



BOWEN UNIVERSITY, IWO
(OF THE NIGERIAN BAPTIST CONVENTION)
COLLEGE OF MANAGEMENT AND SOCIAL SCIENCES (COMSS)
ACCOUNTING AND FINANCE PROGRAMME
B.Sc. ACCOUNTING
2023/2024 FIRST SEMESTER EXAMINATION

COURSE CODE: ACC 305

COURSE TITLE: TAXATION AND FISCAL POLICY 1

TIME: 2½ HOURS

INSTRUCTIONS: ATTEMPT QUESTION 1 AND ANY OTHER THREE (3) QUESTIONS

Question 1

- a) Explain the basic components of the income of each partner in a partnership business 4 marks
- b) Mention FOUR (4) Deductions allowed and FOUR (4) deductions not allowed in a partnership business. 4 marks
- c) Briefly explain the term “franked investment income” 2 marks
- d) Ahmed, Bolu and Christopher have been in partnership as accountants for many years. During the year ended 31 December 2022, the accounting records of the partnership revealed the following:

	N'000	N'000
Turnover		180,000
Cost of sales		(140,000)
		40,000
Less: Administrative expenses		
Staff Salaries and wages	7,500	
Rent and rates	4,500	
Travelling and entertainment expenses	3,890	
Cost of new vehicles	2,420	
General expenses	2,400	
Marketing expenses	2,050	
Staff canteen subsidy	1,200	
Bad and doubtful debts	1,000	
Professional charges	950	
Sundry office expenses	900	
Management fees	400	
Subscriptions	350	
Legal fees	210	
Depreciation	1,100	
Interest on Capital – Ahmed	75	
Bolu	60	
Christopher	50	
Interest on loan paid to Ahmed	50	

Passages and leave allowance of partners:		
Ahmed	20	
Bolu	18	
Christopher	15	
Partners' Salaries:		
Ahmed	120	
Bolu	110	
Christopher	100	(29,488)
Net profit for the year		<u>10,512</u>

The following additional information are available

- | | | |
|-------|---|------------------|
| i) | Subscription comprised of: | ₦ |
| | Periodicals for the business | 50,000 |
| | Nigerian Institute of Management on behalf of Staff | 100,000 |
| | Trade associations | 25,000 |
| | Social clubs | 45,000 |
| | Nigeria Institute of Commerce | <u>130,000</u> |
| | | <u>350,000</u> |
| ii) | Marketing expenses consist of the following: | ₦ |
| | sAdvertising cost | 800,000 |
| | Salaries and bonuses | <u>1,250,000</u> |
| | | <u>2,050,000</u> |
| iii) | Professional charges: | ₦ |
| | Audit and taxation fees | 550,000 |
| | Architect's fees for new warehouse | 380,000 |
| | Fine for dangerous driving by Managing Director | <u>20,000</u> |
| | | <u>950,000</u> |
| iv) | Part of the sundry expenses included the sum of ₦148,000 paid as fine for late payment of contributory pensions scheme. | |
| v) | Bad and doubtful debts: | ₦ |
| | Specific | 500,000 |
| | General provisions | 300,000 |
| | Staff loans written-off | <u>200,000</u> |
| | | <u>1,000,000</u> |
| vi) | General expenses: | |
| | Loss on disposal of non-current assets | 900,000 |
| | Fees paid to a lawyer to register a new organisation | 400,000 |
| | Amount spent to bury the father of the Managing Director | <u>1,100,000</u> |
| | | <u>2,400,000</u> |
| vii) | Agreed capital allowances for the year is ₦1,350,000. | |
| viii) | Partners' profit -sharing ratio is 5: 4: 3 respectively. | |

You are required to compute:

- (i) The Computed Income of the Partnership; and 7 marks
 (ii) Assessable Income of each partner for the relevant year of assessment. 8 marks

Total- 25 marks

Question 2

- a) The advent of the Finance Act 2021 and 2022 has brought about some significant changes to taxation in Nigeria. Briefly describe some of these changes. 8 marks
 b) Discuss the basic provisions and application of IAS 12 as it relates to taxation. 7 marks

