

**AKENTEN APPIAH-MENKA UNIVERSITY OF SKILLS TRAINING AND
ENTREPRENEURIAL DEVELOPMENT
DEPARTMENT OF ACCOUNTING EDUCATION
END OF SEMESTER EXAMINATION - AUGUST 2021**

PROGRAMME	BSC ACCOUNTING EDUCATION (LEVEL 400)
COURSE TITLE	TAXATION
COURSE CODE	ACC 483
DURATION	THREE (3) HOURS
EXAMINER	MR. SAMUEL OPOKU
INSTRUCTIONS	ATTEMPT ANY THREE QUESTIONS

QUESTION ONE

- a) The Board of Ghana Revenue Authority is to ensure the proper and effective performance of the functions of the Ghana Revenue Authority.

Required:

- i) Describe **three (3)** functions of the Board of Ghana Revenue Authority. **(3 marks)**
- ii) State **two (2)** functions performed by the Commissioner-General of the Ghana Revenue Authority. **(2 marks)**
- b) i) Describe briefly **five (5)** purposes of taxation for an economy such as Ghana. **(10 marks)**
- ii) Explain the following and give example each;
1. Proportional Tax
 2. Progressive Tax
 3. Regressive Tax
- (6marks)**
- c) Differentiate between **assessable income** and **chargeable income**. Give an example to demonstrate the difference. **(4 marks)**
- (Total 25marks)**

QUESTION TWO

Fafana Manufacturing Company Ltd, producers of special fruit juice. It started business on 01/01/2016 preparing accounts to 31 December each year. The company had constructed an office building and was put into use on 01/01/2016.

The following are the capital allowance written down values brought forward from pools of assets as at 01/01/17

	GH¢
Pool 1	12,000
Pool 2	520,000
Pool 3	405,000
Office Building	540,000
Patent (acquired in 2016 for five years)	48,000

The company acquired the following chargeable assets for the business in 2017.

	GH¢
Factory Buildings	958,000
Plant and Machinery	2,500,000
File Cabinet	10,000
Electric Ceiling and Standing Fans	20,000
Window and Split Air conditioners	157,000
Motor Vehicles	110,000
Photocopier	14,000
LCD Television	3,000
Visitors Chairs	5,500
Office Chairs and Tables	56,000

The following assets were disposed off in 2017 since they were not suitable for the company: Computers and accessories GH¢11,600; Standing fans GH¢3,500. These were the cash sales proceeds.

The company acquired the following chargeable assets for the business in 2018.

	GH¢
Toyota Salon car	70,000
Toyota Pick-up (only one)	95,000
LCD Projector	5,500
Data Handling Machine	36,000
Trucks and Trailers	54,000
Trade Mark (registered for 8 years)	72,000

One of the vehicles was involved in an accident in 2018 and the company received GH¢45,000 as insurance compensation in the same year.

Required:

- a) Determine the capital allowances for Fafana Manufacturing Company Ltd for 2017 and 2018 years of assessment. (18 marks)

- b) According to the Income Tax Act, 2015 (Act 896) mention any **three (3) conditions necessary for granting capital allowance.** (3marks)
- c) What are **domestic expenditure** and **excluded expenditure**? For each of your explanation give two (2) examples. (4marks)

(Total: 25 marks)

QUESTION THREE

The following information is relevant to Accounting Four Ltd (Ghana) a subsidiary of Chantui Incorporated, a company resident in Japan.

Following Accounting Four Ltd operational challenges, a loan of US\$1,500,000 was secured from its parent company in 2019 year of assessment.

