

JARAMOGI OGINGA ODINGA OF SCIENCE AND TECHNOLOGY
BBM 3414: TAXATION THEORY AND PRACTICE
BLSCM Y4S1
K.L.C

1. a) Define taxation and discuss the role of K.R.A(Kenya Revenue Authority) in the Kenyan economy. (10 marks)

b) Benteke, a manager with IVESCO earns a basic pay of Ksh. 90,000 per month plus other benefits (car, house servant etc) Kshs 45000. Benteke is housed and the employer pays to the landlord rent of Ksh. 60,000 per month under an agreement made at arms length with a third party

Required:

Calculate the value of Quarters provided to Benteke (10 marks)

c) Explain FIVE types of notices of assessment (10 marks)

2. a) The following information relates ABC Ltd for the year ended 31st Dec, 2013.

• Profit before Tax	Ksh. 4,000,000
• Import duty refunded by authority	Ksh. 4,000,000
• Dividend distributed by ABC Ltd	Ksh. 8,800,000
• Dividend received by ABC Ltd	Ksh. 3,000,000
• Corporation Tax Rate	30%

Required:

Compute compensation Tax payable by ABC Ltd for the year ended 31st Dec, 2013. (10 marks)

b) Discuss the importance of Residence in computation of tax liabilities for both the individual and body corporate. (10 marks)

3 a) Kenneth earns gross pay of Ksh. 629, 314 per annum. He contributes Ksh. 104, 998 per annum towards W.C.P.S. The employer bears the Net PAYE and pays Kenneth net Tax.

Required:

- i. *Compute Kenneth's Tax Benefit*
 - ii. *Taxable Pay* (14 marks)
- b) A good Tax System has certain diagnostic tests to help one decipher how good and effective a given tax system is. Discuss (10 marks)

4. Mr. Wamoto has a permanent home in Kenya but for the whole of the year 2000, he was out of the country working in his company's head office in South Africa. His income for the year was as follows:

- i. Salary - Shs. 720,000 Paid in South Africa
- ii. Rent received from his house in Madaraka Estate (Kenya) – Shs. 400,000
- iii. Pension from Previous Kenya employer- Shs. 400,000
- iv. Royalties from a book written in Kenya - Shs. 100,000
- v. Interest from Kenya Commercial Bank Ltd – Shs. 18,000
- vi. Interest from South African Bank - Shs. 27,000

Required

Without computing the tax payable, show how each of the incomes will be assessed in Kenya, stating the applicable tax rate. (10 marks)

b) What are the contents of a notice of assessment? (10 marks)

5. a) A certain Savings and Credit Society had the following income sources in 2005

	Ksh.
Interest on Loan to Members	774, 860
Interest on Savings Accounts	7,500
Interest on fixed deposit accounts	25,527
Rental Income	100,000
Investment Income	<u>1,900</u>
Gross Income	909,793
Less Expenditure as per Account	<u>187,991</u>
Surplus	721,802

Required:

Determine the Taxable Income and the Tax due under S. 19(A). (10 marks)

b) The detail of Kenya Mpya Bank Ltd during the year ended 31st Dec, 2009 is as given below. (10 marks)

Profit before Tax (operating profit)	3035
Income not subject to Tax	8
Expenses not deductible for Tax Purpose	65
Deferred Tax Details	
Deferred Tax {1/1/2009}	214
General Provision for bad debts	
Doubtful Debts	343
Excess of Accounting Depreciation over	
Tax Depreciation	67
Retirement Benefit Asset	(57)

Required:

Compute the:

- i. Current Tax
- ii. Deferred Tax
- iii. Tax Expense
- iv. Reconciliation Statement

JARAMOGI OGINGA ODINGA OF SCIENCE AND TECHNOLOGY

BBA Y3S1 FINANCE OPTION

ABA: 301: PRINCIPLES OF TAXATION

MAIN CAMPUS

1. a) What is the significance of the concept of “Residence” in the determination of tax liabilities for both individual and corporate body?

(8 marks)

b) Mr. James Gikonyo has no permanent home in Kenya but was present in Kenya for the last four calendar years as shown below:

Year 2000 -210 days

Year 1999 -180 days

Year 1998 -96 days

Year 1997 -90 days

Required:

Comment on his residential status for Tax purposes for the year 1998-2000.

