



MURANG'A UNIVERSITY COLLEGE

(A Constituent College of Jomo Kenyatta University of Agriculture and Technology)

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF COMMERCE

MAIN CAMPUS

**UNIVERSITY EXAMINATIONS
ORDINARY
2015/2016 ACADEMIC YEAR**

YEAR TWO SEMESTER ONE EXAMINATIONS

DIPLOMA IN BUSINESS MANAGEMENT (DBM)

COURSE CODE: DAB 1214

COURSE TITLE: TAXATION THEORY

DATE: 25TH APRIL 2016

TIME: 2 HOURS

INSTRUCTIONS TO THE CANDIDATES

THIS PAPER CONSIST OF FOUR QUESTIONS

Question one (1) is Compulsory

Answer Any Other Two (2) Questions

MRUC observes ZERO tolerance to examination irregularities

This paper consists of 5 printed pages. Please turn over. ⇒

QUESTION ONE

- a) Explain the following terms as used in taxation;
-Tax incidence
-Tax impact
-Tax shifting
-Forward shifting
-Backward shifting
(5marks)
- b) Mr. Morris Owino works for General Motors East Africa Ltd as the assistant and service manager. In 2012 monthly gross salary was Ksh.26, 500. Mr.Owino is a married person. Calculate his pay as you earn tax deduction for the year 2012. **(10marks)**
- c) Discuss five factors that influence Tax shifting **(10marks)**
- d) Highlight advantages and disadvantages of tax classified on administrative collection arrangements. **(5marks)**
- (TOTAL: 20MARKS)**

QUESTION TWO

- a) Explain the role of Kenya Revenue Authority in the economy. **(10marks)**
- b) ITA cap.470 sec.14 part 1 specifies the incomes which are exempt from Kenya Income Tax. Explain any ten(10) incomes that are included for such exemption. **(10marks)**

QUESTION THREE

- a) Distinguish between the following terms as used in taxation theory
- i) Residence and non residence
 - ii) Year of income and tax liability
 - iii) Regressive and digressive taxes
 - iv) 'Quid pro quo'
 - v) Protection and development function **(10marks)**
- b) Explain five sources of public revenue. **(10marks)**

QUESTION FOUR

Taxes have both good and bad effects. An optimum or a good tax system is defined as one which helps to achieve the maximum possible number of principles of taxation. With reference to the above statement, discuss canons of taxation citing examples in each.

(20marks)