Additional information relevant to Accounting Four Ltd operations:

	GH¢	GH¢
Interest on loan paid in 2019	300,000	
Foreign exchange loss	105,000	
Equity:		
Share capital	150,000	
Retained Earnings	<u>300,000</u>	450,000

Exchange rate 1US\$= GH¢ 5.73

Required:

- a) Determine the interest allowable and disallowable under the principles of Thin Capitalization (5 marks)
- b) Determine the Foreign exchange loss allowable and disallowable under the principles of Thin Capitalization. (5marks)
- c) Determine the amount of **interest withholding tax** that should be paid to Ghana Revenue Authority. (2marks)
- d) For each of the following state the **conditions for residency** under the Income Tax Act 896.
- (i) The individual
 - (ii) Partnership
 - (iii) Company
 - (iv) Trust.
- (8marks)
- e) The Act 896 provides that income from employment, business and investment are taxable. Not all such incomes are persons who earn them are taxable. **State five (5) incomes that are exempted from tax in Ghana.** (5marks)

(Total 25marks)

QUESTION FOUR

- a) Valentine Ghana Limited is a producer of love greeting cards and the following was extracted from its financial statements for the year ended 31 December, 2018.

	GH¢	GH¢
Turnover		7,140,000
Opening Stocks	680,850	
Purchases	4,828,000	
Carriage Inwards	<u>93,840</u>	
	5,602,690	
Less Closing Stocks	<u>(601,120)</u>	
Cost of Sales		(5,001,570)
Gross Profit		2,138,430
Other Income		<u>156,400</u>
		2,294,830
Deduct:		
Operating Expenses:		
Taxes Paid- 2017	289,000	
Electricity Bills Paid	51,000	
Wages & Salaries	255,510	
Rent & Rates	170,000	
Travelling Expenses	144,330	
Office Expenses	68,760	
Vehicle Running Expenses	174,930	
Depreciation	149,940	
Penalty for Late Filing of Statutory Returns	61,880	
Provision for Doubtful Debts General	154,020	
Stationery	70,905	
Medical Expenses	31,025	
Cost of Servicing	121,550	
Sundries	95,030	
Audit Fees	51,000	
Communication Expenses	<u>59,840</u>	
		(1,948,720)
Net Profit		<u>346,110</u>

The following additional information are relevant:

- Capital allowances for the year was GH¢204,000 as agreed with Ghana Revenue Authority (GRA).
- The figures for repairs and maintenance include an amount of GH¢33,150 being cost of erecting a new gate to the factory.
- 50% of other income was the personal rental income of the Managing Director.
- One third of vehicle running expenses was expended on the personal car of the Managing Director, used for the company's operation based on the company's policy.

Required:

- a) Calculate the chargeable income of Valentine Ghana Limited for 2018 Year of Assessment. (10 marks)
- b) Identify and determine the excluded expenditure of Valentine Ghana Ltd for 2018 Year of assessment. (4 marks)
- c) What are the income sources for tax base in Ghana and for each identified give **three (3)** examples of income. (6 marks)
- d) Differentiate between **direct and indirect taxes** and for each give **three (3)** examples. (5marks)

(Total 25marks)

QUESTION FIVE

- a) King Peter is a Junior Staff member of Sir James Company Limited. His monthly basic salary is GH¢700.00. He was paid an overtime totalling GH¢50.00 during the month of January, 2019.

Required:

- i) Compute his tax liability on overtime for the month of January, 2019. (2 marks)
- ii) In the month of February, 2019, King Peter was paid overtime totalling GH¢500.00. Compute his tax liability on the overtime payments for the month of February, 2019. (3 marks)
- b) It is necessary to find out whether an activity carried out by an individual amounts to a profession (contract for service) or employment (contract of service). From taxation point of view there is the existence of employment where there is **a contract of service**.

Required:

What are the characteristics of **contract of service**? (6 marks)

- c) What are the taxation rules for **overtime payments** and **bonus payments** under employment income? (6marks)

- d) Kwame and Fausty work for ABC Ltd and receive basic salary of Gh¢56,520 and Gh¢40,000 respectively. Kwame received a loan of GHS 8,000.00 at a rate of 8% payable within 12 months. Fausty also received a loan of GHS 16,000.00 at a rate of 8% payable within 24 months;

(Assume that the statutory rate is 22% p.a.)

Required:

- i) Determine the loan benefits applicable Kwame. (3marks)
- ii) Determine the loan benefits applicable to Fausty. (5marks)

(Total: 25marks)