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FACULTY OF ADMINISTRATION AND MANAGEMENT SCIENCES
DEPARTMENT OF ACCOUNTING
HAMATTAN SEMESTER EXAMINATIONS, 2017/2018 SESSION
ACC 403: TAXATION AND FISCAL POLICY

TIME ALLOWED: 2 hours

INSTRUCTIONS: ATTEMPT SECTION A, AND TWO QUESTIONS IN SECTION B

SECTION A 30 marks

1. The principle of a good tax system which is capable of adjusting to changing circumstances is1 mark
2. The relevant tax authority for the assessment of partners in a partnership business is1mark
3. The option of tax payers with regard to "right of election" on commencement business is for which year(s) of assessment.....1mark
4. Taxes levied on consumption of goods and services are generally classified as1mark
5. A deliberate action to refuse tax payment is called1mark
6. Where the burden of a tax falls on all citizens both rich and poor, it is said to be1mark
7. What is the estimated tax life of a qualifying capital expenditure incurred by Apex limited for N500,000 where the rates of initial and annual allowances are 20% and 25% respectively? 2 marks
8. A valid notice of appeal must be made in writing within.....from the date of service of the notice of assessment 1mark
9. Which tiers of government collect tenement rates and slaughter slab fees? 1mark
10. Income derived from employment, or from business, profession or vocation is known asincome 1 mark

Baba Bature Ltd decided to fold up its operation with effect from 31st March, 2015 as a result of difficulty in getting enough contracts. Using the information below to answer 11,12 and 13

| | N |
|-------------------------------|---------|
| Year ended 31st October, 2013 | 324,000 |
| Year ended 31st October, 2014 | 180,000 |
| Period ended 31st March, 2015 | 150,000 |

11. What will be the assessable profit if Tax Authority exercises its option? 3marks
12. Which year is the penultimate year? 1mark
13. What is the basis period and the assessable profit for the year identified in 12 above 3 marks
14. What are the broad categories into which taxes can be classified? 1mark
15. State 2 types of income that is exempted from taxation2marks
16. Who pay tax in a partnership company?1mark
17. Employment incomes such as salaries and wages, bonuses, directors' remuneration, commissions, pensions, overtime pay, sick pay, leave pay and all manners of allowances are taxable under.....system 1 mark
18. State one condition that must be met for an asset to qualify for capital allowances1mark

19. Fines and penalties are not taxes, why? 1 mark
20. The right of election is vested in the taxpayer under commencement rules while such right is vested in the tax authority under 1 mark
21. The power to adjudicate between the taxpayer and relevant tax authority in the event of a dispute concerning assessment is vested on 1 mark
22. What is place of residence of Armed Forces personnel in combatant capacities at Alamala Barracks Abeokuta for tax purposes? 1 mark
23. Mention two of the businesses for which minimum tax computation does not apply. 2 marks

SECTION B

Q1. The following are the details of Mrs Elizabeth Agborume employment contract for the year ended 2016 :

| | |
|---------------------------------------|-------------------------------|
| Consolidated salaries per annum | ₦200,000 |
| Contribution to Pension Scheme | 7½ % of Consolidated salaries |
| Contribution to National Housing Fund | 2½ % of Consolidated salaries |

She pays ₦30,000 p.a insurance premium on capital sum of 400,000

Mrs. Agborume has an aged mother on whom she spends only ₦4,000 per month on her upkeeps.

(i) You are required to compute the monthly tax payable.

(ii) State the relevant tax year.

(b) Assuming the consolidated salary is ₦7,800,000 per annum and all other information remain the same, what will be the monthly tax payable? 20 marks

Q2. Jejelayegba Enterprises bought a motor vehicle qualifying for a capital allowances in his basis period for 2012 and sells the motor vehicles in basis period for 2014. He has been trading for some years and continues to do so indefinitely. The vehicle cost ₦2,000,000.

(a) Determine the total capital allowances granted stating clearly the tax written down values for the relevant years of assessment

(b) Calculate the balancing allowance or charge arising for 2014 if:

- The vehicle was sold for ₦400,000
- The vehicle was sold for ₦1,000,000
- The vehicle was sold for ₦2,200,000
- The vehicle was exchanged with ₦800,000 cash for another vehicle listed at ₦2,000,000
- The vehicle was destroyed and insurance of ₦1,100,000 was received.

Q3 K and K and partners is a firm of accountants in which Kay and Kari are partners. For convenience they employed Mr. Cole, a qualified Accountant on a salary of ₦100,000 per month. The firm makes up its accounts to 31st December, each year.

On 1st July 2015, Mr. Cole who had worked for the firm for several years, became a partner. The partnership agreement provides among others that:

Partnership net profit will be shared as follows:

- Before the admission of Mr. Cole at: Kay, 60% and Kari 40%
- After the admission of Mr. Cole at: Kay, 50% and Kari 30%, and Cole 20%

The total earning from January to December 2015 amounted to ₦15,000,000. According to the partnership agreement Kay is entitled to draw ₦150,000 every month, Kari ₦200,000 and Cole

₦1,000 every month from the date he became a partner. The partnership had assets on which ₦250,000 capital allowance was claimed and allowed.

The following expenses were incurred during the year by the firm:

| | N |
|------------------------------------|------------------|
| Staff salaries | 3,024,000 |
| Rent | 2,400,000 |
| Repairs | 750,000 |
| Electricity | 160,000 |
| Generator repairs and maintenance | 350,000 |
| Depreciation | 1,000,000 |
| Pension fund contribution approved | 120,000 |
| Industrial training fund levy | 85,000 |
| National provident fund | 125,000 |
| Bank charges | 90,000 |
| General Expenses | <u>160,000</u> |
| | <u>8,264,000</u> |

Mr. Cole's salary was not included in the above

Kay is married with five children while Kari is married with only two children. Cole on the other hand is unmarried. Kay, Cole and Kari's maintain their aged parents who had no income of their own. Kay has a life assurance policy for ₦200,000 on which he pays ₦5,500 annual as premium.

Compute the taxable income of each partner for the relevant year of assessment. 20 marks

Q4 Afefeyeye enterprises commenced business on 1st September 2014 as the profit and loss as adjusted for tax purposes were as follows:

Year ended 31/8/2015 Loss ₦240,000,000

Year ended 31/8/2016 Profit ₦400,000,000

Year ended 31/8/2017 Profit ₦320,000,000

You are required to show the total amount of loss that can be relieved. Assume that Afefeyeye Enterprises will not exercise its option under the act.