

**ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA**  
**ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA**  
**PART III EXAMINATIONS - SEPTEMBER 2021**  
**PREPARING TAX COMPUTATIONS AND RETURNS**  
**(GHANA VERSION)**

**Time Allowed: 3 Hours**

**SECTION A: PART 1 MULTIPLE-CHOICE QUESTIONS (30 MARKS)**

**ATTEMPT ALL QUESTIONS**

**Write ONLY the alphabet (A, B, C, D or E) that corresponds to the correct option in each of the following questions/statements**

1. Under what condition is a partnership subject to tax in Ghana when the income is
  - A. A final withholding tax
  - B. Made monthly
  - C. Made quarterly
  - D. Made annually
  - E. Ad-hoc
  
2. Which of the following is **NOT** goods under non-traditional export?
  - A. Cocoa beans
  - B. Lumber and logs
  - C. Unprocessed gold
  - D. Electricity
  - E. Charcoal
  
3. Which of the following withholding tax levied?
  - A. Net value
  - B. Gross value
  - C. Weighted average value
  - D. Simple average value
  - E. Inflation adjusted value
  
4. Which of the following tax types are casual workers subjected to?
  - A. Final withholding tax
  - B. Pay As You Earn Tax
  - C. Corporate Tax
  - D. Personal income tax
  - E. Withholding tax on account

5. A tax regime that allows the tax payer to make a determination of their chargeable income and the tax payable is referred to as
  - A. Assessment tax
  - B. Provisional assessment
  - C. Final assessment
  - D. Self-assessment
  - E. Administrative assessment
  
6. The permissible margin of error allowable in a self-assessment regime is
  - A. 5%
  - B. 10%
  - C. 15%
  - D. 20%
  - E. 25%
  
7. A taxpayer who suffers a withholding tax shall be issued with
  - A. Tax Clearance Certificate
  - B. Tax Credit Certificate
  - C. Tax Certificate
  - D. Credit Note
  - E. Debit Note
  
8. Which body is responsible for the imposition of tax in Ghana?
  - A. Ministry of finance
  - B. Ghana Revenue Authority
  - C. The Board of GRA
  - D. Body of Law
  - E. Parliament
  
9. At what rate are exports of goods taxed under value added tax system?
  - A. 0%
  - B. 2.5%
  - C. 5%
  - D. 12.5%
  - E. 17.5%
  
10. What is the rate of stamp duty payable on capital of a corporate body registered at the Registrar General's Department?
  - A. 0.2%
  - B. 0.3%
  - C. 0.4%

- D. 0.5%
  - E. 0.6%
11. Kwame Amoh who is neither into employment nor runs a business got GH¢10,000 as a gift for 2020 year of assessment. How much tax is payable on the gift?
- A. 1,292.50
  - B. 1,400.00
  - C. 1,492.50
  - D. 1,500.00
  - E. 1,592.50
12. Which of the following economic activities shall **NOT** be allowed to carry over its losses for five years?
- A. Farming
  - B. Agro-processing
  - C. Manufacturing
  - D. Energy and power
  - E. Commerce
13. What is the rate of capital allowance in respect of Pool 1 of depreciable assets?
- A. 10%
  - B. 20%
  - C. 30%
  - D. 40%
  - E. 50%
14. Which of the following may approve a change in the accounting year of a corporate entity?
- A. Commissioner-General
  - B. Registrar General
  - C. Minister of Finance
  - D. Attorney General
  - E. Speaker of Parliament
15. Value Added Tax (VAT) collected in a particular month shall be paid to GRA on or before
- A. 1<sup>st</sup> of the following month
  - B. 15<sup>th</sup> of the following month
  - C. 30<sup>th</sup> of the following month
  - D. The last day of the following month
  - E. 1<sup>st</sup> day of the following month

16. Direct taxes are required to be computed on
- A. Profit
  - B. Capital
  - C. Debt
  - D. Loss
  - E. Unearned income
17. Additional assessment may come about as a result of
- A. Audit
  - B. Request by GIZ
  - C. Request by Competitors
  - D. Request by Parliament
  - E. Request by World Bank
18. When the Commissioner-General gives directive or guidance to a taxpayer at the behest (request) of that taxpayer, it is referred to as?
- A. Practice Notes
  - B. Private Ruling
  - C. Class Rulings
  - D. Guidance notes
  - E. Directive
19. An objection to a tax decision of the Commissioner-General must be done within the period not exceeding.
- A. 20 days
  - B. 30 days
  - C. 40 days
  - D. 50 days
  - E. 60 days
20. As per the current arrangement, how many Commissioners provide support to the Commissioner-General of the Ghana Revenue Authority?
- A. 2
  - B. 3
  - C. 4
  - D. 5
  - E. 6