(12 marks)

c. Discuss the challenges faced by Kenya Revenue Authority while trying to achieve its statutory obligations (10 marks)

2. Benson Okomo is an employee of East African Water Services. The details of his remuneration and terms of employment is provided as under;

- Basic Pay 500,000 p.a
- Cost of Living 100,000 p.a
- House Rented at Runda and paid for by the Company’s sister company. The company pays a monthly rent of Ksh. 80,000. Such house goes for Ksh. 400,000 per month

- The company contributes 45% of basic pay towards a pension scheme where Benson also contributes 45,000 per month.
- The Company provides Okomo with a 1000 cc Range Rover with a driver. The cost of the car is Kshs. 9,000,000
- Okomo has a mobile phone which he can use for both private and office use: the cost of which can be totaled Ksh. 420,000. 30% can be traced to Okomo's private use.

Required:

Compute Okomo's Taxable Salary Income. (15 marks)

- b) Explain what is meant by Transfer Pricing (5 marks)
3. a) Discuss in details the commons of a good Tax System (10 marks)
 b) Explain the requirements of an application for refund of V.A.T paid in respect of bad debts (10 marks)
4. a) Briefly explain FIVE factors that determine Tax Shifting (10 marks)
 b) Explain FIVE types of a notice of assessment (10 mark)
5. The carrying amount of Machinery of Kanuti as at 31st December 2010 was Ksh. 2,300,000. How would the disposal be treated if the Machine is disposed off at : (8 marks)
- i. Ksh. 3,200,000
 - ii. Ksh. 1,800.000
- b) Write brief notes on the following terms as used in Taxation (12 marks)**
- i. Progressive Tax
 - ii. Proportional Tax
 - iii. Income Equality
 - iv. Revenue Elasticity

JARAMOGI OGINGA ODINGA OF SCIENCE AND TECHNOLOGY
BBA Y3S1 FINANCE
ABA 314: TAX PLANNING
K.L.C

1. a) What techniques or ways an individual can take advantages of to avoid taxes? (10 marks)

b) The following information relates to ABC Ltd for the year ended 31st December 2013.

• Profit before Tax	Ksh. 4,000,000
• Import duty refunded by authority	Ksh. 4,000,000
• Dividend distributed by ABC Ltd	Ksh. 8,800,000
• Dividend received by ABC Ltd	Ksh. 3,000,000
• Corporation Tax Rate	30%

Required:

Compute compensating Tax payable by ABC Ltd for the year ended 31st Dec, 2013. (10 marks)

c) Revenue production of a tax system is measured through buoyancy and elasticity. In light of the above statement, explain the elasticity of taxes with reference to: (10 marks)

- i. Value added Tax (VAT)
- ii. Income Tax
- iii. Customs and excise duty

2. a) Akama bee is a resident of Kenya. During the year ended 31st December 2013, he received the following income:

From Kenya: Sh. 720,000

From Zambia: Sh. 540,000{net of tax of sh. 78000}

Assume that Kenya has a double taxation agreement with Zambia.

Required:

Compute double taxation relief due to Akama for the year ended 31st December 2013. (10 marks)

- b) Bondo Ltd has V.A.T due amounting to Ksh. 3,600,000. It was late in making the returns and payment of the amount due by 5(five) months.

Required:

Compute the penalties that Bondo Ltd will be required to pay by V.A.T department (10 marks)

3. a) The Kenya Revenue Authority (KRA) is geared towards a function-based organization rather than one structured along the type of taxes. This is evidenced by the integration of VAT, Income tax and Excise departments into the Domestic Department. Assess the likely benefits and drawbacks to KRA arising from this integration. (15 marks)

- b) Write brief notes on the following terms as used in Tax plan:

i. Double Taxation Relief

ii. Set off of Import Duty (5 marks)

4. a) Atami owns a property in Mombasa which was let for the first time in January 2007. The rent of Ksh. 650,000 p.a paid in advance. Atami paid council rates and garbage collection fee of Ksh. 26,000 and redecoration following a burst pipe and repairs completed in October 2007 of Ksh. 52,000

Required:

Compute the income from rental for the 2007. (10 marks)

- b) Discuss in details the objectives of Taxation (10 marks)

5. a) Define Tax Planning and briefly explain two instances in which a business may apply the concept of Tax Planning (10 marks)

b) Makazi Savings and Credit Cooperative Society Ltd reported the following Income and Expenditure for the year ended 31st Dec, 2008

Income:

