporation's Board of Directors as part of a limited statutory examination
 - 4) The key difference between an ordinary audit performed in accordance with SAS and an audit performed in accordance with ISA is the audit of the internal control systems.
- A. All statements are true
B. Only statements 2 and 3 are true
C. Only statement 1 is true
D. None of the statements is true

Question 19

Which of the following statements is **correct**?

- A) A limited company can always renounce to an audit (opting out) if the company has less than 10 full-time employees and if all shareholders agree on it.
- B) The Register of Commerce has not to disclose whether a limited company is subject to an ordinary audit or to a limited examination.
- C) As long as all shareholders agree on it, a limited company subject to an ordinary audit can also request a limited examination. In such case, the statutory auditor has to collect the written agreement from all shareholders before accepting the engagement.
- D) As long as a limited company fulfils all criteria for an opting out, it is sufficient that the Board of Directors does not nominate any statutory auditors.

6. Swiss Company Law

Question 20

In a simple partnership (select the incorrect statement):

- A) All partners have authority to manage and represent the partnership within the scope of its ordinary activities, unless otherwise agreed.
- B) Profits of the partnership shall be shared equally among the partners, unless otherwise agreed.
- C) Partners whose contribution to the common purpose is only labour have no obligation to participate in the partnership's losses. Any agreement to the contrary is void.
- D) All partners are jointly and severally liable for the partnership's debts.

Question 21

Which of the following statements is incorrect?

- A) The name and domicile of the beneficial owners of shareholdings exceeding 25% of the share capital of a corporation (*société anonyme, Aktiengesellschaft*) must be registered in the commercial register.
- B) A corporation (*société anonyme, Aktiengesellschaft*) has shares with voting privileges if certain shares have the same voting power as others, but a different nominal value.
- C) Shareholders who fail to comply with their obligation to disclose their beneficial owner see their voting and dividend rights suspended for as long as the non-compliance continues.
- D) A corporation (*société anonyme, Aktiengesellschaft*) may have privileged shares entitled to receive twice as much dividend and liquidation proceeds as ordinary shares.

Question 22

Which of the following information may not be registered in the commercial register with respect to a share corporation (*société anonyme, Aktiengesellschaft*)?

- A) Purpose of the corporation.
- B) Merger as per the merger act.
- C) Name and address of a shareholder entitled to designate a member of the board of directors in accordance with a shareholders' agreement.
- D) Domicile/seat of the corporation.

Question 23

Z SA is a corporation (*société anonyme, Aktiengesellschaft*) with a share capital of CHF 350'000, divided into 3'500 registered shares of CHF 100 each, paid up only by 50% of their nominal value, with restrictions to the transferability of shares (art. 685 et seq CO). The purpose of Z SA is the manufacturing of watches. The articles of incorporation of Z SA provide for the right of the board of directors to refuse any transfer of shares to a direct or indirect competitor of the company. A is the owner of 200 shares of Z SA. He intends to transfer all of his shares to InvestCo Inc., a company incorporated in the Cayman Islands with the purpose of investing in companies. Select the correct statement:

- A) A may validly transfer his shares without notifying the board of directors of Z SA of such transfer, because less than 10% of the share capital is being transferred.
- B) The board of directors of Z SA may refuse to approve the transfer of the shares of A to InvestCo Inc. provided Z SA proposes to buy these shares at their nominal value.
- C) The board of directors of Z SA may refuse to approve the transfer of the shares of A to InvestCo Inc. unless the financial stability of InvestCo Inc. is proven or security for the payment of the unpaid capital is provided.
- D) The board of directors of Z SA may refuse to approve the transfer of the shares of A to InvestCo Inc. based on the rule that the purchase of shares by a foreign company is presumed to be a valid reason to refuse such consent.

Question 24

Which of the following statements is correct?

