



NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91, Cadastral Zone, Nnamdi Azikiwe Express Way, Jabi-Abuja
Faculty of Management Sciences, Department of Financial Studies
October/November Examination 2016

Course Code: ACC318

Credit Unit: 3

Course Title: ADVANCED TAXATION

Credit unit: 3

Time Allowed: 2 hours 30 minutes

Instruction:

- 1. Attempt question one and any three questions of your choice.**
- 2. Question one carries 25 marks while others carry 15 marks each.**
- 3. Present your answer in coherent and orderly manner.**

QUESTION 1

- a) According to Adam Smith, what are the characteristics that a good tax should display?
- b) Explain the criteria that an ideal tax should conform with.
- c) Describe the two traditional approaches to the distribution of tax burden among the taxpaying community
- d) State the tax authorities responsible for tax administration at each tier of government.
- e) State 5 constraints of effective tax administration in Nigeria (25 marks)

QUESTION 2

Alausa, Ojodu, Eti-Osa & Co were in partnership of an Estate Management firm. The firm has the following profit and loss account for the year ended 31st December, 2008.

		N	N
Gross earnings			2,100,000
Less: Staff salaries		500,000	
Utility bills		35,000	

Office rentals		50,000	
Office expenses		25,000	
Bad debts		55,000	
Interest on Long term loan:			
Alausa	10,000		
Ojodu	15,000	25,000	
Interest on capital:			
Alausa	10,000		
Ojodu	7,500		
Eti-Osa	5,000	22,500	
Depreciation		7,500	
Consultancy costs		345,000	(1,065,000)
Net profit for the period			1,035,000

NOTE

- Capital allowances agreed for the period was N7,500
- Staff salaries of N72,000 per annum was paid to each of the partners
- Eti-Osa owned the building that housed the chambers
- Only N30,000 of the bad debt was determined to be bad. The remaining N25,000 is just a provision at 5% of debtors.
- The ration of interest on capital paid to the partners reflects their contributions and their share of profits.

Required:

1. Compute the adjusted income of the partnership for the year.
2. Calculate the profit shared by each partners
3. Calculate the income of each partner for tax purposes (15 marks)

QUESTION 3

a) The bad and doubtful debts account of a company for a year showed the following:

	N		N
Trade debts written off	3,000	Reserves b/f	
Reserves c/f		Specific	10,000
Specific	12,000	General	6,000
General	<u>5,000</u>	Charged to Profit & Loss a/c	<u>4,000</u>
	20,000		20,000

Calculate the sum that will be shown as the charge for bad and doubtful debts for the period.(5 marks)

- b) Explain the administration of Education tax in Nigeria (10 marks)

QUESTION 4

Considering the imposition of tax on profit, explain Small business tax rate with reference to the nature of the business being carried on, as well as the turnover of the company in the assessment year. (15 marks)

QUESTION 5

- a) Mention the three ways in which a company shall be chargeable to tax. (6 marks)
b) Explain the administration of the Petroleum Profit Tax. (9 marks)

QUESTION 6

The records of ABU estate prepared in favour of AUDU, BIMBO and UZOAMAKA as at 31/12/20X8 are as follows:

	N
Rental Income (gross)	24,000
Trade income	10,000
Dividend (gross)	18,000
Sundry income	12,000

The following additional information is available:

- Each beneficiary is entitled to 1/5 share of the net distribution income.
- Interest on debt repayable by the settlement is N2,000
- Fixed annuity to beneficiary is N3,000

Trustee remuneration per trust deed:

- i. fixed N1,000 each (2 Trustee)
ii. 2% of total income

Administrative and other expenses – N3,800

Under the terms of the trust deed, the trustee made discretionary payment to AUDU, BIMBO & UZOAMAKA as follows:

	N
AUDU -	3,000
BIMBO -	2,800
UZOAMAKA -	1,500

Capital allowances – N8,024

The children have no other income.

AUDU, BIMBO and UZOAMAKA are only entitled to personal allowances.

Required:

Compute aggregate income due to the Estate and Tax Payable by AUDU, BIMBO and UZOAMAKA.
(15 marks)