Total- 15 marks

Question 3

Prof. Obembe has been the Sole proprietor of his business, named Iderade Enterprises, for several years. His detailed Statement of Profit or Loss for the year ended 31 December 2021, is as follows:

	₦	₦
Revenue:		
Gross trading profit		40,000,000
Dividend (gross)		12,500,000
Rental income (Gross)		1, 800,000
Profit on sale of non-current assets		<u>1, 200,000</u>
		55, 500,000
Less Expenses:		
Salaries and wages	3,500,000	
General expenses	1,600,000	
Finance costs	900,000	
Rates and electricity	500,000	
Repairs and maintenance	2,500,000	
Depreciation	4,800,000	
Bad debt	2,000,000	<u>(15,800,000)</u>
Net Profit		<u>39,700,000</u>

Additional information:

(i) Salaries and wages include:	₦
Salary paid to Prof Obembe who is a full time employee of the company	350,000
Wages to to the Mrs. Obembe's house maid	50,000
Salaries of other employees	<u>3,100,000</u>
	<u>3,500,000</u>

(ii) General expenses include:

Subscription for trade magazines	200,000
Cost of company branded gifts	750,000
Fines paid for traffic offence committed by Mrs Obembe	100,000
Stationery	250,000
Hire of Gen set for Prof Obembe's private residence	<u>300,000</u>
	<u>1,600,000</u>

(iii) Finance cost include ₦200,000 in respect of Prof Obembe's private loan.

(iv) Prof Obembe has a life insurance policy on his life for which he pays an annual premium of ₦350,000.

(v) Prof Obembe made contribution of ₦150,000 to NHIS during the year.

(vi) Prof Obembe has 3 children and also maintained his aged parent.

(vii) Capital allowance agreed with the relevant tax authority is ₦5,500,000.

(viii) WHT rate on Dividend and rent is 10%

Required:

- (a) Compute Adjusted profit for the relevant tax year; and 5 marks
- (b) Compute the tax liability and tax payable by Prof Obembe for the relevant tax year. 10 marks

Total- 15 marks

Question 4

- a) Explain in details the operations of Pay- As-You-Earn (PAYE) tax in Nigeria 9 marks
- b) List and explain TWO (2) Agents of Tax Administration in Nigeria 6 marks

Total – 15 marks

Question 5

- a) Mention and explain THREE (3) forms of Assessment. 6 marks
- b) Companies can disagree with a tax assessment raised on it by the tax authority and may give a notice of objection, to the Federal Inland Revenue Service. In line with this, state the condition to be met, as well as contents of a valid notice of objection. 5 marks
- c) Explain the term "deferred tax". 4 marks

Total – 15 marks

Question 6

- a) Mention four (4) sources of income that constitute chargeable income. 2 marks

b) List and explain any three personal relief available to a tax payer under the Personal Income Tax Act. 3 marks

c) Mr Williams is employed on a full time as a Production Engineer of a Manufacturing Company in Lagos. He also owns engineering workshop set up for building and maintaining generating plants, machines and selling automobile spare parts. He employed some technicians to take care of his workshop in his absence. As regards 2021 year of assessment, he received the following remuneration from his place of work as a production Engineer.

	N
Salaries and overtime	800,000
Productivity bonus	20,000
End of the year bonus (13 th month salary)	15,000
Lunch allowance of N400 per working day incurred by the company	10,000

He had gross revenue of N4,000,000 from the workshop for the accounting year ended 31st December, 2020. The following expenses were incurred during that period:

	N
Salaries of Technicians	500,000
Repairs and Maintenance	300,000
Electricity	100,000
Donations to Elegant Club	20,000
General expenses (all allowable)	300,000
Burial expenses of his mother	200,000
Workshop building built in 2018 at a cost of	500,000

Additional information:

- i) Included in the gross revenue of N4,000,000 stated above are income from other investments as follows: a) Interest on deposit account with the Federal Savings Bank in the sum of N20,000 b) Dividend of N60,000 from a pioneer Company- which is currently on tax relief period.
- ii) Capital allowance agreed on by the tax authority amounted to N500,000
- iii) Mr Williams is married with 3 children (all under 6 years old)

Required:

Compute the tax liability of Mr Williams for the relevant year of assessment.

10 marks

Total – 15 marks

Page 5 of 5