MACHAKOS UNIVERSITY

University Examinations for 2018/2019 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BANKING, ACCOUNTING & FINANCE

SECOND YEAR SECOND SEMESTER EXAMINATION FOR

DIPLOMA IN ACCOUNTANCY

DACC 212: TAXATION

DATE: **TIME:**

INSTRUCTIONS: Attempt Question One and any other Two Questions

QUESTION ONE (COMPULSORY) (30 MARKS)

a) Explain the term tax incentives, citing examples of incentives (6 marks)

b) Explain the term export processing zone (EPZ) (6 marks)

c) Discuss the term capital deductions used in income tax (6 marks)

d) i) Explain the term wear and tear deductions (WTD) (6 marks)

ii) For the purposes of WTD, all machinery is categorized into four classes. Discuss these four classes (6 marks)

QUESTION (20 MARKS)

a) Discuss the benefits of incentives given to export processing zone. (10 marks)

b) What are the exemptions allowed as incentives under export processing zone? (10 marks)

QUESTION THREE (20 MARKS)

a) Define the term business income (4 marks)

b) State and explain what constitutes a business profit (16 marks)

QUESTION FOUR (20 MARKS)

Discuss the following terms as used in taxation:

i) Employment income

ii) Cash payments

iii) Non cash payment

QUESTION FIVE (20 MARKS)

a) Discuss the term medical benefits as under income tax act (6 marks)

b) Explain how compensation for employment termination is taxed in Kenya (14 marks)