- A) The nominal value of the participation capital of a corporation (*société anonyme, Aktiengesellschaft*) may reach 50% of the nominal value of the share capital.
- B) The share capital of a limited liability company (Sàrl, GmbH) may amount to CHF 40'000, paid up at 50%.
- C) A corporation (*société anonyme, Aktiengesellschaft*) may have a share capital of CHF 100'000 divided into 100'000'000 shares of CHF 0.001 each.
- D) The person who holds 51% of the shares in a cooperative (*société coopérative, Genossenschaft*) is guaranteed to have the necessary majority to elect the majority of the board members of that cooperative.

Question 25

In a corporation (*société anonyme, Aktiengesellschaft*), (select the correct statement):

- A) The board of directors may decide to fully delegate the organisation of the accounting and financial control systems as well as the preparation of the business reports (including the financial statements) to the chief financial officer (CFO);
- B) The board of directors may request a vote of the shareholders' meeting on an important business decision such as a strategic acquisition; in this case, the vote of the shareholders' meeting will be binding for the board of directors;
- C) The board of directors may delegate the day to day management of the company to the management, provided it has enacted internal regulations.
- D) A member of the board of directors may disclose business secrets to the shareholder he/she represents if he/she deems it to be in such shareholder's best interest.

Question 26

In a corporation (*société anonyme, Aktiengesellschaft*), (select the correct statement):

- A) The shareholders' meeting may grant discharge to the auditor, thus releasing the auditor from any risk of liability except for facts unknown to the shareholders at the time of the grant of discharge.
- B) In case of manifest overindebtedness, the auditor will be released from any risk of liability if it has, in a timely manner, advised the board of its duty to notify the judge, even if the board does not react to such notification.
- C) The auditor may be held liable by a shareholder of the company if such shareholder has acquired his/her shares relying on a company's valuation based on an audited balance sheet showing grossly erroneous values.
- D) The auditor may limit its liability through an indication of an upper liability limit in the commercial register.

7. Swiss Social Security System

Question 27

Mary is working in a Swiss bank in Geneva and earning a gross annual income of CHF 102'000.

What part of her income must be insured in the mandatory occupational pension scheme (BVG/LPP)? Select the **correct** amount:

- A) CHF 79'950.
- B) CHF 76'275.
- C) CHF 88'200.
- D) CHF 62'475.

Question 28

Peter is a 38-year-old electrician. He recently became a paraplegic after a road accident. He obviously won't be able to work as an electrician anymore.

- 1) Peter may claim from the accident insurance appropriate medical treatment for the consequences of the accident.
- 2) Peter is eligible for a helplessness allowance, since he became dependent on assistance from a third party to carry out basic day-to-day tasks (such as dressing or washing).
- 3) Peter may claim daily cash benefits under the UVG/LAA corresponding to 90% of his salary prior to the accident ; these will be paid from the 10th day after the accident until such time as he has recovered his full working capacity in a new occupation and/or receives a pension.
- 4) Peter will be entitled to an invalidity pension under the UVG/LAA when it will no longer be reasonable to expect a substantial improvement in his condition from continuation of medical treatment, and after all necessary rehabilitation measures will be completed; however, entitlement to a pension will only arise if Peter suffers from an invalidity degree of at least 40%.

Which of the above statements in relation to the accident insurance (UVG/LAA) are **correct**?

- A) 1, 3
- B) 1, 2, 3, 4
- C) 1, 2
- D) 2, 4

Question 29

Christopher is an independent consultant living and working in Switzerland; he has an average income of CHF 140'000 per year. Simultaneously, he is holding a lecturer position at the University of Bern and earns an annual salary of CHF 20'000. In order to now save taxes and later maintain his standard of living in retirement, he decides to contribute to an individual pension account (3rd pillar a).

Select the **correct** statement:

- A) Christopher's contributions to the 3rd pillar a are deductible from taxable income up to CHF 7'056 per year.
- B) The contributions to the 3rd pillar a are deductible from taxable income up to 20 % of aggregate earned income but maximum CHF 35'280.
- C) The contributions to the 3rd pillar a are deductible from taxable income up to a maximum of CHF 35'280 per year.
- D) Christopher's contributions to the 3rd pillar a are deductible from taxable income up to 20% of earned self-employment income.