21. Which of the following is **NOT** an example of indirect tax?
- A. Export duty
  - B. Import duty
  - C. Excise duty
  - D. Value added tax
  - E. Pay As You Earn
22. Free zone enterprises are granted exemption for a period **NOT** exceeding?
- A. 5 years
  - B. First 10 years
  - C. 10 years
  - D. First 15 years
  - E. 15 years
23. Gains from realisation of capital asset may be taxed at the rate of
- A. 5%
  - B. 10%
  - C. 15%
  - D. 20%
  - E. 25%
24. Vehicles for capital allowance purposes which are not commercial vehicles are restricted to an amount of
- A. GH¢60,000
  - B. GH¢65,000
  - C. GH¢70,000
  - D. GH¢75,000
  - E. GH¢80,000
25. Which of the following does **NOT** fall under the remit of direct taxes?
- A. Pay As You Earn
  - B. Stamp Duty
  - C. Vehicle Income Tax
  - D. Stamp Duty
  - E. Excise tax stamp
26. Which of the following is **NOT** granted capital allowance?
- A. Plant and machinery
  - B. Goodwill
  - C. Building
  - D. Accounting software
  - E. Furniture and fitting

27. How is capital allowance determined by a person treated by the Tax Authority for tax purpose?
- A. Income
  - B. Expense
  - C. Asset
  - D. Liability
  - E. Deferred expenditure
28. At what rate is rental of commercial property taxed?
- A. 5%
  - B. 10%
  - C. 15%
  - D. 20%
  - E. 25%
29. A period in reference to Government Calendar period is referred to in taxation as
- A. Year of assessment
  - B. Basis Period
  - C. Accounting Year
  - D. Tax Period
  - E. Back Duty Period
30. An annual tax return by a taxpayer is submitted to GRA not later than.
- A. 1 month
  - B. 2 months
  - C. 3 months
  - D. 4 months
  - E. 5 months

**SECTION A: PART II ATTEMPT ALL QUESTIONS (20 MARKS)**

**SHORT ANSWER QUESTIONS**

**Write the correct answer that best completes each of the following questions/statements**

1. Persons that do not meet the threshold for value added tax registration may be registered under .....registration
2. Refusal by a person to register and pay taxes constitutes tax .....
3. An allowance that is granted to a person that acquires a depreciable asset is called.....
4. Value added tax is a tax on ..... expenditure
5. A payment in respect of supplies for which a tax is taken upfront is
6. A withholding tax on dividend unless it is exempt shall be imposed at the rate of.....
7. Misrepresenting facts to pay less tax or not pay tax at all is .....
8. The impact and incidence of direct taxes fall on the .....earner

**Use the following data to answer questions 9 to 11**

Records of Apanaway Limited, a resident manufacturer for the month of June 2020 is as follows:

Goods Invoiced to Bigey enterprise, a wholesaler amounting to GH¢25,000,000

9. What is the value of VAT?
10. What is the value of National Health Insurance Levy (NHIL)?
11. What is the value payable to GRA by way of Ghana Education Trust fund?
12. Frank Genesis has been engaged as a part time teacher. His allowance after tax is GH¢12,000. How much is the tax amount?
13. The tax rate in respect of services rendered by a resident person to another resident person is
14. What is the penalty for a tax return that is 10 days late in submission?

15. Kwame Luke intends to establish a grass cutter business. What is the tax payable, if any, for the first 5 years of operation?
16. A provision for bad and doubtful debt is an allowable deduction.  
**TRUE OR FALSE**
17. Using knowledge and understanding of the tax to reduce a person's tax liability is.....
18. Gifts received from clients' of one's employment should be added to ..... income for tax purpose
19. Disposal of land above the cost it was acquired should be treated as.....
20. The rule (test) applicable in the determination of cost to be allowable for tax purpose?

**SECTION B: ATTEMPT ANY FOUR QUESTIONS (50 MARKS)**

**QUESTION 1**

Dolyen Enterprise is a manufacturer of bottles for the production of Sobolo, a locally made drink in Ghana. The following relates to January 2020 transactions:

|                            | GH¢         |
|----------------------------|-------------|
| Total cost of production   | 120,000,000 |
| Contemplated profit margin | 1,200,000   |

**Required**

Compute the following:

- a. VAT
- b. NHIL
- c. GET/fund
- d. Withholding Tax if the goods were invoiced to ABC Company, a dealer in retail goods.

