



**TECHNICAL UNIVERSITY OF MOMBASA  
SCHOOL OF BUSINESS**

**DEPARTMENT OF ACCOUNTING AND FINANCE  
BACHELOR OF BUSINESS COMMERCE**

**BAC 4305 TAXATION II**

**END OF SEMESTER EXAMINATIONS**

**SERIES: DECEMBER 2015**

**TIME: 2 HOURS**

**INSTRUCTIONS**

-This paper consists of **FIVE** questions.

-Answer question **ONE** (Compulsory) and any other **TWO** Questions.

-Do **NOT** write on the question paper

**This paper consists of THREE printed pages**

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**QUESTION ONE**

Mr. Kaingu keeps his books under single entry system.

On 31<sup>st</sup> March, 2014 his Balance Sheet was as follows:

Liabilities	Sh.	Assets	Sh.
Capital of Dr. Kingi	4,50,00	Fixed assets	2,25,00
Creditors	8,70,00	Stock	9,15,00
Bills payable	1,87,50	Debtors	2,22,00
Expenses outstanding	67,500	Bills receivable	90,00
		Prepaid insurance	3,00
		Cash / Bank balance	.....

(i) Following are the summary of cash and bank transactions for the year ended 31<sup>st</sup> March, 2015: Sh.

Cash sales	Sh.	1,10,70,000
Collection from debtors		22,65,000
Payments to creditors		1,12,60,500
Paid for bills payable		12,22,500
Sundry expenses paid		9,31,050
Drawings for domestic expenses by Mr. Kaingu		3,60,000
Cash and bank balance as on 31.3.2007		1,90,950

(ii) Following further details are furnished: Gross profit on sales @

10%		6,52,500
Discount allowed to debtors		54,000
Discount received from creditors		42,000
Bills receivable endorsed to creditors		22,500
Annual fire insurance premium paid (This is paid on 1 <sup>st</sup> August every year)		9,000
Depreciate fixed assets @ 10%		

(iii) Balances as on 31.3.2007 are given below:

Stock in hand		9,75,000
Debtors		2,28,000
Bills receivable		2,10,000
Bills payable		2,10,000
Outstanding expenses		7,500
Compute Taxable profits		

**Note:** Assume depreciation is equivalent to capital allowances.

**Required:** Compute taxable profits. **(20 marks)**

a. Discuss the FOUR types of trusts. (10 marks)

(iii) Balances as on 31.3.2007 are given below:

	Sh.
Stock in hand	9,75,000
Debtors	2,28,000
Bills receivable	2,10,000
Bills payable	2,10,000
Outstanding expenses	7,500
Compute Taxable profits	

Note: Assume depreciation is equivalent to capital allowances.

Required: compute taxable profits. (20 marks)

b. Discuss the FOUR types of trusts. (10 marks)

## **QUESTION TWO**

Discuss the following

- a. Retirement benefits schemes in Kenya. (15 marks)
- b. Double taxation agreements in Kenya (15 marks)

## **QUESTION THREE**

Write explanatory notes on the following:

- a. Hotel accommodation tax
- b. Entertainment tax
- c. Trade license
- d. Air passenger services tax
- e. Motor vehicles taxes (20 marks)

## **QUESTION FOUR**

Discuss tax issues for the following

- a. Hotels and restaurants
- b. Venture capital firms
- c. Unit trusts (20 marks)

## **QUESTION FIVE**

Discuss the tax exempt incomes in Kenya. (20 marks)