8. Swiss and International Corporate Taxation

Question 30

A foreign company owns a real estate property in Switzerland. How is the foreign company subject to taxation in Switzerland?

- A) Unlimited tax liability at federal, cantonal and communal level
- B) Limited tax liability at federal, cantonal and communal level
- C) Limited tax liability at cantonal and municipal level
- D) Unlimited tax liability in the property municipality

Question 31

A Swiss company discloses in the fiscal year 2018 a taxable profit of 1,600. In this profit, a net dividend of 320 is included. This dividend stems from a 100% subsidiary, which was acquired in 2010 and has a market value of 800,000. What are the tax consequences in Switzerland?

- A) The Swiss company is taxed on the entire profit as the market value of the subsidiary is below one million.
- B) The Swiss company has to pay taxes on the entire profit and may apply a participation exemption of 20%. However, the participation exemption is applicable at the federal tax level only.
- C) The Swiss company has to pay taxes on the entire profit and may apply a participation exemption of 20% for federal-, cantonal- and municipal taxes.
- D) The net dividend accounts for less than 2/3 of the total profit. Therefore the Swiss company cannot apply a participation exemption at the federal level.

Question 32

A foreign partnership has a permanent establishment in Switzerland. The parties involved in the foreign partnership are two Frenchmen and one Jersey-based company. How does the Swiss tax liability present itself?

- A) Only the Jersey-based company has a limited tax liability in Switzerland because of the permanent establishment.
- B) All persons involved are subject to limited taxation in Switzerland; each according to their share of the foreign partnership.
- C) The foreign partnership has due to the permanent establishment a limited tax liability in Switzerland and is taxed as a corporation.
- D) Since the foreign partnership is treated as transparent, there is no tax liability in Switzerland. The total profit is taxed abroad.

Question 33

A Swiss company is taxed as Mixed Company in the 2019 with a tax-exempt quota of 85%. The company has hidden reserves in the amount of 200 as per 2019-year-end. What will change for the company in the tax period 2020?

- A) Nothing. The Swiss company will automatically be converted into a taxation as a Holding company.
- B) The Swiss company can keep its status and its taxation as a Mixed Company for the next five years and only then needs to make some considerations afterwards.
- C) The Swiss company will be taxed ordinarily for the tax period 2020 and can realized the hidden reserves tax-neutral according to its former tax-exempt quota for cantonal and municipal taxes.
- D) The Swiss company can keep its tax status as Mixed Company for another five years on cantonal and municipal level. It only has to tax neutrally realize its hidden reserves for federal taxes.

Question 34

A company has a permanent establishment in Jersey. Switzerland has not concluded a double taxation agreement with Jersey. Which of the following statements is **correct**?

- A) All profit generated in the permanent establishment in Jersey is taxed in Switzerland due to the lack of a double taxation agreement between Jersey and Switzerland.
- B) Switzerland assigns all profit generated in the permanent establishment to taxation in Jersey, because of unilateral provisions in the Swiss tax law.
- C) Switzerland clarifies first, whether the profit of the permanent establishment is taxed in Jersey. If the profit is not taxed in Jersey, Switzerland will tax the profit.
- D) Jersey and Switzerland have to reach an agreement about what is taxed where.

Question 35

A Swiss company was taxed ordinarily in 2019. It has substantial patents on its balance sheet which were developed in Switzerland as well as abroad. What does the company need to consider for the tax period 2020?

- A) Nothing. As the Swiss company was not taxed under a privileged tax status in 2019, it can't take advantages of any of the newly introduced tax planning opportunities.
- B) The Swiss company can't apply for the Patent Box as the patents were not entirely developed in Switzerland.
- C) The Swiss company has to clarify, whether the Patent Box might be beneficial for it from a tax point of view, especially considering the initial entrance costs as well as the nexus-aspect. Alternatively, the super-deduction of the R&D-costs could be considered as an option.
- D) The Swiss company has to assess, if it wants to apply the Patent Box or the super-deduction for R&D-costs. The company can't apply for both privileges in 2020.