



MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATIONS

2021 /2022 ACADEMIC YEAR

SECOND YEAR FIRST SEMESTER

SCHOOL OF BUSINESS & ECONOMICS

BACHELOR OF PROJECT PLANNING AND

MANAGEMENT

COURSE CODE: BPM 4116

**COURSE TITLE: TAXATION THEORY AND PRACTICE IN
PROJECT MANAGEMENT**

DATE: 7 TH APRIL, 2022

TIME: 1100-1300HRS

INSTRUCTIONS TO CANDIDATES

Answer question **ONE** and any other **THREE** questions

This paper consists of 2 printed pages. Please turn over

Q.1

(a) Distinguish between direct and indirect taxes (4 marks)

(b) write short notes on the following.

- (i) progressive tax (2 marks)
- (ii) Regressive tax (2 marks)
- (iii) proportional tax (2 marks)
- (iv) specific import duty (2 marks)
- (v) Advalorem duty (2 marks)

The following are summaries of the details of sales and purchases day book and petty cash book of Uza limited as at 31.12.2020

1.sales day book

| Invoices Number: | Amount (sh.) |
|------------------|--------------|
| 1002 | 80,000.00 |
| 1003 | 108,000.00 |
| 1004 | 28,000.00 |
| 1005 | 12,000.00 |

2. Purchases day book:

| Items | Amount(sh.) |
|----------------------|-------------|
| Materials | 85,000.00 |
| Cleaning expenses | 18,000.00 |
| Advertising expenses | 32,200.00 |
| Imported material | 125,000.00 |
| Custom duty paid | 12,000.00 |

3. Petty cash book:

| Item | |
|---|----------|
| Stationery | 3,400.00 |
| Sundries expenses | 2,800.00 |
| Motor expenses | 1,500.00 |
| Transport cost of materials from the port | 5,000.00 |

Each of the items 1,2,and 3 above is subject to 16% VAT tax rate, which is included in the above figures.

Required:

(a) The VAT account to record the above items showing the balance due .

(5 marks)

(b) When is the above payable

(2 marks)

(c) Distinguish between Zero rated and Exempt goods under VAT and show its implications.

(5 marks)

(d) Define and give 3 characteristics of tax

(4 marks)

Q.2

Mwongela.Mwendwa and Muriuki run a supermarket as partners where they share profit/loss in the ratio of 3:2:1.For the year 2020 they have provided you with the following information.

| | |
|---------------------------------|--------------|
| Trading profit | 2,160,000.00 |
| After deducting: | |
| Depreciation | 780,000.00 |
| Rent | 90,000.00 |
| Legal ,insurance and audit fees | 150,000.00 |
| Donations to Red cross | 90,000.00 |
| Salaries and wages | 300,000.00 |
| Postagesand telephone | 65,000.00 |
| Electricity and water | 55,000.00 |
| Salary to Mwongela | 288,000.00 |
| Salary to Mwendwa | 216,000.00 |
| Salary to Muriuki | 144,000.00 |
| Repairs | 36,000.00 |
| Office Stationery | 96,000.00 |
| Business vehicles expenses | 132,000.00 |
| Giant cash machine | 100,000.00 |
| Wear and Tear allowance | 685,000.00 |

Required:

Calculate taxable income(loss) for each partner as at December 2020.

(20 marks)

Q.3

Mr.Ochieng is married person ,He and his wife had the following income for the year 2019.Mr.ochieng salary was ksh.170,000.00 (PAYE sh.25,000.00) while his wife was a teacher earned and earned ksh.36,000.00

He received a Dividends ksh.30,000.00 (withholding tax sh.4,500.00) from his investment elsewhere.

Free company car (1500 c.c).Thewife did some business where she earned ksh.60,000.00 during the year.

Required:

(a) Calculate the tax payable by Mr. Ochieng for the year .

(10 marks)

(b) Calculate her wife's tax payable for the year?.

(10 marks)

Q.4

The following expenses appeared in the profit and loss account of John Kinywa who is running a business as a sole proprietor for the year income 2019.

Salaries and wages 140,000.00

Electricity and water 12,000.00

Repairs and replacement 25,300.00

Bad and doubtful debts 3,800.00

Depreciation 29,300.00

Income tax paid 18,000.00

Legal expenses 9,000.00

Postages and telephones 3,600.00

General expenses 12,000.00

Rent and rates 50,000.00

The following further information was also given .

(i) Bad and doubtful debts include a general provision of ksh 2,000.00

(ii) Analysis of repair and replacement:

Repairs of motor vehicles 5,000.00

Repairs of machines 2,300.00

Purchase of a new machines 18,000.00

(iii) John kinywa lives in the flat above the business premises. The rent is apportioned as follows 3/10 flat and 7/10 for the business premises. Similarly electricity and water expenses is apportioned 2/3 flat and 1/3 business premises.

(iv) (iv) Analysis of legal expenses.

Bad debts collection ksh.2,000.00

Staff contracts and work permits ksh.6,000.00

Parking meter fines ksh.1,000.00

(v) General expenses include:

Donations ksh.2,000.00

Entertainments ksh.4000.00

Audit fees ksh. 6000.00

Required:

From the above information ,classify the expenses as under, showing working where necessary

(i) Deductions Allowed (10 marks)

(ii) Deductions not Allowed (10 marks)

Q.5

(i) Differentiate between tax evasion and tax avoidance (4 marks)

(ii)Mwiraria is a farmer ,he incurred the following expenditure on farmworks during the year 2018.

Labor quarters ksh.150,000.00

Fencing the farm ksh.30,000.00

Tarmacking of the road leading to the farm 50,000.00

Painting labor quarters constructed during the year ksh.12,000.00

Replacement the roof of the farm house. Ksh.60,000.00

Required:

Calculate farm works deductions for the year of income 2018. **(16 marks)**

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