Interest on Loans to Members	1,500,000
Interest on Savings Accounts	30,000
Interest on fixed deposit Accounts	400,000
Other Investment Income	12,000
Rental Income	<u>60,000</u>
Total Income	2,242,000

Expenditure

Administration Expense	<u>300,000</u>
Surplus	1,942,000

Required:

Compute the taxable profit of Makazi Sacco Ltd for the year ended 31st Decemeber 2008. (10 marks)

JARAMOGI OGINGA ODINGA OF SCIENCE AND TECHNOLOGY
BITM Y1S2
BBM 3121: INTRODUCTION TO ACCOUNTING
MAIN CAMPUS

1. a) Who are the users (customers) of Accounting Information? Also, discuss the limitations attached to financial Information (10 marks)

b) Write brief notes on the following terms as used in accounting (10 marks)

- i. Discount received
- ii. Contra Entries
- iii. Discount allowed
- iv. Trade Discount
- v. Cash Discount

c. A machine costing Ksh. 10,000 is purchased. The depreciation is provided at the rate of 20% p.a. by the reducing balance.

Required:

Show the amount of depreciation for three successive years (5 marks)

d) William Smith owes money to George Roberts's sh. 2000 as at January 1st 2013.

Terms of Payment; **2....., one month**

Show the relevant larger accounts on the assumption that payment was made within one month (5 marks)

2. The following trial balance was extracted from the books of Grace White, a trader as at 31st December 2009.

	Ksh.	Ksh.
Capital		40,000
Purchases/sales	43,000	75,000
Free hold land and building	15,000	
Plant and Machinery	9,000	
Motor vehicles	6,000	
Wages and salaries	8,900	
Rent and rates	4,300	

Motor vehicle expenses	1,250	
Repairs to buildings	7,500	
General Expenses	3,550	
	Ksh.	Ksh.
Discount allowed	1,250	
Discount Received		1,072
Debtors/creditors	13,500	8,500
Drawings	3,000	
Provision for Depreciation		
i. Plant and Machinery		4,500
ii. Motor Vehicles		2,928
Stock at start	7,500	
Balance at Bank	<u>8,250</u>	
	<u>132,000</u>	<u>132,000</u>

Additional information

- i. Stock at 1st Dec 2009, Sh. 8,500
- ii. Provide for depreciation on Plant and Machinery at the rate of 10% on cost and Motor Vehicle on written down value
- iii. The expenditure on repairs to building is to be capitalized at Sh.5,000

Required:

Prepare trading and profit and Loss account for the year 2009 and a balance sheet as at 31st December 2009 (12 marks)

b) Discuss various types of accounts and give the rules that govern each of them (8 marks)

3. a) From the following information, draw up a Bank Reconciliation Statement. (10 marks)

2005	sh.
Dec, 31; Cash book balance at Bank	12,390
Dec, 31; Bank statement balance at bank	11,520

Additional Information

- i. Cheques issued and entered in the cash but not present for payment sh. 2,520
- ii. Cheques received and paid into bank but not yet credited by bank sh. 3,240
- iii. Bank charges sh. 150

b) ABC Ltd made credit sales as follows

- i. On 1/1/04 invoice no 251 sale to Macharia Sh. 5 Million
- On 2/1/04 invoice no 252 sale to Akinyi Sh. 2 Million
- On 3/1/04 invoice no 254 sale to Mutua Sh. 1 Million
- On 3/1/04 invoice no 253 sale to Abdi Sh. 2.5 Million
- On 5/1/04 invoice no 255 sale to Macharia Sh. 3 Million
- On 6/1/04 invoice no 256 sale to Abdi Sh. 4 Million

Required:

Draw up the sales day book and summarize it at 6/1/04. (10 marks)

4. The following information was obtained from the books of Jawakula relating to the year 2005

2005	Sh.
SALES LEDGER CONTROL A/C	
Jan 1. Balance brought forward	11,500
Dec, 31 st Sales per sales day book	60,850
Dec, 31 st Cash received per cash book	48,950
Dec, 31 st Discount allowed per cash book	2,565
Dec 31 st Bad debts W/O	545

Required:

Prepare a sales ledger control account (10 marks)

b) Identify the account to be debited or credited and classify them. (10 marks)

- i. Credit Sale to A
- ii. Credit purchase from B
- iii. Furniture purchased on credit C
- iv. Interest received
- v. Interest receivable

- vi. Salary Paid
- vii. Salary Payable

5. The following mistakes were located on June 30th; with respect to the last year ended 31st Dec.

- i. A machine purchased on September 30th 2010 for sh. 6,000 was debited to repair account
- ii. A credit sale of Ksh.3000 was wrongly credited to the customer's account
- iii. Credit sale of Ksh.2000 was not posted in the customer's account
- iv. A machine was purchased for Ksh.10,000 on 30th June but the payment was made by the proprietor from the personal fund and so it was not included in the accounts.

