



TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Business and Social Studies

DEPARTMENT OF BUSINESS STUDIES

UNIVERSITY EXAMINATIONS FOR DEGREE IN
BACHELOR OF BUSINESS ADMINISTRATION
BACHELOR OF COMMERCE

BAC 4303: TAXATION I

END OF SEMESTER EXAMINATIONS

SERIES: APRIL 2015

TIME: 2 HOURS

INSTRUCTIONS:

- Answer Question **ONE (Compulsory)** and any other **TWO** questions.
- Tax table is attached at the back of this question paper.
- Do not write on the question paper

This paper consists of Three printed pages

QUESTION 1 (Compulsory)

- a) Explain **FOUR** characteristics of tax. **(4 marks)**
- b) Discuss the rationale of levying taxes in your country. **(6 marks)**
- c) The following details relate to incomes and expenses of Mr. Kazungu during the year of income 2014

	Sh.
Rental	
Gross rental income	800,000
Tenant's watchman	10,000
Repairs of a tenant's house	2,000
Advertising – Rental houses	1,000

Business

Business gross profit	200,000
Salaries paid	20,000
Rent paid	12,000
Depreciation	11,000
Donations	4,000

Employment

Salary	300,000
House allowance	100,000
Travelling allowance	50,000
Hospital bill settled by employer	25,000
Donations	18,000

Compute Kazungu's taxable income and tax liability. (20 marks)

QUESTION 2

- a) Discuss the criticisms of the sin tax. (10 marks)
- b) The principle of equality helps to achieve justice in taxation. However, although everybody may agree that a tax should be graduated according to ability to pay, there is no unanimity as to what is the correct measure of equity. Discuss. (10 marks)

QUESTION 3

- a) Argue for and against indirect taxes. (8 marks)
- b) Discuss the theories of tax shifting. (12 marks)

QUESTION 4

- a) Discuss the qualifying expenditure for investment allowance. (10 marks)
- b) The following costs were incurred by Shabaal, a business businessman in Mombasa, during the year of income 2014;

	Sh.
Purchase of land	2,000,000
Factory building	1,000,000
Factory plant	1,200,000
Computers	800,000
Tractor	1,500,000

Pick up (2 tons)	1,600,000
Furniture	200,000

Required:

Compute capital Allowance due Mr. Shabaal.

(10 marks)

QUESTION 5

Write explanatory notes on the following:

- a) Self assessment return
- b) Additional Assessment
- c) Amended assessment
- d) Qualifying interest
- e) Final Assessment

(20 marks)