



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

ACCOUNTING AND FINANCE

UNIVERSITY EXAMINATION FOR:

BACHELOR OF BUSINESS ADMINISTRATION/BACHELOR OF COMMERCE

BAC 4406: ISSUES IN TAXATION

END OF SEMESTER EXAMINATION

SERIES: DECEMBER 2016

TIME: 2 HOURS

DATE:

Instructions to Candidates

You should have the following for this examination

-Answer Booklet, examination pass and student ID

This paper consists of FIVE questions. Attempt Question ONE and any other TWO questions from this paper.

Do not write on the question paper.

QUESTION ONE (30 MARKS)

- a) Briefly explain two forms of a tax investigation (5 marks)
- b) Define the following terms as applied in taxation of petroleum companies:
 - i) Mobilization and demobilization (2 marks)
 - ii) Intangible drilling costs (2 marks)
 - iii) Petroleum service subcontractors (2 marks)
 - iv) Qualifying expenditure (2 marks)
 - v) Reimbursement of expenses (2 marks)

b) Timau farmer co-operative society a designated primary society prepared the following statement of financial performance for the year ended 30th December 2015.

| INCOME | Kshs(000) | Kshs(000) |
|---|------------------|---|
| Sale of coffee and tea | | 6500 |
| Sale of milk | | 1500 |
| Dividend from companies quoted in stock exchange | | 600 |
| | | <hr style="width: 100%; border: 0.5px solid black;"/> |
| | | 8600 |
| EXPENDITURE | | |
| Donations | 520 | |
| Bad debt reserve | 1200 | |
| Loss on Sale of a motor vehicle | 350 | |
| Interest on overdraft | 200 | |
| Sitting allowance to committee | 150 | |
| Bonuses and dividend paid | 450 | |
| Printing and stationery | 220 | |
| Education and seminar for members and staff | 430 | |
| Income tax paid for previous year | 360 | |
| Tax penalty for late returns | 50 | |
| | | <hr style="width: 100%; border: 0.5px solid black;"/> |
| | | 3930 |
| Surplus profits | | <hr style="width: 100%; border: 0.5px solid black;"/> |
| | | 4670 |
| Required | | |
| Tax payable for the year ended 31st December 2015 | | (15 marks) |

QUESTION TWO (20 MARKS)

- (a) Explain the purpose of customs and excise duty in an economy. (8 marks)
- (b) Discuss the anti-dumping measures imposed by the government. (12 marks)

QUESTION THREE (20 MARKS)

Various changes have taken place in the Kenyan taxation systems. Discuss these changes in relation to:

- (a) Capital allowances (10 marks)
- (b) Information, communication and technology development (10 marks)

QUESTION FOUR (20 MARKS)

- a) Explain the concept of double taxation agreement. (8 Marks)
- b) Outline four obligations of a tax payer under the VAT Act. (8 Marks)

- c) Highlight reasons for in-depth tax investigation. (4 Marks)

QUESTION FIVE (20 MARKS)

- a) Explain the gains or profits of a resident insurance business other than life insurance business.(12marks)
- b) Explain four deductions allowances of a non-resident insurance company. (8marks)