



ELIZADE UNIVERSITY, ILARA-MOKIN, ONDO STATE

FACULTY: SOCIAL & MANAGEMENT SCIENCES
DEPARTMENT: ACCOUNTING & FINANCE
SECOND SEMESTER EXAMINATIONS 2018/2019 ACADEMIC SESSION
COURSE CODE: ACF 310
COURSE TITLE: TAXATION
DURATION: 2 HOURS

INSTRUCTION: Attempt any FOUR (4) question in All

- Q1** (a) Define "tax" and "taxation". (5 marks)
(b) List and briefly explain four principles of a good tax system. (5 marks)
(c) Briefly distinguish between impact, incidence and effect of a tax. (5 marks)
Total = 15 Marks

Q2 Mr. Akpos is the financial controller of Akure bottling company in Ondo. He is on an annual basic salary of ₦10,150,000 per annum. The following benefits are attached to his employment as well as his income from his small business:

- A house rented by his employers at ₦600,000 per annum.
The annual value of the house for local rates is ₦400,400 pa.
- Meal subsidy ₦150,000 pa
- Utility allowance ₦240,000 pa
- Electricity of ₦250,000 pa supplied to his residence.
- Entertainment allowance ₦1,000,000.
- Xmas bonus paid yearly: 10% of annual basic salary
- Furniture costing ₦4,000,000 were paid for by the company.
- A car which cost ₦10,500,000 was provided for his sole use.
- His chauffeur and steward's salaries amounting to ₦220,800 and ₦210,600 per annum respectively were borne by the company.
- A water pumping machine hired by the company at an annual rent of ₦76,000 was installed at his residence to ensure steady supply of water.
- Total profit from business in 2014 accounting year ₦2,000,000

Mr. Akpos is married with six children, the eldest of whom is 12 years. He has a life assurance policy on his life secured several years ago for which he pays a monthly premium of ₦80,000. The capital sum assured is ₦50,000,000. He also has his sister-in-law staying with him who has been unable to secure a job since leaving school two years ago for which he incurs a monthly upkeep of ₦50,000. You are required to compute Mr. Akpos tax liability for 2015 year of assessment.

Q3 Alhaji Ankara has been in business as a textile merchant for many years. The following is his profit and loss account for the year ended 30th June 2012.

	₦	₦
Gross profit		2,107,350
Discount received		39,650
Bad and doubtful debts		<u>34,000</u>
		2,181,000

Less:
Salaries-employees 620,000

-wife	60,000	
Advertising	45,000	
Rent, rates and electricity	144,000	
Car expenses	7,500	
Depreciation	215,000	
Legal and professional charges	48,000	
Bank charges	158,000	
Income tax paid	72,200	
Charitable donations	30,000	
Administration and general expenses	20,000	
Net profit for the year	<u>93,500</u>	<u>1,513,700</u>
		<u>667,300</u>

Notes:

- Mrs Ankara, the proprietor's wife, is not an employee of the business.
- Alhaji Ankara and his family use one-third of the business premises as their private residence.
- Alhaji Ankara does 34,000 kilometers per annum in his motor, of which 5,000 a private purposes.

d) Legal and professional charges	₦
Debt recovery	16,000
Land acquisition	14,000
Survey fees(re land acquisition)	35,000
Renewal of short lease	45,000
Auditors's fees	30,000
Retainer fees	<u>18,000</u>

e) Bad and doubtful debts account

	₦		₦
Trade debts written off	46,000	Balance c/f	
Ex-employees' loans w/off	15,000	Specific provision	51,000
Balance c/f		General provision	145,000
Specific provision	29,000	Bad debts recovered	17,000
General provision	89,000		
Profit and loss A/c	<u>34,000</u>		
	<u>213,000</u>		<u>422,000</u>

- Administration and general expenses include cost of constructing a fence around the business premises amounting to ₦33,000
- Alhaji Ankara pays ₦12,000 yearly as premium on his wife's life assurance policy
- During the year, the proprietor withdrew goods costing ₦50,000 for his personal use. The selling price of goods was ₦60,000. The cost of his goods has been deducted from the purchases in the trading account.
- Advertising includes ₦15,000 for advertising the sale of the motor car.

Required:

Compute Alhaji Ankara's Adjusted profit for the year ended 30th June 2012. (15 Marks)

Q4 Oluwatoyin has been in business since 1st May, 2000. Her trading results as adjusted for income tax purposes are as follows:

	Profit/(loss)
	₦
Period to 31 st Oct., 2000	Profit 90,000
Years ended 31 st Oct., 2001	Loss 300,000
Years ended 31 st Oct., 2002	Profit 200,000
Years ended 31 st Oct., 2003	Profit 235,000

Required: Compute Toyin's total income for the relevant years and indicate what difference it would make if she should exercise her right of election. **(15 Marks)**

Q5 (a) State 3 conditions for granting capital allowance **(3 Marks)**

(b) Briefly distinguish between balancing allowance and balancing charge **(2 Marks)**

(c) Victoria Ent. which makes up its accounts to 31st December each year purchased a motor vehicle on 31st March 2010 for ₦2,000,000. In 2012, the vehicle was involved in an accident and was disposed of in June of that year.

Given the following hypothetical situation, determine the balancing allowance or balancing charge on each case:

- i. The vehicle was sold for ₦360,000
- ii. The vehicle was traded for another vehicle worth ₦790,000 and ₦270,000 cash was paid in addition to the old vehicle.
- iii. Insurance compensation of ₦1,500,000 was received.
- iv. The vehicle was discarded and in the opinion of the relevant tax authority, the discarded vehicle was worth ₦2,700,000.

(10 Marks)
Total = 15 Marks)