



MURANG'A UNIVERSITY COLLEGE

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

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DIPLOMA IN CO-OPERATIVE MANAGEMENT

TAXATION END OF STAGE EXAMS

INSTRUCTIONS: TIME ALLOWED 2HOURS

ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS IN SECTION B

SECTION A

QUESTION ONE

- a) Describe the main feature of tax policy for a developing country? (10 marks)
- b) Write short notes on budgetary policy? (10 marks)
- c) discuss the role of the budget as an instrument of planning? (10 marks)

(TOTAL 30MARKS)

SECTION B

QUESTION TWO

- i) Distinguish between tax 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:

	<u>Sh</u>
Dividend =	500,000
Other income=	950,000
Wear and tear deductions	<u>50,000</u>
	<u>1,500,000</u>

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:

	<u>sh:</u>
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 against rental income. (10 marks)

ii) Write short notes on the following:-

a) Qualifying dividend (5 marks)

b) Dividend exempted from tax. (5marks)