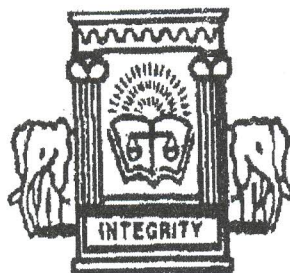


INSTITUTE OF CHARTERED ACCOUNTANTS (GHANA)



**MAY 2011 EXAMINATIONS
(PROFESSIONAL)**

PART 2

**PRINCIPLES AND PRACTICE OF TAXATION
(Paper 2.4)**

Attempt ALL Questions

TIME ALLOWED:

Reading & Planning	-	15 Minutes
Workings	-	3 Hours

QUESTION 1

Write brief notes on the following:

- a. Realization
- b. Consideration received under Capital Gains Tax
- c. Deregistration
- d. Zero-Rated Supply

20 marks

QUESTION 2

Janus Obimpeh was appointed Liaison Officer of Data Line Limited on a consolidated salary of GHS21,600 per annum with effect from 1st July, 2008 and posted to Tamale. He was paid a transfer grant of GHS2,500 on 1 July 2008.

His other entitlements included the following:

- | | | |
|------|--------------------------|------------------|
| i. | Responsibility Allowance | GHS500 per month |
| ii. | Overseers Allowance | GHS700 per month |
| iii. | Inconvenience Allowance | GHS500 per month |

He contributed 5% of his salary to the Social Security Scheme.

The Tamale office of Data Line Limited provided him with free accommodation, a car and a driver. The Accra office also contributed GHS51,000 per annum towards his children's education at Prempeh College.

While at Tamale, Mr. Obimpeh took a life assurance policy with Freeman Insurance Company of Sierra Leone. He paid a monthly premium of USD100 for a capital sum of USD6,000.

Mr. Obimpeh's aged mother, wife and two children live at his residence at Kwadaso in Kumasi. He is solely responsible for them. The guest house, a two-bedroom self-contained residential facility at his residence, has been rented to Mr. & Mrs. Barrow at GHS500 per month for the 2009 year of assessment.

Required:

Compute Mr. Obimpeh's chargeable income, if any, for the year of assessment 2009. State any basic tax principles underlying your computation.

20 Marks

QUESTION 3

Felix Atiogbe has been in the furniture business for several years preparing accounts to 31st December, each year.

On 1st May, 2008 his cousin, Julius Fugah, also in the furniture business, joined him sharing profits in the ratio of 2:1,

Other aspects of the partnership are as follows:

	<u>Felix</u> GHS	<u>Julius</u> GHS
Salaries	500	300
Transport allowance	400	400
Medical fees allowance	200	200
Tools allowance	200	100

The salaries and allowances are paid monthly.

In August, 2008, they took a loan from the Ghana Commercial Bank and bought a distribution van for GHS16,000. They also bought a two-bedroom building for GHS520,000 which they converted into an office and workshop at a cost of GHS5,000 in October 2008.

Their accounts for the year ended 31st December, 2008 showed the following details:

	GHS	GHS
Gross profit b/f		68,500
<u>Less expenses:</u>		
Salaries and wages	30,200	
Petrol and lubricants	3,800	
Maintenance	4,400	
Bank charges	800	
Interest on loan	2,100	
Accounting fees	300	
Income tax	1,600	
Sundry expenses	700	
Depreciation	<u>2,300</u>	<u>46,200</u>
Net profit		<u>22,300</u>

NB: Sundry expenses are for lunch each day.

Required:

Compute the chargeable income of each partner for the 2008 year of assessment.

20 marks

QUESTION 4

Banda Industries limited, construction engineers, submitted the following profit and loss account covering the period 1st March, 2008 to 31st December, 2008.

	GHS	GHS
Gross profit b/f		960,000
Dividends		60,000
Rent income		<u>180,000</u>
		1,200,000
<u>Less expenses:</u>		
Salaries and wages	420,000	
Electricity and water	58,60	
Repairs and maintenance	93,400	
Registration and licences	3,500	
Audit fees	1,000	
Bank charges	1,600	
Subscriptions and donations	1,400	
Legal expenses	8,000	
Office rent	24,000	
Depreciation	118,000	
Sundry expenses	<u>22,000</u>	<u>751,500</u>
Net profit		<u>448,500</u>

Notes to the accounts:

1. Repairs and maintenance (GHS93,400)

	GHS
Repairs on vehicles	38,000
Iron Gate (MD's residence)	1,600
Fuel and lubricants	17,000
Tyres and tubes	18,600
New terrazzo floor (office)	<u>18,000</u>
	<u>93,400</u>

2. Subscriptions and donations (GHS1,400)

Professional associations	600
Periodicals & newspapers	200
Deaf & Dump School	200
Sundry	<u>400</u>
	<u>1,400</u>

3. Legal expenses (GHS8,000)

Formation of business	2,800
Registration of Title Deeds	1,600
Acquisition of land for staff canteen	<u>3,600</u>
	<u>8,000</u>

4. Sundry expenses (GHS22,000)

Various miscellaneous expenses	22,000
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5. The company acquired the following for use in its business:

	GHS
a. Office building	68,000 (15/2/08)
b. Workshop	25,000 (10/1/08)
c. Vehicles	160,000 (20/4/08)
d. Furniture and fittings	30,000 (16/3/08)
e. Computers and data handling equipment	15,000 (10/6/08)

Required:

Compute the chargeable income of the company for its first year of operations. State the basis period and year of assessment and comment on your answer.

20 marks

QUESTION 5

- a) Mr Mahama, a waiter at Abola Hotel at Koforidua, received gifts amounting to GHS780 from customers of the hotel in the year ended 31st December, 2009.

In May 2009, he married his long time friend, Salamatu, and received the following gifts during the wedding:

i. Staff of Abola Hotel	GHS500
ii. Manager, Abola Hotel	GHS100
iii. Uncle, Alhaji Karimu	GHS200
iv. Brother-in-law	GHS100

Required:

- (i) Compute any gift tax due from Mr Mahama for the year 2009.
- (ii) Comment briefly on your computation.

(10 marks)

- b) Mr Mireku, an employee of Grains Board, resigned on 1st September, 2008, to take over a business bequeathed to him by his uncle Tetteh Quao who died suddenly in an accident.

The assets of the business included the following:

- a. A building valued at GHS36,000
- b. Trading stock of household utensils GHS42,000
- c. Double-cabin pick-up GHS18,000

Since his uncle lived in the same building above the store, he also inherited the furniture and equipment there valued at GHS59,000.

Mr Mireku has no business acumen and so decided to sell everything and then venture into another sphere of life. Below are the details of the sales conducted by an auctioneer who charged 5% of the total sum realised.

	GHS
a. Building	50,000
b. Trading stock	34,000
c. Pick-up	22,000
d. Household furniture and equipment	6,500

Required:

- a. Compute any tax due; and
- b. Comment briefly on any relevant aspect of your computation.

(10 marks)

(Total: 20 marks)