



**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**14-16 AHMADU BELLO WAY, VICTORIA ISLAND LAGOS**  
**MARCH/APRIL 2016 EXAMINATION**  
**SCHOOL OF MANAGEMENT SCIENCES**

**Course Code: ACC 318**

**Credit Unit: 3.**

**Course Title: ADVANCED TAXATION**

**Time Allowed: 2 <sup>1/2</sup> Hours.**

**Instructions:**

- 1. Attempt Question 1 and any other three (3) Questions.**
- 2. Question 1 is compulsory and carries 25 marks while the other 3 Questions carry 15 marks each.**
- 3. Present all your points in a coherent and orderly manner.**

**QUESTION 1**

- a) State the characteristics displayed by a public good. (8 marks)
- b) What are the various ways that tax burden can be distributed among the taxpaying community. (8 marks)
- c) Explain the different types of capital allowances. (9 marks).

(Total = 25 marks)

**QUESTION 2**

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)

**QUESTION 3**

- (a) Explain the two types of tax audit(8 marks)
- (b) State 5 capital gains exempted from tax. (7 marks)

(Total = 15 marks)

**QUESTION 4**

Tax avoidance arises in a situation where the taxpayer arranges his financial affairs in a form that would make him pay the least possible amount of tax. Explain the two possible forms of anti-avoidance legislation, stating their advantages and disadvantages.  
(15 marks)

**QUESTION 5**

With reference to the Petroleum Profit Tax Act, explain the following:

- 1. Persons chargeable
- 2. Qualifying expenditure

(15 marks)

**QUESTION 6:**

XPLORE pharmaceutical company deals on drugs also sells gift items in order to attract customers. Details of sales and purchases for December 20X8 were

	N
Pharmaceutical product sales	640,000
Gift items sales	179,920
Total sales for the month	820,000
VAT paid on purchases for Dec 20X8	6,950

You are required to calculate VAT payable  
(15 marks)