



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

SPECIAL/SUPPLEMENTARY EXAMINATIONS

SERIES: FEBRUARY 2015

TIME: 2 HOURS

INSTRUCTIONS:

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

This paper consists of Three printed pages

QUESTION 1 (Compulsory)

- a) Discuss any **FIVE** offences a person can commit under the income tax Act. 470. **(10 marks)**
- b) Outline **FIVE** persons who are required to register for VAT without necessarily reaching the required turnover limit. **(5 marks)**
- c) Wambora is a Vatable person. During the year of income 2013 he had the following transactions:

	Ksh. '000'
Credit sales	80,000
Cash sales	20,000
Stationery	800
Credit purchases	40,000

Cash purchases	5,000
Salaries	1,000
Exports (zero rated)	25,000
Imports (after duty)	15,000

VAT rate: 16% All values are VAT exclusive.

Required:

VAT Account.

(15 marks)

QUESTION 2

- a) Explain the procedure for appealing to a local committee. **(10 marks)**
- b) Mr Kipleting is a famous farmer in the North Rift. He earned the following receipts from farming activities during the year of income 2013:

	Ksh. '000'
Sale of milk	60,000
Sale of maize	20,000
Sale of beef animals	10,000
Sale of chicken	1,000
Purchase of seeds	8,000
Purchase of fertilizer	25,000
Purchase of seedlings	12,000
Purchase of insecticides	800
Wages	9,000
Transportation costs	1,200

Farmworks were agreed at Ksh. 2,000,000

None of the receipts suffered presumptive tax

Required:

- i) Compute taxable income. **(6 marks)**
- ii) Compute tax liability. **(4 marks)**

QUESTION 3

- a) Explain the following terms:
- i) Trading receipt (2 marks)
 - ii) Trading loss (2 marks)
 - iii) Balancing charge (2 marks)
 - iv) Balancing allowance. (2 marks)
- b) Timamy owns rental houses in Lamu town. The following details relate to the year of income 2013:

	Ksh. '000'
Gross Rental income	45,000
Wages	5,000
Repairs	1,000
Depreciation	8,000
Donations	1,000
Electricity ($\frac{1}{4}$ personal)	10,000
Agency commission	800
Land rates and rent	200
Bribe to KRA Officer	1,000
Personal clothing	100
Dowry	900
Repayment of loan (principal)	7,000
Loan interest	2,000
Bad debts written off	4,000

Required:

Compute rental taxable income. (12 marks)

QUESTION 4

- a) Discuss any **SIX** factors that influence taxable capacity of a country. (12 marks)
- b) Explain any **FOUR** fiscal objectives of a country. (8 marks)

QUESTION 5

Write explanatory notes on the following:

- a) Housing benefit (4 marks)
- b) Low interest benefit (4 marks)
- c) Compensation for termination of office. (4 marks)
- d) Tax free remuneration. (4 marks)
- e) Defined benefit contribution. (4 marks)