**(Total 12<sup>1</sup>/<sub>2</sub> Marks)**

**QUESTION 2**

Abaa and Baah are partners sharing profits and losses in the ratio 2: 3 in a law firm for some time now. The following relates to 2020 year of assessment:

|                             | GH¢       |
|-----------------------------|-----------|
| Profit before appropriation | 2,000,000 |

The following were deducted in arriving at the profit before appropriation:

|                                  | GH¢     |
|----------------------------------|---------|
| Depreciation                     | 20,000  |
| Refreshment                      | 10,000  |
| Computer acquired                | 110,000 |
| Salary -Partner Abaa             | 10,000  |
| Interest on loan to Partner Baah | 1,000   |

The following relates to the partners' circumstances:

Marriage: Abaa is married while Baah is not married.

Children in Primary Schools: Abaa has one in primary school in Ghana while, Baah has two children also in primary school in Ghana

**Required**

Compute the taxable income to be subject to tax **(Total 12<sup>1</sup>/<sub>2</sub> Marks)**

**QUESTION 3**

The records of Bantama Limited a resident person for tax purpose has been prepared ready for validation. Bantama Limited is into buying and selling of assorted projects. In the month of June 2020, payments made in the ledger of Bantama Limited were as follows:

|                | GH¢     |
|----------------|---------|
| Rental payment | 100,000 |
| Goods          | 200,000 |
| Services       | 300,000 |
| Works          | 150,000 |

The following information is part of the payment records above:

- (i) Rental payment is made up of the following: Commercial property 90% and residential property 10%
- (ii) Goods: 15% was in respect of common stock of the Bantama Limited and a vendor in the same business line.
- (iii) Services: resident person 20%, while non-resident with a permanent establishment is the remainder.
- (iv) Works include a payment of GH¢4,000 as dividend and interest of GH¢6,000 on loan paid to individuals that lent to the company with the hope of becoming shareholders in future.

**Required**

- a. Compute the withholding taxes payable to Ghana Revenue Authority  
(10 Marks)
  - b. What is Tax Credit Certificate  
(2<sup>1</sup>/<sub>2</sub> Marks)
- (Total 12<sup>1</sup>/<sub>2</sub> Marks)**

**QUESTION 4**

- i. What is a tax return? (2<sup>1</sup>/<sub>2</sub> Marks)
- ii. Explain **FIVE** purposes a tax return may seek to achieve (10 Marks)

**(Total 12<sup>1</sup>/<sub>2</sub> Marks)**

### QUESTION 5

The following is the extract of records of Pajero Limited for 2020 year of assessment:

|                                      | GH¢     |
|--------------------------------------|---------|
| (i) Written Down Value C/D-2019      | 20,000  |
| (ii) Purchase of additional Computer | 120,000 |

#### **Additional information**

Pajero Limited spent an amount of GH¢30,000 on an upgrade of some computers of Pajero Limited. Its basis period is January to December each year.

#### **Required**

- a. Determine the capital allowance for 2020 year of assessment
- b. The amount to be capitalised
- c. The amount to be expensed

**(Total 12<sup>1</sup>/<sub>2</sub> Marks)**

### QUESTION 6

State **FIVE** distinction between contract of service and contract for service.

**(Total 12<sup>1</sup>/<sub>2</sub> Marks)**

## SOLUTION TO QUESTIONS

### MULTIPLE-CHOICE

1. A
2. E
3. B
4. B
5. D
6. B
7. B
8. E
9. A
10. D
11. D
12. E
13. D
14. A.
15. D
16. A
17. A
18. B
19. B
20. B
21. E
22. B
23. C
24. D
25. E
26. B
27. B
28. C
29. B
30. D

## SHORT-ANSWER QUESTIONS

1. Voluntary
2. Tax evasion.....
3. Capital allowance.....
4. Consumption...
5. Withholding tax.....
6. 8%.....
7. Tax evasion.....
8. Income
9. GH¢2,777,777.78
10. GH¢529,100.53
11. GH¢529,100.53
12. GH¢1,333.33
13. 7.5%
14. GH¢600
15. 1%...
- 16. FALSE**
17. Tax avoidance.
18. Employment...
19. Gain from realization of capital assets.....
20. Wholly, exclusively and necessarily incurred

