

**MURANG’A UNIVERSITY COLLEGE**

***(A constituent college of Jomo Kenyatta University of Agriculture and Technology***)

MURANG’A UNIVERSITY COLLEGE

DIPLOMA IN CO-OPERATIVE MANAGEMENT

BHR 2111 TAXATION

END OF SEMESTER ONE EXAMS

2015/2016 ACADEMIC YEAR

INSTRUCTIONS: TIME ALLOWED 2HOURS

ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS IN SECTION B

SECTION A

# QUESTION ONE

1. **Describe the main feature of tax policy for a developing country? (10 marks)**
2. **Write short notes on budgetary policy? (10 marks)**
3. **discuss the roleof the budget as an instrument of planning? (10 marks)**

(TOTAL 30MARKS)

SECTION B

## QUESTION TWO

i) Distinguish between yax evasion and tax avoidance? (10 marks) ii) Specify the persons liable to income tax? (5 marks)

iii) Define the terms ‘persons’ and ‘Residence’ from the point of view of income tax in Kenya? (5 marks)

## QUESTION THREE

ABC Bank Ltd has the following income and income expenses:

Sh

Dividend = 500,000

Other income= 950,000

Wear and tear deductions 50,000

1,500,000

### Required:

Calculate chargeable income to the bank. (10 marks)

ii) Explain the concepts of compensating tax and dividend tax account (10 marks)

# (Total 20 marks)

## QUESTION FOUR

i) The salary of Mr. Kilonzo for the month of January 2005 reflected the following:

sh:

Basic salary 10,000

Overtime 5,000

Housing 1,500 Other benefits 3,600

# Required:

Calculate the PAYE tax on her income for the month of January 2005?

(15 marks) ii) Explain the preparation of the paye pay roll? (5 marks)

### (Total 20marks)

## QUESTION FIVE

i) What do you mean by income from rent? State the deductions allowed

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| against rental income.  ii) Write short notes on the following:- | (10 marks) |
| a) Qualifying dividend | (5 marks) |
| b) Dividend exempted from tax. | (5marks) |