



**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**14/16 AHMADU BELLO WAY, VICTORIA ISLAND, LAGOS**  
**SCHOOL OF MANAGEMENT SCIENCES**  
**SEPTEMBER/OCTOBER 2015 EXAMINATION**

**COURSE CODE:** ACC318 **CREDIT UNIT:** 3  
**COURSE TITLE:** ADVANCED TAXATION  
**TIME ALLOWED:** 2 ½ HOURS  
**INSTRUCTIONS:**

1. Attempt question number one (1) and any other (3) questions.
2. Question number 1 carries 25 marks, while the other three (3) questions carry 15 marks each.
3. Present all your points in coherent and orderly manner

**QUESTION 1**

Amos, Lola and Binitie were in partnership in the Law firm of A,L,B & Co. The company has the following Profit & Loss account for the year ended 31<sup>st</sup> December, 20X8.

	N	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 Loan – Amos	10,000		
Lola	<u>15,000</u>	25,000	
Interest on capital – Amos	10,000		
Lola	7,500		
Binitie	<u>5,000</u>	22,500	
Depreciation		7,500	
Consultancy costs		345,000	<u>1,065,000</u>
Net profit for the period			<u>1,035,000</u>

**Additional Information:**

1. Capital allowances agreed for the period was N7,500
2. From the staff salaries, an equal amount of N72,000 per annum was paid to each of the partners.
3. Binitie owned the building that housed the chambers
4. Only N30,000 of the Bad Debts was determined to be bad. The remaining N25,000 is just a provision at 5% of Debtors.

5. The ratio of interest on capital paid to the partners reflects their contributions and their share of profits.

**Required:**

- Compute the adjusted income of the partnership for the year.
- Calculate the profit shared by each partners and
- Calculate the income of each partner for tax purposes. (25 marks)

**QUESTION 2**

The records of BASEL settlement created 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) Differentiate between direct and indirect tax. (7 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:

DANIEL & DANIELLE Associates commenced a retail business on 1 October 20X6 and make up accounts to 30<sup>TH</sup> September of every year. The following qualifying capital expenditure on plant and machinery were incurred.

Date	Amount (R)
1/10/X6	520,000
1/11/X6	535,000
15/4/X7	725,000

Required:

Compute capital allowances for the relevant years of assessment. (15 marks)