



# MURANGA UNIVERSITY COLLEGE

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

MAIN CAMPUS

UNIVERSITY EXAMINATIONS

2014/2015 ACADEMIC YEAR

## FIRST YEAR SECOND SEMESTER EXAMINATIONS FOR THE DIPLOMA OF CO-OPERATIVE MANAGEMENT.

**COURSE CODE: BS01110**

**COURSE TITLE: INTRODUCTION TO TAXATION**

**DATE: 20<sup>TH</sup> APRIL 2015**

**TIME: 2 HOURS**

### INSTRUCTIONS TO CANDIDATES

Question ONE (1) is compulsory

Answer THREE (3) questions

#### SECTION A:

Question one:

- a) Describe co-operative netting? (10 mark)
- b) List the major sources of revenue? (4 marks)
- c) Explain the various types of taxes? (6 marks)
- d) Write short notes on pension funds (10 marks)

(TOTAL 30 MARKS)

#### SECTION B:

QUESTION TWO:

- a) Capital allowance is usually deducted from taxable profits, usually due to purchases on investments, list examples of purchases and assets it may be claimed on? (12 marks)
- b) ABC Inc. Started business on October 20, 2010. The year end was set at December 31<sup>st</sup>, equipment were purchased on November 4 for \$45000. The transportation cost \$ 4000 and the installation fee was \$ 1000. What is the maximum CCA for its equipment that ABC Inc. Could deduct for taxation that year?

(the equipment is in class 8 and CCA rate for class 8 is 20%)

(8marks)

QUESTION THREE:

- a) Explain tax on producers using graphical analysis?
- b) What is tax incidence and who pays it?

(15 marks)

(5 marks)

QUESTION FOUR:

Suppose the market demand function for corn is  $Q_d = 15 - 2P$

Suppose the market supply function for corn is  $Q_s = 5P - 2.5$

Suppose the government imposes a \$0.70 tax per bushel on the corn producers.

- (a) Calculate the equilibrium price and quantity of corn before the tax. (5 marks)
- (b) After the tax, what will be the equilibrium price and quantity of corn? (5marks)
- (c) Calculate the government revenue. (5 marks)
- (d) Calculate the tax incidence (i.e. Will consumers or producers bear the brunt of this corn tax?) (5 marks)