PAN AFRICA CHRISTIAN UNIVERSITY

BACHELORS OF COMMERCE

END OF TERM EXAMINATION

DEPARTMENT: BUSINESS

COURSE CODE: BCM 301

COURSE TITLE: PRINCIPLES OF TAXATION - Online

ROYSAMBU CAMPUS

EXAM DATE:

TIME:

INSTRUCTIONS

- This examination script consists of **six (6)** questions.
- Answer Question one and ANY three Questions.
- Read all questions carefully before attempting.
- Write your **student number** on the answer booklet provided.

QUESTION ONE

a) Explain the term tax (2marks)
b) Describe any two ways in which tax is classified (2marks)
c) Using relevant examples, explain any four principles of taxation in Kenya (6marks)

QUESTION TWO

a) Distinguish between impact of tax and incidence of tax using a relevant example (6marks)
b) Explain when the Pay As You Earn (PAYE) should be paid and the consequences of not paying on time (4marks)

QUESTION THREE

a) Describe the term' Taxable capacity' (2marks)
b) Explain any four factors affecting taxable capacity of a country (8marks)

QUESTION FOUR

a) Describe the taxation process for partnerships (3marks)
b) Ken and Ben are in partnership in which they contributed Sh.100,000 and Sh150,000 capital respectively. During year 2019, both Ken and Ben received interest on capital 20% of capital, while Ken received a salary of Sh30,000. They also made profits of Sh200,000 in which interest on drawing was included. Their profit sharing ratio is 2:3. Determine the amount of tax each partner will pay (7marks)

QUESTION FIVE

a) Explain the term 'Value Added tax' (2marks)
b) Tenda Traders has provided you with the following details in respect of transactions for the month of December 2018.

		Sh
4th	Purchases	580,000
8th	Return outwards	46,000
12th	Sales	904,800
15th	Photocopying	9,280
18th	Telephone bill	8,560

The transactions are VAT exclusive. Determine the VAT liability (8marks)

QUESTION SIX

Abiud Kageni is an employee of Tala Ltd. He has provided the following details relating to his employment income and other benefits for the year ended 31 December 2018.

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1) Monthly salary Sh 124,000 (PAYE tax Sh34,100)
2) School fees for his daughter amounting to Sh.64,000 was paid by the employer and deducted as an expense.
3) The company provided him with airtime worth Sh.5,000 per month. It was estimated that 50% of his calls were non-business related.
4) A fully furnished house whose cost of furniture was Sh.240,000.
5) A life insurance cover whose annual Insurance premium amounted to Sh.72,000.
6) A motor vehicle (2000 cc) whose cost was Sh.600,000 at the time of purchase on 1 January 2015.
7) Abiud Kageni controls 15% of the share capital of the company. The company gave the wife free gifts valued at Sh.25,000 during the end of year party.
8) He is a member of the company's registered pension scheme where he contributes 20% of his basic salary.
9) The company paid medical bills amounting to Sh.1,200,000 following hospitalization of his son.
10) Abiud Kageni's other incomes included rental income Sh.240,000

    With reasons, identify his:

    (i) Taxable benefit items and figures (5marks)
    (ii) Non-taxable benefit items and figures (5marks)
