

JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND
TECHNOLOGY

UNIVERSITY EXAMINATIONS FOR BACHELOR OF BUSINESS
ADMINISTRATION (BBA-With IT) YEAR THREE SEMESTER ONE

ABA 301: PRINCIPLES OF TAXATION

DURATION: 2HOURS

INSTRUCTIONS:

1. ANSWER **THREE QUESTIONS** IN THIS PAPER

QUESTION ONE (20 marks)

- i) In relation to fiscal policy, discuss the primary objectives of effective tax policy for developing a country (8 marks)
- ii) Distinguish between tax rate and tax base structure
- iii) In an attempt to achieve equity in taxation the several principles are applied. Discuss any three principles of taxation (6 marks)
- iv) It is held that income must be distinguished from capital profits, on this basis explain the case below: (6 marks)

BRITISH INSULATED AND HELSBY CABLE LTD. V ATHERTON.

Facts: *BIHC established a pension fund by trust deed for the benefit of its clerical and technical salaried staff. A lump sum payment £31,784 was made irrevocably as the nucleus of the pension fund. BIHC claimed as a deduction in computing its chargeable income, the lump sum payment.*

Held: *Sum not admissible deduction.*

QUESTION TWO (20 Marks)

The profit and loss account of KKB, a trader in the city show the following details for year ended 31 Dec, 2014.

	Kshs	Kshs
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>

- ii) Discuss the penalties imposed under the VAT act of Kenya (10 marks)
- iii) Distinguish between exemptions and concessions in taxation (5 marks)