



NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91, Cadastral Zone, Nnamdi Azikiwe Express Way, Jabi-Abuja
Faculty of Management Sciences, Department of Financial Studies
2023_2 EXAMINATIONS

COURSE CODE: ACC 318

CREDIT UNIT: 3

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

OMADA Company Limited has been in business for many years as a dealer in Hotel business. The following details of its transactions were extracted from its accounting records for the year ended 31st December 2020.

	₦	₦
Gross Profit		25,718,568
Sundry Income		<u>999,204</u>
		26,717,772
Less Expenses:		
Salaries and Wages	5,917,144	
Electricity and Water	392,184	
Depreciation	1,499,680	
Rent and rates	997,840	
Repairs and maintenance	1,921,072	
Fuel and oil	1,041,968	
Bank charges	1,321,768	
Bad and doubtful debt	384,264	
Legal and professional fees	1,186,976	
Sundry losses	1,699,868	
Company pension contribution	585,080	
Audit Fees	800,000	
Donation and Subscription	600,000	
Director's emolument	744,000	
Miscellaneous expenses	<u>512,240</u>	
Net Profit		<u>19,604,084</u>
		7,113,688

The following additional information are also made available:

a) Bad and doubtful debts consist of:

	₦
50% provision	80,000
Debts under litigation	200,000
Debts written off	200,000
Bad debts recovered	<u>(95,736)</u>
	<u>384,264</u>

b) Sundry Losses include:

	₦
Goods lost in transit and uninsured	440,800
Fraud by Financial Controller	800,000
Misappropriation by Cashier	<u>459,068</u>
	<u>1,699,868</u>

c) Professional and Legal fees include:

	₦
Debt collection effort commission	160,000
Renewal of lease	320,000
Registration of mortgages fees	200,000
Legal retainership	<u>506,976</u>
	<u>1,186,976</u>

d) Other expenses consist:

	₦
Penalty for late payment PAYE	48,000
Penalty for drivers' traffic offense	4,000
Loss on exchange for import payment	360,000
Office beverages	<u>100,240</u>
	<u>512,240</u>

e) Capital allowances for the period agreed with revenue is ₦818,344

Requirements:

- i) Calculate adjusted profit of Omada Company Limited for the relevant tax year **(10 Marks)**
 - ii) Calculate Omada Company Limited's tax liabilities for the relevant tax year **(5 Marks)**
 - iii) Highlight the reasons behind taxation **(5marks)**
 - iv) What is the meaning of Earned and Unearned Incomes? **(5marks)**
- (Total 25 Marks)**

QUESTION 2

- a) The bad and doubtful debts account of Enyojo Company Limited for 31st December, 2020 shows the following:

	N		N
Trade debts written off	6,000	Reserves b/f	
Reserves c/f		Specific	20,000
Specific	24,000	General	12,000
General	<u>10,000</u>	Charged to Profit & Loss a/c	<u>8,000</u>
	40,000		40,000

Requirements:

Compute for Enyojo Company Limited the amount that will be shown as a charge for bad and doubtful debts for the year ended 31st December, 2020 for tax purposes. **(5 marks)**

- b) Describe how Education Tax is administered in Nigeria **(10 marks)**

QUESTION 3

What is Tax Clearance Certificate and why is it required? **(15marks)**

QUESTION 4

Explain the meaning of the following:

- i) Tax evasion **(3marks)**
- ii) Tax avoidance **(3marks)**
- iii) A Trade **(3marks)**
- iv) A Profession **(3marks)**
- v) A Vocation **(3marks)**

(15marks)

QUESTION 5

Briefly discuss the incomes that are exempted from company's income tax as contained in the Company Income Tax Act (CITA). **(15marks)**