

## QUESTION 1

Charles Sakato has been in business for several years making up records to 31 December each year. On 1 October 2010, David Anderson joined and it was agreed that profits should be shared in the ratio of 3:2.

Other details of the partnership are as follows:

	Charles	David
Salaries (GHC per month)	900	600
Housing Allowance (GHC per month)	300	200
Risk Allowance (GHC per month)	450	300
Interest on Capital (GHC per month)	600	400

The following vehicles were purchased to supplement their fleet of vehicles.

Vehicle	Price (GHC)	Date of Purchase
Tata Bus	35,000	22 November, 2010
Nissan Pick-up	30,000	16 March, 2011

As at 1 January 2010, the capital allowance situation was as follows:

Written Down Value	Pool 1	GHC 2,460
Written Down Value	Pool 2	GHC 18,600
Written Down Value	Pool 4	GHC 1,200

Unutilized capital allowance was GHC6,100. Salaries and allowances were deducted in arriving at the following profits.

Year ended December 31, 2010	GHC 41,400
Year ended December 31, 2011	GHC 60,000

### **Required:**

Determine the chargeable incomes of each partner for the 2010 and 2011 years of assessment.

**20 marks**

## QUESTION 2

Charles Baah was appointed as Farm Manager of Tropical Fruits Ltd on April 1 2011, with a salary scale of GHC30,000 x 6,000 – GHC 48,000 per annum.

His entitlements at the farm included the following:

- |                               |                   |
|-------------------------------|-------------------|
| i. Risk Allowance             | GHC200 per month  |
| ii. Inconvenience Allowance   | GHC200 per month  |
| iii. Responsibility Allowance | GHC 500 per month |
| iv. Child Education Allowance | GHC 500 per month |

He was also entitled to a fully furnished accommodation, a car with a driver and fuel. The company also paid GHC70 each per month for the services of a security man, domestic servant and a garden attendant.

Mr. Charles Baah is married with four children, two of them are in the local schools and the others are studying abroad. As the sole bread winner, he also caters for his 66 year old widowed mother. He has a life policy with a monthly premium of GHC400 and a capital sum of GHC30,000.

### ***Required:***

Compute the chargeable income of Mr. Charles Baah for the 2011 year of assessment. Provide comments on all relevant aspects of your computations.

**20 marks**

### **Personal Reliefs**

Marriage Relief	GHC 100
Disability Relief	25%
Old Age Relief	GHC 100
Child Education Relief (per child)	GHC 100
Aged Dependents Relief	GHC 50
Training & Development Relief	GHC 200

### QUESTION 3

Fair Prices Company Ltd commenced business at Bibiani on January 2 2011, making accounts to 31 December each year.

Below is an extract of the company's Income Statement for the year ended 31 December, 2011.

	GHC	GHC'
Gross Profit		132,450
Rent Receivable		10,620
Dividends		8,500
Less Expenses		
Directors' Fees	3,220	
Salaries & Wages	38,430	
Legal Expenses	1,800	
Office Rent	9,000	
Electricity & Water	15,500	
Repairs & Maintenance	46,200	
Subscriptions & Donations	2,200	
Audit Fees	600	
Bank Charges	1,100	
Sundry Expenses	1,350	
Depreciation	14,600	
Net Profit	<u>17,570</u>	
	<u>151,570</u>	<u>151,570</u>

#### Notes to the Accounts

	GHC
<u>Legal Expenses</u>	
Lease of the business premises	450
Fines and penalties	300
Financial structure of the business	400
Defence of business property	<u>650</u>
=	<u>1,800</u>
<u>Repairs &amp; Maintenance</u>	
Cost of second hand Pick –up	18,000
Initial repairs on Pick-up	2,500
General Repairs and Maintenance	1,800
Fuel & Oil	12,500
Insurance	2,100
Furniture & Equipment	6,000
New Garage	<u>3,300</u>
	<u>46,200</u>

## Notes to the Accounts

### Subscriptions & Donations

Business & Financial Times	300
Accra Football Club	500
Funeral Donations	800
Weija Leprosarium	<u>600</u>
	<u>2,200</u>

### **Required:**

Compute the chargeable income of Fair Prices Company Ltd for the 2011 year of assessment.

**25 marks**

## QUESTION 4

Sam Kofi Alanto, the General Manager of Obey Industries Ltd has been on a salary scale of GHC18,000 x 6,000 – GHC 54,000 per annum since July 2009. He contributes 5½ % of his salary to the Social Security Scheme.

In the year 2011, Mr. Alanto received an amount of GHC2,280 from his investments in France where he served as Deputy Manager of Sounds Ltd before coming to Ghana. Tax of GHC720 has been withheld in France.

Ghana has a double taxation agreement with France.

### **Required:**

Determine the Tax Credit Relief (if any) due to Mr. Alanto in the year 2011.

The following rates are applicable:

	GHC	% RATE
First	1,008	Free
Next	240	5
Next	720	10
Next	14,232	17.5
Exceeding	16,200	25

**(20 marks)**

## QUESTION 5

- a. Mr. Dontoh , the Public Relations Officer of Green Grains Ltd was installed as the Nifahene of his home town in May 2011 as part of the town’s annual festival. Several friends, family members and well-wishers were there to give presents. Notable among the gifts are the items below.

	GHC
Green Grains Ltd	500
Managing Director – Green Grains Ltd	200
Public Relations Dept. – Green Grains Ltd	100
Father –in-Law (Kente & Sandals)	400
Nyame Ye Social Club	250
Parents (2 plots of Land)	800
Nephews & Nieces (Kente, sandals & perfumes)	500
Traditional Council of the town	<u>1,000</u>
	<u><b>3,750</b></u>

### ***Required:***

Determine any tax due. **(5 marks)**

- b. Briefly state the provisions of the Capital Gains Tax with regard to chargeability under the Internal Revenue Act. State any exemptions that may be granted. **(10 marks)**

**(Total: 15 marks)**