



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING & FINANCE

UNIVERSITY EXAMINATION FOR:

BACHELOR OF BUSINESS ADMINISTRATION

BAC 4406: Type unit name.TAX MANAGEMENT

END OF SEMESTER EXAMINATION

SERIES:AUGUST2019

TIME:2HOURS

DATE:Pick DateAug2019

Instructions to Candidates

You should have the following for this examination

-Answer Booklet, examination pass and student ID

This paper consists of **FIVE** questions. Attemptquestion ONE (Compulsory) and any other TWO questions.

Do not write on the question paper.

QUESTION ONE

Write notes on the tax planning opportunities for :

- | | |
|-------------------|----------|
| a) Individuals | 15Marks |
| b) Body corporate | 15 Marks |

QUESTION TWO

The profit and loss account of Kipkorir Kiboen, a trader in Nakuru town show the following details for year ended 31 Dec, 2005.

	Sh.	Sh.
Sales		1,200,000
Opening stock	166,000	
Add purchases	375,000	
Less closing stock	<u>(150,000)</u>	<u>391,000</u>
Gross profit		809,000
Other Income		
Interest Post Office Savings Bank	120,000	
Baclays Bank Interest (Gross)	20,000	
Sweepstake winnings	35,500	
Sale of a plot at Mathare, Nairobi	<u>16,500</u>	<u>192,000</u>
		1,001,000
Less:- Sundry expenses		<u>(458,000)</u>
Net Profit		<u>543,000</u>

Notes:

Payment from a resident insurance company for trading stock destroyed by fire amounting to Sh.115,000 has been included in drawing s account.

A creditor cancelled an amount payable to him by Mr. Kipkorir of Sh.35,000 also included in drawings account.

Sundry expenses in Mr. Kipkorir's profit and loss account include:

- a. A second hand furniture bought during the year Sh.20,500
- b. Alimony paid to former wife he divorced Sh.14,500

c. Subscription of Sh.8,000 paid to a welfare association of which he is a member

d. Paid with amount drawn and included in drawings account were:

i) Insurance premium of Sh.13,000 against fire in respect of trading stock.

ii) Painting of business premises for Sh.5,000

iii) Stationary for Sh.3,500

Required

Compute Mr. Kipkorirs taxable income for Year 2005.

QUESTION THREE

(a) Specify the rules relating to payment of Income tax under the Pay As You earn rules. (5 marks)

(ii) What are the consequences of failure to deduct and pay tax under PAYE?

(5 marks)

b) You are provided with the following details:

1. Installing a system of ventilation in the factory.

2. Legal expenses incurred when acquiring a new building

3. Giving the factory a fresh cost of plant

4. Replacing 200 tiles on a roof damaged by wind

5. Expenditure incurred in demolishing part of a wall to make room for a recently purchased machine.

Required:

(a) From an Income Tax perspective indicate for each of the above items whether it is capital or revenue expenditure.

Explain.

(5 marks)

(b) Explain the role and functions of a Value Added Tax tribunal.

(5marks)

QUESTION FOUR

(i) Name and briefly explain items which may be included in the qualifying expenditure for the purposes of investment deductions. (4 marks)

(ii) Write short notes on the following:

(a) Industrial Building – “Hotel”

(4 marks)

- (b) Exempt Dividend Income. (4 marks)
- (c) Non-Resident Individual (4 marks)
- (d) Memorandum of Appeal & Statement of Facts. (4 marks)

(Total:20marks)

QUESTION FIVE

Write explanatory notes on the taxes listed below and in each case indicate whether the tax complies with the main principles of a good tax system.

- (a) Presumptive tax on agricultural produce. (5 marks)
- (b) Cess on agricultural produce. (5 marks)
- (c) Trade licence chargeable to professionals. (5 marks)
- (d) Stamp duties on transfer of properties. (5 marks)

(Total: 20 marks)