



NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91, Cadastral Zone, Nnamdi Azikiwe Express Way, Jabi-Abuja
FACULTY OF MANAGEMENT SCIENCES,
DEPARTMENT OF FINANCIAL STUDIES
2019_2 EXAMINATION

COURSE CODE: ACC 318

CREDIT UNIT: 3

COURSE TITLE: TAXATION II

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

Sky plc. has for many years been preparing accounts to 31st December. However, in its Annual general meeting (AGM) in 2015, the Board of Directors agreed to prepare the next accounts to end on 30th April 2017. Find below the relevant adjusted profits:

	₦
12 months to December 31 st , 2014	528,000
12 months to December 31 st , 2015	704,000
16 months to April 30 th , 2017	991,600
12 months to April 30 th , 2018	422,400

Required:

- a. Calculate the assessable profit of success Plc for the relevant years of assessment. **(18 marks)**
- b. Outline the practice of the Revenue where changes in accounting dates are made. **(6 marks)**
- c. Who has the right of election on a change in accounting date? **(1 mark)**

Question 2

Lagos Nigeria Limited which made a net profit of ₦3,440,000 for the year ended 31st December, 2018 after charging the following expenses:

	₦000
Salaries & wages	3,720,000
Legal & professional fees	960,000
Miscellaneous expenses	1,260,000
Audit fees	260,000
Depreciation	577,700
Repairs & Maintenance	286,000
Printing & stationary	159,240
Bad & doubtful debts	312,000
Preliminary expenses	674,000
Rent & rates	480,000
Loss on sale of Non-current assets	<u>857,000</u>
	<u>8,542,840</u>

The following additional information is available:

- i. Legal & professional fees include:

Retainer fee	₦240,000
Register a sister company	₦720,000
- ii. Miscellaneous expenses include ₦800,000 spent on burial of the managing director's grandmother while ₦230,000 was spent on training of staff.
- iii. Bad & doubtful debts include:

General provision	₦120,000
Specific provision	₦100,000
Staff loan written off	₦92,000
- iv. The unrelieved capital allowances brought forward is ₦1,177,200 and capital allowances for the year ₦1,840,000.
- v. The unrelieved losses brought forward is ₦158,800.

Required to:

Compute the taxes payable for the relevant year of assessment. Ignore minimum tax provision.
(15 Marks)

Question 3

- a) Explain the term "Loss Relief" **(3 Marks)**
- b) Identify any four (4) provisions of the relevant tax laws on loss relief **(6 Marks)**
- c) In accordance with the Nigerian income tax laws, explain the three (3) types of loss reliefs applicable for a business or trade **(6 Marks)**

Question 4

Bronze Limited, a manufacturing company has provided the following information from which the tax payable is to be computed.

Year	Turnover	Adjusted Profit	Capital Allowance
2017	900,000	913,800	600,000
2018	650,000	569,000	350,000
2019	950,000	780,000	550,000

Required to:

- Compute the tax payable for the relevant tax years. **(12 marks)**
- Identify four (4) businesses mostly applicable to small business tax provisions. **(3 marks)**

Question 5

Golden Ltd is a foreign company involved in air transport business. Its aircrafts are used for cargo and passenger flights between Nigeria and Spain.

The audited financial statements for year ended 31st December, 2018, revealed the following:

	₦	₦
Income from passengers:		
Madrid to Lagos		4,425,600
Lagos to Madrid		3,397,000
Income for cargo:		
Loaded into aircraft on other routes		2,260,000
Freight from Lagos to Madrid		<u>3,375,000</u>
		13,457,850
Deduct: Operating expenses:		
Depreciation	460,000	
Staff salaries	725,000	
Use of airport facilities	87,000	
Accommodation for airline crew	28,500	
Hotel bills for passengers	120,000	
General provisions	<u>35,000</u>	<u>1,455,500</u>
		<u>12,002,350</u>

In addition to the above, capital allowances were agreed with the relevant authorities as 175% of depreciation.

Required:

- Compute the income tax liability for the relevant year of assessment. **(15 marks)**

Question 6

- a. Explain the term Capital Allowance. (2 marks)
- b. Identify four (4) conditions for granting capital allowance (4 marks)
- c. Discuss three (3) types of capital allowance (9 marks)

Useful Tax Rates

1. Rates of Personal Income Tax

	Taxable Income	Rate of Tax (%)
First	300,000	7
Next	300,000	11
Next	500,000	15
Next	500,000	19
Next	1,600,000	21
Above	3,200,000	24

2. Companies Income Tax Rate **30%**

3. Tertiary Education Tax **2%**