Accounts have been completed and the profit has been transferred to capital account, 10% depreciation has been provided on machinery account. A provision for doubtful debts has been credited @ 5% and a provision for discount on debtors @ 20%.

Required:

Pass rectification entries

(10 marks)

b) Write brief notes on the following terms as used in accounting

- i. **Accounting cycle**
- ii. Accounting policy
- iii. Accounting postulate
- iv. Accounting system
- v. Accountning equation

JARAMOGI OGINGA ODINGA OF SCIENCE AND TECHNOLOGY
MASTERS OF BUSINESS ADMINISTRATION
Y1S1
MBA 803: FINANCIAL ACCOUNTING
K.L.C

1. a) Explain the concept of financial statements. Describe the main objectives and limitations of the financial statement analysis (10 marks)
- b) Define accounting standards. Describe the main characteristics of accounting standards (10 marks)

- c) Write short notes on the following terms as used in financial accounting (10 marks)

- i. Changes in accounting principles
- ii. Changes in accounting estimates
- iii. Earning per share
- iv. LIFO
- v. FIFO

2. a) Using the financial accounting conceptual framework diagram, discuss all the three levels in detail (12 marks)
- b) Prepare the income statement and statement of retained earnings from the following trial balance (10 marks)

Figo Ltd
Adjusted Trial Balance
December 31st 2012

A/c No.	Account Title	Debit	Credit
101	Cash	3950	
106	Accounts Renewable	1800	
126	Suppliers	8670	
128	Prepaid Insurance	2300	
167	Equipment	26,000	

168	Accumulated Depreciation-Equip		375
201	Accounts Payable		6,200
209	Salaries payable		210
236	Unearned consulting revenue		2,750
307	Common stock		3,000
318	Retained Earnings	600	
403	Consulting Revenues		7,850
406	Rental Revenues		300
612	Depreciation Expense-Equip	375	
622	Salaries Expenses	1,610	
637	Insurance Expense	100	
640	Rent Expenses	1,000	
652	Suppliers Expense	1,050	
690	Utilities Expense	<u>200</u>	
		<u>47,685</u>	<u>47,685</u>

3. Y Ltd purchased heavy plants on 1st July 2010 for ksh. 100,000. Experts were of the opinion that it would be useful for five years only and at the end of the fifth year its scrap value would be Ksh.16,000. The director decided to create a depreciation fund so as to replace the Plant in the sixth year and also to invest the amount outside the business at 5%. Accounts were closed every year on 30th June and investments were made in the first week of July next year.

Write up the necessary accounts for these five years in the books of the company. Ksh. 0.180975 is invested yearly at 5% p.a. produces Ksh. 1 at the end of five years. The investments are sold at cost price and the scrap is sold for Ksh. 15,000. A new plant is purchased for Ksh. 120,000. (15 marks)

- b) Explain various methods used in calculating/valuing depreciation (5 marks)\

4. a) What do you understand by 'reporting of financial information by segment' Describe the main recommendations of IAS 14. (12 marks)

B) What are the characteristics of a Just-in-time system? Briefly explain some advantages and risks of type of system (8 marks)

5. The company engaged in the following business activities in January
- Jan 20 Issued 5000 shares of capital stock for Ksh.50,000
 - Jan 20 Paid Ksh. 400 office rent for the remainder of January
 - Jan 21 Purchased office supplies for Ksh.200. The supplies will last for several months and payment is not due until February 15
 - Jan 22 purchased office equipment for Ksh. 1,500 cash
 - Jan 26 Performed consulting services and billed clients Ksh.2,000. The entire amount will not be collected until February
 - Jan 31 Recorded Ksh. 100 utilities expense payment not due until February 20th

Required

- i. Record each of the above transactions in general journal for (5 marks)
- ii. Post each entry to the appropriate ledger account (5 marks)
- iii. Prepare trial balance dated 31st 2013 (8 marks)
- iv. Explain why retained earnings account has a zero balance in the trial balance (2 marks)