



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: 20TH AUGUST 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.

- a) Define taxation and explain FIVE reasons why taxation is important. (12 marks.)
- b) Dalton, for instance, considers incidence as the direct money burden of tax on the person who ultimately pays it. Discuss the factors determining the tax incidence. (10 marks.)
- c) Illustrate the meaning of:
 - i. Progressive tax (2 marks.)
 - ii. Proportion tax (2 marks.)
 - iii. Regressive tax (2 marks.)
 - iv. Digressive tax (2 marks.)

QUESTION TWO.

- a) Define the term indirect tax? And discuss its FOUR advantages. (10 marks.)
- b) Describe FIVE principles of an optimum tax system (10 marks.)

QUESTION THREE.

- a) Budget may be of TWO kinds, that is revenue and capital budget. Discuss the two types of budgets explaining their sources and expenditure. (10 marks.)
- b) The introduction of fiscal policy was as a result of the general theory of employment, interest and money. Explain the meaning of fiscal policy as well as its objectives. (10 marks.)

QUESTION FOUR.

- a) Value added tax (VAT) is a generalized tax on the gross income of a business less purchases from other firms. Discuss at least FIVE disadvantages of VAT. (10 marks.)
- b) There are various canons of taxation discuss at least FIVE canons. (10 marks.)