



NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91, Cadastral Zone, NnamdiAzikiwe Express Way, Jabi-Abuja
Faculty of Management Sciences, Department of Financial Studies
2021_2 EXAMINATIONS

COURSE CODE: ACC 318

CREDIT UNIT: 2

COURSE TITLE: TAXATION

TIME ALLOWED: TWO HOURS

Instructions:

- 1. Attempt question number one (1) and any other two (2)**
- 2. Question number 1 is compulsory and carries 30 marks while the others carry 20 marks each.**

Question one

The net profit of Best Ltd., for the year ended 31st March, 2020 was ₦25,435,000 after crediting profit on the sale of Non-current assets and charging:

	₦
Directors remuneration	1,200,000
Depreciation	5,000,000
Legal charges for purchase of leasehold rights	600,000
Donation to community fund	60,000
Club house project	20,000
Recreation club	25,000
Building fund	60,000
Church building fund	10,000

Other Information:

- i. Profit on sale of Non-current assets ₦2,000,000 (included in net profit).
- ii. The capital allowance and balancing allowance claimed for the year were agreed at ₦3,000,000 and ₦30,000 respectively.

Required:

- a) Calculate the income tax payable by the company. **(15 Marks)**
- b) Mention four (4) expenses that are not allowed for tax purposes **(4 Marks)**
- c) Mention three (3) businesses mostly applicable to small business tax provisions **(3 Marks)**
- d) Explain briefly four (4) canons of taxation known to you **(8 Marks)**

(Total 30 Marks)

Question Two

- Give the major advantage of Loss Relief to a tax payer **(1 Mark)**
- List four (4) rules that are associated with Loss Relief. **(4 Marks)**
- Give two (2) features each of Current year loss relief and Carry forward loss relief **(4 Marks)**
- Cassy Enterprises commenced business on 1st September 2017 and the profit and loss as adjusted for tax purposes are as follows:

	N
Year ended August 2018	720,000 Loss
Year ended August 2019	1,200,000 Profit
Year ended August 2020	960,000 Profit

Required:

Compute the amount of loss that can be relieved assuming that Cassy Enterprises does not exercise its right of election **(11 Marks)**

(Total 20 Marks)

Question Three

- List Four (4) types of capital allowances and give two (2) features of each of them. **(8 Marks)**
- Mr. Yusuf Bello has been in business for several years. He incurred ₦18,800,000 on motor vehicles and ₦8,000,000 on furniture and fittings in 2018. You are required to calculate the capital allowance for Mr. Yusuf Bello for three years of assessment. **(12 Marks)**

(20 Marks)

Question Four

Moon, Sky and Sun are in partnership and agreed to share profits or losses in the ratio of 2:2:3 respectively. During the year ended 31st December 2020, their books showed adjusted loss of ₦420,000 after accounting for:

	Moon	Sky	Sun
	N	N	N
Salaries	140,000	160,000	300,000
Interest on Capital	24,000	32,000	24,000
Bonus	12,000	8,000	20,000
Depreciation	227,200		

Required:

- Compute the assessable income of each partner. Show all workings **(15 Marks)**
- Define Partnership **(2 Marks)**
- Give three (3) Non- Give three (3) Non taxable incomes of Partnership **(3 Marks)**

taxable incomes of Partnership **(3 Marks)**

(Total 20 Marks)