



MURANGA UNIVERSITY COLLEGE

(A constituent College of Jomo Kenyatta University of Agriculture & Technology)

MAIN CAMPUS

ORDINARY UNIVERSITY EXAMINATIONS

2014/2015 ACADEMIC YEAR

FOR THE DIPLOMA

IN

BUSINESS MANAGEMENT

COURSE CODE: DAB 1214

COURSE TITLE: TAXATION THEORY.

DATE: 21ST APRIL 2015

TIME: 2 HOURS.

INSTRUCTIONS TO CANDIDATES

Question ONE (1) is compulsory
Answer TWO (2) questions

MRUC observes ZERO tolerance to examination irregularities



QUESTION ONE.

- 1) What is fiscal policy and discuss its main objectives in any economy (10 marks.)
- 2) Explain at least FIVE purposes of taxation. (10 marks.)
- 3) Write short notes on the following:
 - i. Cost of service or purchase theory
 - ii. Benefit theory
 - iii. Theory of equal sacrifice
 - iv. Ability theory (8 marks.)
- 4) What is a budgetary policy? (2 marks.)

QUESTION TWO.

- 1) Taxable capacity is not rigidly fixed it is a moving point. Discuss FIVE factors governing the taxable capacity. (10 marks.)
- 2) Illustrate the meaning of:
 - i. Progressive tax
 - ii. Proportion tax
 - iii. Regressive tax
 - iv. Digressive tax
 - v. Indirect tax. (10 marks.)

QUESTION THREE.

- 1) Dalton has studied the effects of taxation on production under THREE categories discuss. (9 marks.)
- 2) Distinguish between
 - i. Forward and backward shifting. (4 marks)
 - ii. The impact and incidence of taxation: (7 marks.)

QUESTION FOUR.

- 1) Discuss FIVE factors determining the tax incidence. (10 marks.)
- 2) There are various canons of taxation discuss at least FIVE canons. (10 marks.)