



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS AND ECONOMICS
UNIVERSITY EXAMINATION FOR BACHELOR OF BUSINESS ADMINISTRATION
WITH IT THIRD YEAR SEMESTER ONE

COURSE UNIT: ABA 301: PRINCIPLES OF TAXATION

KISUMU CAMPUS

DURATION : 2 HOURS

APRIL , 2017

INSTRUCTIONS

Answer QUESTION ONE and any other TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Define the term tax. **(2 Marks)**
- b.) There are eight principles of a good tax system which are commonly known as canons of taxation. These describe the qualities of a good tax system. Explain each of them briefly. **(8 Marks)**
- c.) Explain briefly the **four** objectives of taxation **(8 marks)**
- d.) Describe briefly the following classification of taxes.
- i. Direct and indirect taxes **(4 Marks)**
 - ii. Regressive and Degressive Taxes **(4 Marks)**
 - iii. Proportional and Progressive Taxes **(4 Marks)**

QUESTION TWO (20 MARKS)

- a) Describe briefly the meaning of
- i. Tax incidence and burden **(5 Marks)**
 - ii. Fees **(2 Marks)**

- b) Explain the following different kinds of taxes
- i.** Income tax **(2 Mark)**
 - ii.** Value added tax **(2 Marks)**
 - iii.** Sale tax **(2 Marks)**
 - iv.** Excise duty **(2 Marks)**
 - v.** Custom duty **(2 Marks)**
 - vi.** Land, rent and rates **(2 Marks)**
 - vii.** Stamp duty **(1 Mark)**

QUESTION THREE (20 MARKS)

- a) Explain the term residence
- i.** In relation to an individual **(2 Marks)**
 - ii.** In relation to a legal person **(2 Marks)**
- b) Mr. Isaac Kamau is an accountant with Ujezi Ltd. and during the year ended 1995 he declared the following income in his return
- | | | | |
|--|--------------------------|----------|------------|
| Salary | £ 12,000 | (PAYE) | SH. 80,000 |
| Bonus | £400 | overtime | £300 |
| Travelling allowance £ 800 | | | |
| Payment by the employer on his behalf: | | | |
| | Insurance | | £800 |
| | School fees for daughter | | £ 400 |

Required

- Calculate total taxable income **(6 Marks)**
- c.) Define the term returns in relating to income tax **(4 Marks)**
- d.) Explain briefly two types of returns **(6 Marks)**

QUESTION FOUR (20 MARKS)

The profit and loss account of Mr. Njuguna, a sole trader show the following for the year ended 31.12.2010:

	sh.	Sh.
Sales		
Opening stock		100,000
Add purchases	25,000	
	<u>50,000</u>	
	75,000	
Less closing stock	<u>35,000</u>	
Cost of goods sold		40,000
Gross profit		60,000
Other income:		
Post office savings bank interests	15,000	
Tax reserve certificate interest	3,000	

Barclays bank interest-gross	2,000	
Sweepstake winning	5,000	<u>25,000</u>
		85,000
Less sundry expenses		<u>50,000</u>
Net profit		<u>35,000</u>

The following information is given:

- i. An amount of sh. 8,000 received from Kenya National Assurance Company as compensation for trading stock destroyed by fire has been included in drawings.
- ii. Owing to new found friendship, a creditor Mrs. Matata wrote-off amount payable to her by Mr. Muli of sh. 4,000. The amount is included in drawings.
- iii. The sundry expenses in the profit and loss account include:
 - a) Cost a bicycle used in the shop brought in May 2005 for sh. 3,500
 - b) Alimony paid to a farmer wife had divorced sh 2,400
 - c) Subscription of sh. 1,000 to Matumbo Welfare association of which he is a member.
 - d) Depreciation of assets sh.2,200
- iv. He paid with amounts drawn and included in his drawings accounts:
 - a) Insurance premium of sh. 2,500 against fire in respect of trading stock
 - b) Painting of business premises sh. 800
 - c) Stationary sh. 500
- v. Wear and tear deduction of sh. 1,500 has been agreed with the income tax department.

Required

Compute the taxable income for the year ended 31.12.2010

(20 marks)

QUESTION FIVE (20 MARKS)

- i. Briefly explain the meaning of notice of objection **(2 marks)**
- ii. List the condition for the objection to be “a valid notice of objection” **(10 marks)**
- iii. Explain the meaning of late notice of objection and the conditions laid down by the Commissioner of Income Tax to be accepted. **(8 marks)**

School of Business and Economics
Jaramogi Oginga Odinga University of Science and Technology (KLC)
Bachelor of Business Administration with IT
ABA 301: Principles of Taxation
Course Outline: Jan. – Apr. 2017

Instructor: Allan Okwenda Asola
Class meets: Saturday
Time: 2.00pm -5.00pm
Kisumu Learning Centre

Course Description:

The general objective of this course is to equip students with the concepts of basic taxation and thorough knowledge on the principles of taxation laws in Kenya. These will be done through lectures , class discussions, assignments and continuous assessment tests (CATs)

Expected Learning Outcomes

After studied this course, the students will be able to understand
Specifically the course aims at ensuring that a candidate who passes this course will be able to:

1. Understand the principles underlying the process of taxation
2. Compute taxes of persons and institutions
3. Understand the administration of taxation in Kenya

	WEEK
Nature and objectives of taxation	One:
Classification measures	Two:
Types of taxes budgetary and fiscal taxation	Three:
Incidence of taxation,	Three:
Taxable capacity	Four:
Determination of taxable income	Five:
Tax computation	Five:
Deduction Allowed and deduction not allowed	Six:
Annual allowances	Seven:
Tax at source, Withholding taxes	Eight:
CAT	Nine:
Pay As You Earn (PAYE) System	Ten:
Allowances and relief, return	Eleven:
Assessments and objection recovery	Twelve:
Repayment of taxes	Thirteen:
Principles of law of taxation	Fourteen:

Teaching Methodology

Lectures, class discussions, and case studies

Course Assessment

Assignments	15%
CAT	15%
Semester Examination	70%

TOTAL

100%

Reference Materials

Nasar Ahmad Saleem i(2006) Taxation Simplified

Principles of Taxation, Strathmore University

Income Tax Act CAP 470

The Value Added Tax CAP 476

Customs and Excise Act CAP 472

Any other book relevant to Kenyan Taxation System

NB: Please Consult the Librarian for more E- Resources

SignedLecturer

SignedDean SBE