MACHAKOS UNIVERSITY

University Examinations for 2017/2018 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BANKING, ACCOUNTING & FINANCE

SECOND YEAR SECOND SEMESTER EXAMINATION FOR DIPLOMA IN ACCOUNTANCY

DACC 200: TAXATION II

DATE: 13/12/2017 **TIME: 11:00 – 1:00 PM**

INSTRUCTIONS:

Answer any three questions, **question one is compulsory**

QUESTION ONE (COMPULSORY) (30 MARKS)

a) Distinguish between trading receipt and balancing charge as applied in taxation. (5marks)

b) Outline four obligations of a registered person under VAT Act (cap476)laws of Kenya. (5 marks)

c) The following are purchases and sales of Wingu Ltd made during the month of June 2017. The transactions are exclusive of VAT at the standard rate of 16 per cent.

June 1	Purchased 460 units at kshs 5,200 per unit
June 7	Sold 40 units at kshs 7600 per unit
June 10	Sold 90 units at kshs 7600 per unit
June 18	Sold 240 units at kshs 7600 per unit
June 22	Purchased 450 units at kshs 5,400 per unit
June 25	Sold 180 units at kshs 7600 per unit
June 30	Sold 220 units at kshs 7800 per unit

Required

I. The VAT account for the month of june 2017

II. On what date is VAT payable? (20 marks)

QUESTION TWO (20 MARKS)

The following are the written down values of assets owned by Maluku Ltd as at 1 January 2017

Assets	kshs
Class I	12.000,000
Class II	8,000,000
Class III	7,500,000
Class IV	9,000,000

During the year the following transactions took place:

i) On 1st April, the company constructed another Factory at a cost of kshs 4,200,000 and installed a processing machine costing kshs 2,000,000.

ii) Constructed labour quarters at a cost of ksh 1,200,000 and brought it into use on 1st september2017.

iii) A staff canteen was constructed at cost of kshs 800,000 and put into use on 1st July 2017.

iv) Acquired the following assets,

	Kshs
Pick up	2,800,000
Modem	60,000
Office Furniture	75,000
Tractor	3,100,000
Lorry (2tonnes)	1,300,000
Grinder	1,500,000

Required

Capital allowances due to the company for the year ended 31st December 2017 (20 marks)

QUESTION THREE (20 MARKS)

a) Outline five sources of information for back duty case (10 marks)

b) Explain four types of assessment (10 marks)

QUESTION FOUR (20 MARKS)

Mr. matendo has been in business without keeping complete records of accounts and he has not been paying taxes. The following information relates to his assets and liabilities for the years

	2010	**2011**	**2012**	**2013**	**2014**
Assets	**Kshs. 000**	**Kshs. 000**	**Kshs. 000**	**Kshs. 000**	**Kshs. 000**
Premises	1,650	1,650	1,650	1,650	1,650
Land	520	520	520	520	520
Furniture	400	450	460	470	480
Motor vehicles	**-**	**-**	950	950	950
Inventories	100	180	200	250	270
Accounts Receivable	**-**	**-**	**700**	**750**	**700**
Bank	120	100	170	180	190
	2,790	2,900	4,650	4,770	4,210
liabilities					
Accounts payable	-	60	80	85	90
Loan	100	150	160	150	120
	100	750	240	235	210

Additional information

i) Estimated living expenses were Kshs 170,000 in 2010 and had been estimatedto be increasing by Kshs 30,000 each year.

ii) A motor vehicle that cost Kshs 550,000 was sold Kshs 600,000 in 2014.

Required

Calculate the taxable income in arrears for each of the years of 2011, 2012, 2013 and 2013.

QUESTION FIVE (20 MARKS)

Discuss the merits and demerits of VAT to the Kenya economy