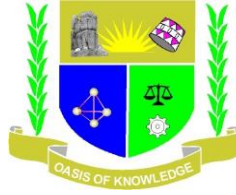


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**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**SCHOOL OF BUSINESS & ECONOMICS**  
**UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF LOGISTICS**  
**AND SUPPLY CHAIN MANAGEMENT**  
**3<sup>RD</sup> YEAR 1<sup>ST</sup> SEMESTER 2016/2017 ACADEMIC YEAR**  
**KISUMU CAMPUS**

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**COURSE CODE: BBM 3414**

**COURSE TITLE: TAXATION THEORY AND PRACTICE**

**EXAM VENUE:**

**STREAM: (BLSM)**

**DATE:**

**EXAM SESSION:**

**TIME: 2 HOURS**

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**Instructions:**

- 1. Answer Question ONE (COMPULSORY) and ANY other 2 questions**
- 2. Candidates are advised not to write on the question paper.**
- 3. Candidates must hand in their answer booklets to the invigilator while in the examination room.**

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### **QUESTION ONE.**

- a. Briefly explain the principles or canons of taxation. (10 marks)
- b. Define a direct tax and explain some of its benefits. (10 marks)
- c. Define the following terms
  - i) Impact of a tax (1 mark)
  - ii) Incidence of a tax (1 mark)
- d. Distinguish between forward and backward shifting of a tax(3 marks)

### **QUESTION TWO**

- a. State the circumstances under which the wife's income will not qualify for separate taxation? (5 marks)
- b. A, B and C are in partnership, trading as X enterprises. They share profits and losses in the ratio of 2:2:1. In the year 2015, they reported a loss of Sh. 400,000 after charging the following items.

		<b>Sh.</b>
Depreciation		200,000
Salaries	A	800,000
	B	600,000
	C	400,000
Interest on capital	A	200,000
	C	200,000
Commission	B	400,000
Stationery		100,000
Office expenses		200,000

Calculate the adjusted partnership profit/(loss) and its distribution among the partners (20 marks)

### **QUESTION THREE**

- a. Explain the various types of returns of income. (5 marks)
- b. Briefly explain the responsibility of partners with respect to:

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- (i) Filing of the partnership tax returns. (2 marks)
- (ii) Penalties for late payment of tax (2 marks)
- c. With reference to the provisions of the Income Tax Act, identify four methods which the Commissioner of Domestic Taxes is empowered to use in order to collect overdue tax from a taxpayer. (4 marks)
- d. With the introduction of the self-assessment system in 1992, the Commissioner of Domestic Taxes does not raise assessments or send notices to taxpayers except in two circumstances. Explain these two circumstances. (6 marks)
- e. List six matters that are contained in a notice of assessment (6 marks).

### **QUESTION FOUR.**

- a. What are the roles of KRA in the economy? (10 marks).
- b. State some of the sources of information to the Commissioner of Domestic Taxes regarding chargeable incomes? (5 marks).
- c. A taxpayer who disputes or who does not agree with an assessment for any year of income has a right to lodge an objection (or to object) against such an assessment. Such an objection is referred to as a "notice of objection". State the conditions for a valid notice of objection. (4 marks)
- d. The revenue authority may send its officers to employer's paying points to check the operations of PAYE system. Outline the key areas that the tax officers should include in the audit procedure on the operations of the PAYE systems. (10 marks).