



NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91, Cadastral Zone, Nnamdi Azikiwe Express Way, Jabi-Abuja
Faculty of Management Sciences, Department of Financial Studies
2025_1 EXAMINATION

COURSE CODE: ACC 318

CREDIT UNIT: 3Units

COURSE TITLE: TAXATION II

TIME ALLOWED: 2 ^{1/2} HOURS

INSTRUCTIONS:

1. Attempt question Number 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

QUESTION 1(a)

Ovye, Anza and Ashe are in business of partnership in which they share profits and losses in the ratio of 2:2:1. The partnership firm submitted the following profit and loss statement for the year ended 31st December 2023, for the purpose of tax assessment:

	₦	₦
Gross profit		490,000
Less: Partnership Salaries		
Ovye	50,000	
Anza	40,000	
Ashe	30,000	
Interest on Capital		
Ovye	16,000	
Anza	12,000	
Ashe	10,000	
Depreciation	30,000	
Electricity	12,000	
Repairs	4,000	
Rent	15,000	
Rate	6,000	
Motor Expenses	8,000	
Refuse Disposal expenses	4,000	
Legal retainership	8,000	
Miscellaneous expenses	2,000	
Audit and Accountancy	10,000	
Provision for bad debts	16,000	
Bad debts	2,000	
Stationery	4,000	
Postages and Stamps	3,000	
Entertainment	6,000	
Telephone	<u>2,000</u>	<u>290,000</u>
Net Profit		<u>200,000</u>

Additional information:

- (i) Legal expenses were incurred on the admission of Ashe
- (ii) Capital Allowance amounted to ₦60,000
- (iii) Entertainment expenses were incurred on the birthday celebration of Anza

Required: Calculate:

- (a) Partnership firm's adjusted profit **(7Marks)**
- (b) Assessable income of each of the partners **(10 Marks)**
(Total 17 Marks)

QUESTION 1(b)

In a bid to maintain integrity in the tax system, encourage tax compliance and minimize the costs of tax collection, stipulated penalties are usually levied on different categories of tax offences. List and explain the offences and penalties in relation to tax offences in Nigeria. **(8marks)**

QUESTION 2

Wazi Aya limited has been making up its accounts to 31/12 of each year, but due to change in policy, it decides to change the date to 31st March each year. The adjusted profits for the relevant periods are:

Year ended	31/12/16	305,000
Year ended	31/12/17	330,000
Period ended	31/03/18	90,000
Year ended	31/03/19	420,000
Year ended	31/03/20	480,000
Year ended	31/03/21	540,000

Required:

Determine the assessable profit for the relevant years of assessment **(15 Marks)**

QUESTION 3

- i) Explain the following terms: Wholly, Reasonably, Exclusively and Necessarily incurred in relation to Trade/Profession **(12 marks)**
- ii) What do you understand by Adjusted Profit in relation to a Trade or Profession? **(3marks)**

QUESTION 4

Explain the conditions for granting capital allowances? **(15 marks)**

QUESTION 5

Discuss the various developments in the Nigerian tax laws for these periods:

- i. Periods between 1961-1975 **(3.75 marks)**
- ii. Periods between 1985-1987 **(3.75 marks)**
- iii. Periods between 1990-1993 **(3.75 marks)**
- iv. Periods between 2000-till date. **(3.75 marks)**