



PIONEER INTERNATIONAL UNIVERSITY

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UNIVERSITY EXAMINATIONS

BACHELOR OF COMMERCE YEAR THREE SEMESTER ONE

UNIT CODE: ACCT 3111

UNIT NAME: ADVANCED TAXATION

SEMESTER: MAY - AUGUST 2022

ACADEMIC YEAR: 2022/2023

DATE: JULY

TIME: 2:00 HOURS

INSTRUCTIONS: Answer question one (30 marks) and any other two

QUESTION ONE [20 MARKS]

- (a) Outline four reasons for granting capital allowances (4 Marks)
- (b) Corporate tax planning is emerging as one of the popular model shield of a company is profits from negative effects of inflation. Explain five ways in which corporate entities may engage in tax planning (10 Marks)
- (c) Describe three categories designated cooperative societies and how they are taxed. (5 Marks)
- (d) Discuss the taxation of rental income under both old regime and under 2016 Act (3 Marks)
- (e) Elaborate the taxation of Royalties income with an hypothetical example, illustrate the taxation of resident person's royalties income (8 marks)

QUESTION TWO [20 MARKS]

- (a) Explain the rights and privileges of VAT registered person. [10 marks]
- (b) Jubilee insurance company Ltd provided the following information for the year ended 31st December 2019.

Gross premium received	30 000 000
Claims paid	4 000 000
Commission ended	800 000
Commission accepted	20 000
Claims recovered on insurance	3 000 000
Foreign exchange gains	3 500 000
Dividend from life insceniple fund	2 000 000
Rental Income	1600 000
Bad debt provision	500 000
Reserve for unexpired risks (1 Tan....2019)	1 000 000
Legal expenses relating to claims	4 000 000
Agency fee	400 000
Management fees	120 000
Repairs of rental properties	200 000

Entertainment expenses	4 000 000
Purchase of furniture	6 000 000
Purchase of computers	300 000
Reinsurance premiums paid	4 000 000
Retuned premiums	5 000 000

Additional information:

1. Reserves for unexpected risks on 31 December 2019 were kshs 200 000
2. Claims outstanding on 1st January 2019 and 31st December 2019 were kshs. 600 000 and Kshs 100 000 respectively.
3. Premiums outstanding on 1 January 2019 and 31st December were kshs 600 000 and kshs 12000 000 respectively.
4. Agency fee included kshs 200 000 relating to the life assurance business.
5. Repaid fees included kshs 100 000 relating to settlement of a tax dispute.
6. Investment income composed

	kshs
Interest from Bank	850 000 (ref)
Interest from treasure bond	350 000 (gross)

Required:

Taxable profit or loss of jubilee insurance company Ltd from general insurance business for the year ended 31 December 2019. [14 marks]

QUESTION THREE [20 MARKS]

Ali and Salim are in partnership sharing profits and losses in the ratio 3:2 respectively. They have presented the following:-

Profit and loss account for the year ended 31st December 2005.

Income	shs 000	shs 000
Sales revenue		6 882 000
Proceeds from sale of fixed assets		190 000
Refund of VAT		41 250
Interest on PSV savings account		8 760
Dividend (hef)		42 800
Expenditure		
Cost of sales	1 591 500	
NIHF Contribution	108 712	
NSSF contribution	170 000	
Lorry maintenance expenses	1 00 000	
Salaries to partners	800 000	
House hold expenses (Ali)	996 250	
Repairs and maintenance (Building)	75 000	
Advertisement	156 750	
Insurance premiums	175 000	