



**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

QUESTION ONE

Mr. Kaingu keeps his books under single entry system.

On 31st 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 31st 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 1st 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)