



Kasarani Campus
Off Thika Road
Tel. 2042692 / 3
P. O. Box 49274, 00100
NAIROBI
Westlands Campus
Pamstech House
Woodvale Grove
Tel. 4442212
Fax: 4444175

KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR
SECOND YEAR, SECOND SEMESTER EXAMINATION
FOR THE DIPLOMA IN ACCOUNTING

Date: 13th August, 2024
Time: 11.30am –1.30pm

DAC 1507 TAXATION

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

Individual income tax rates for Kenya

Tax Band	Monthly Income	Tax Rate
	Kshs	%
First	24, 000	10%
Next	8,333	25%
Next	467,667	30%
Next	300,000	32.5%
Above	800,000	35%

Kenya Finance Bill 2023/24 Effective 1st July 2023

- a) Distinguish Wealth Tax from Income tax **(4 Marks)**
- b) Explain your understanding of the term `` Excise Duty`` **(3 Marks)**
- c) State the taxing authority in Kenya? **(2 Marks)**
- d) `` I am perturbed by what I hear as Withholding Tax. The government should explain why it is deducting my income promptly at source`` said an agitated tax payer. You are required to elucidate the advantages of Withholding Tax in Kenya. **(6 Marks)**
- e) Webuye Ltd manufactures food products for sale in Kenya. The accountant has provided the following details for your attention

Donations	100,000
Wages for cleaning road outside Gate	20,000
Drawings by Director	50,000
Traffic fines against drivers	10,000
Legal consultancy on HR company policy	20,000

Based on the above, distinguish company allowable examples and disallowable expenses for tax purposes (5 Marks)

f) Briefly explain the following terms:

- i) Input VAT (2 Marks)
- ii) Output VAT (2 Marks)
- iii) Capital Allowances (2 Marks)
- iv) Allowable Expenses (2 Marks)
- v) Disallowable Expenses (2 Marks)

QUESTION TWO (20 MARKS)

- a) Outline four types of taxes (4 Marks)
- b) Explain 6 factors that affect taxable capacity in Kenya (6 Marks)
- c) X, who is a registered trader delivered goods to Y on 21st June 2023. He issued an Invoice for the goods on 10th July 2023. Y paid for the goods on 3rd August 2023. When should X pay the VAT on those goods to the commissioner of VAT? (4 Marks)
- d) You are given the following information:

- Gifts to family Kshs 10,000
- Donations to Temple construction Kshs 30,000
- Bank charges and fees Kshs 50,000
- Homestead maintenance Kshs 15,000
- Factory cleaning Kshs 20,000
- Office stationery Kshs 40,000

Required: Determine business expenses and non-business expenses (6 Marks)

QUESTION THREE (20 MARKS)

Abdi(A), Ben(B) and Cosma (C) are in partnership, trading as XYZ enterprises. They share profits and losses in the ratio 2:2:1. In the year 2022, they reported a loss of Sh 200,000 after charging the following items.

Depreciation		Sh. 100,000
Salaries	A	400,000
	B	300,000
	C	200,000
Interest on capital	A	100,000
	C	100,000
Commission	B	200,000
Stationery		50,000
Office expenses		100,000

Required:

- i) Calculate the adjusted partnership profit (loss) (8 Marks)
- ii) Clearly show the distribution of the profit(loss) among the partners (8 Marks)
- iii) Indicate Partners' Taxable Income from Partnership (4 Marks)

QUESTION FOUR (20 MARKS)

- a) Outline circumstances in Kenya where Personal Identification Number (PIN) is required (6 Marks)
- b) Outline six reasons why the government needs tax to be paid by persons (6 Marks)
- c) Lord Keynes and Adams Smith are some of the prominent contributors to taxation issues overtime. Scholars have planned to hold a workshop in South Africa to deliberate over whether tax systems in Africa are optimal. Explain to one of the would-be facilitators from Kenya on the main principles of An Optimal Tax System (8 Marks)

QUESTION FIVE (20 MARKS)

- a) Dr Joy Trenk is a medical practitioner who is dully VAT registered and had the following details for the month of January 2023:
Sales shs 1,000,000
Purchases shs 700,000
Assuming the above figures are VAT exclusive and the VAT rate is 16%, show her VAT position for the month of January. (5 Marks)
- b) Outline 6 kinds of taxes in Kenya (6 Marks)
- c) State five disadvantages of direct taxes (5 Marks)
- d) Briefly explain the importance of `` Incidence of a Tax`` (4 Marks)