

OLABISI ONABANJO UNIVERSITY AGO-IWOYE  
FACULTY OF ADMINISTRATION AND MANAGEMENT SCIENCES  
DEPARTMENT OF ACCOUNTING  
2018/2019 HARMATTAN SEMESTER

COURSE CODE/TITLE: ACC 403/TAXATION AND FISCAL POLICY I  
INSTRUCTIONS: ATTEMPT 2 QUESTIONS IN SECTION A AND 2 QUESTIONS IN SECTION B. TIME 2 HOURS

SECTION A - 30marks

Q1 (a) Define relevant tax authority ✓

(b) Which one is the relevant tax authority for Limited Liability Companies operating in Osun State ? ✓

(c) What is the composition and functions of the relevant authority identified in (b) ✓

Q2. (a) When can an appeal be said to be final and conclusive?

(b) What does Self Assessment Scheme entails? Identify five advantages of the scheme

(c) Distinguish between Tax Evasion and Tax Avoidance with examples

Q3. (a) Distinguish between direct tax and indirect tax

(b) What are the characteristics of a good tax system?

SECTION B - 40 MARKS

Q4. (a) State three instances when a business could cease to operate.

(b) Mr. Smart has been in business for some time. As a result of the economic climate he could no longer continue in business. Profits for the following five years are:

N			
Year to 31st October 2014	260,000	1/11/2013 - 31/10/2014 (12)	
Year to 31st October 2015	200,000	1/11/2014 - 31/10/2015 (12)	
Year to 31st October 2016	150,000	1/11/2015 - 31/10/2016 (12)	
Year to 31st October 2017	120,000	1/11/2016 - 31/10/2017 (12)	
Year to 31st January 2018	60,000	1/11/2017 - 31/1/2018 (3 months)	

You are required to calculate the assessable income for the relevant years of assessment. Will tax authority exercise its option? *ultimately*

Q5. Segun Dagunduro is the managing director of Triple X Investment Company Limited. He derived remuneration/benefits from his employment with the company as follows:

i. Basic Salary

Company's year ended 30th September, 2012 N200,000 per annum ✓

Company's year ended 30th September, 2013 N240,000 per annum. ✓

Company's year ended 30th September, 2014 N280,000 per annum ✓

ii. He took up accommodation in company's house on July 1st, 2013. The annual rating value of the building in 2012 and 2013 tax years was put at N46,000 per annum. Prior to this date, Segun Dagunduro was in receipt of housing allowance of N32,000 per annum.

iii. The accommodation provided by the employer in (b) above was fully furnished at a cost of N250,000 to the company.

iv. The company provided a car for the use of the managing director effective from January 1, 2012. The cost of the car when new was N150,000.

J. F. m. A. n. J. J. A. S. N. D.



Segun Dagunduro derived income from other sources as follows:

(a). Received in tax year ended December 31:

	2012	2013	2014
Dividends	48,000	62,000	46,000
Rent	100,000	120,000	85,000
Savings Account Interest	12,000	22,000	25,000
Fixed Deposit Interest	6,000	8,000	7,500

(b). Profits from farming commenced August 1, 2012

Period ended April 30, 2013 - N1,200,000

Year ended April 30, 202014 - N1,640,000

Other personal details of Segun Dagunduro are as follow:

(i). He is married under the Islamic laws with six wives and 24 children all under 16 years of age.

(ii). He took out a life insurance policy for capital sum of N100,000 and pays annual premium of N15,000.

(iii) He is contributing to NHF.

You are required to compute Segun Dagunduro 's

(a). Taxable income for 2013 and 2014 tax years.

(b). Tax payable for 2013 and 2014 years of assessment

Q6. Prof. Olakunle Adeyemi, who is the proprietor of Bethel enterprises, presents the Statement of Profit or Loss and Comprehensive Income for the year ended 31 August, 2018 as follow;

	N	N
Gross profit for the year		680,000
Less: expenses salaries	181,000	
Repairs	41,000	
Bad debts	12,600	
Depreciation	90,000	
Rent of the premise	16,000	
Advertisement	15,000	
Motor expenses	8,000	
Loss on sale of furniture	9,000	
General expenses	28,000	
Legal expenses	8,400	
Entertainment	16,800	
Donation	20,000	
Interest	7,000	(452,800)
		227,200
Add: profit on sale of car		5,800
Profit for the year		<u>233,000</u>

The following information is available

(a) Salaries include:  
Proprietors salary N 40,000

Managers salary	35,000
Shop keepers salary	19,000
Messengers salary	12,000
Houseboys salary	15,000
Office staff salary	<u>60,000</u>
	181,000

- (b) One-fourth (1/4) of the building is used for private purpose.  
 (c) Repairs include N4, 200, used to repair the proprietor's private car. —  
 (d) Entertainment consists of:

	N	
Friend	2,500	+
Customer	14,300	+

- (e) Bad debt includes N3,500 general provision  
 (f) Legal expenses consist of:

	N
Tax dispute	1,000
Defence of title to land	1,700
Debt recovery	1,200
Others (allowable)	<u>4,500</u>
	8,400

- (g) Interest is in respect of loan from a bank to buy a car for the business.  
 (h) Advertisement, consists of:

	N
Radio jingle	4,500
Newspaper	5,000
Construction of new sign board	<u>5,500</u>
	15,000

- (I) General expenses consist of N3,000 used to pay the technician that installed the newly purchased generator.

You are required to:

Compute the Adjusted profit for the relevant year of assessment.