## ESSAY QUESTIONS

### QUESTION 1

**Doyen Enterprise**

**January 2020**

|  | <b>GH¢</b>               |
|--|--------------------------|
| Cost of production                         | 120,000,000              |
| Margin                                     | <u>1,200,000</u>         |
|  | <b>121,200,000</b>       |
| NHIL 2.5%                                  | 3,030,000                |
| GET/FUND 2.5%                              | <u>3,030,000</u>         |
|  | <b>127,260,000</b>       |
| <b>VAT 12.5%</b>                           | <u><b>15,907,500</b></u> |
|  | 143,167,500              |
| Withholding tax 3%(3%*121,200,000)         | <u><b>3,636,000</b></u>  |
| <b>Amount payable to Dolyen Enterprise</b> | <b>139,153,500</b>       |

**(Total 12<sup>1</sup>/<sub>2</sub> Marks)**

### QUESTION 2

**Abaah and Baah**

**Computation of appropriation for 2020 year assessment**

**Basis period January 1 to December 31, 2020**

|                                 | <b>GH¢</b> | <b>GH¢</b>              |
|---------------------------------|------------|-------------------------|
| Profit before appropriation     |            | 2,000,000               |
| Add non-allowable deduction     |            |                         |
| Depreciation                    | 20,000     |                         |
| Refreshment                     | 10,000     |                         |
| Computer purchased              | 110,000    |                         |
| Salary                          | 10,000     |                         |
| Interest                        | 5,000      |                         |
|                                 |            | <u>145,000</u>          |
| <b>Profit for appropriation</b> |            | <b><u>2,145,000</u></b> |
| Share of profit                 |            |                         |
| Abaah $2/5 \times 2,145,000$    | 858,000    |                         |



## QUESTION 4

### a) Tax Return

A tax return is an official document from a tax payer furnished with the Commissioner-General intended to give details about the financial activities of that person. A tax return depends on the tax type in issue. Corporate Tax Return, Pay As You Earn Tax Return, Gift Tax Return. Each tax return has its peculiarities. **(2<sup>1</sup>/<sub>2</sub> Marks)**

### b) Purpose:

- i. It shows the financial activities of the person
- ii. It enables a fair assessment of the taxpayer
- iii. It provides basis of tax refund
- iv. The basis for claiming capital allowance
- v. It provides the basis for carryover of loss
- vi. It provides the basis of deducting expense as a legitimate business expense
- vii. It provides basis for loan acquisition

**A student should be able to any explain any five of the points above**

**(10 Marks)**

**(Total: 12<sup>1</sup>/<sub>2</sub> Marks)**

## QUESTION 5

### Pajero Limited

### Computation of Capital Allowance

Y/A 2020

**Basis Period: 1/1/2020-31/12/2020**

|                                   | <b>40%</b> | <b>GH¢</b>     |
|-----------------------------------|------------|----------------|
| WDV b/d                           |            | 20,000         |
| Addition                          |            | 120,000        |
|                                   |            | <b>140,000</b> |
| Capital Allowance                 |            | 56,000         |
| <b>Written Down Value</b>         |            | <b>84,000</b>  |
| <br>                              |            |                |
| Amount to be capitalized          |            |                |
| Total Amount incurred             |            | 30,000         |
| Amount to be expensed (5%*84,000) |            | <u>4,200</u>   |
| <b>Amount to be capitalized</b>   |            | <b>25,800</b>  |

**Pajero Limited**  
**Computation of Capital Allowance**  
**Y/A 2020**  
**Basis Period: 1/1/2020-31/12/2020**

**40%**

|                           |         | <b>GH¢</b>  |
|---------------------------|---------|---|
| WDV b/d                   |         | 20,000  |
| Addition                  | 120,000 |   |
| Repairs and Improvement   | 25,800  | 145,800   |
|                           |         | <b>165,800</b>                                    |
| Capital Allowance         |         | <u>66,320</u>                                     |
| <b>Written Down Value</b> |         | <b>99,480</b>                                     |
|                           |         | <b>(Total: 12<sup>1</sup>/<sub>2</sub> Marks)</b> |

**QUESTION 6**

Both are contracts which are legal for a performance of work between persons willing to engage and person will to render service (2<sup>1</sup>/<sub>2</sub> Marks)

| <b>Contract of service</b>                      | <b>Contract for service</b>     |
|---|---------------------------------|
| Employee and employer relationship              | Principal agent relationship    |
| Tools provided                                  | Tools not provided              |
| Fixed remuneration                              | Negotiated fees                 |
| Paid leave                                      | No paid leave                   |
| Terms of employment defined                     | Terms of contract negotiated    |
| Does not keep profit and does not suffer losses | Suffer losses and keeps profit  |
| Works under supervision                         | Does not work under supervision |

Any 5 points well explained should earn 2 marks each. (10 Marks)

**(Total: 12<sup>1</sup>/<sub>2</sub> Marks)**