



KIBABII UNIVERSITY COLLEGE

(A Constituent College of Masinde Muliro University of Science Technology)

P.O. Box 1699-50200 Bungoma, Kenya

Tel. 020-2028660/0708-085934/0734-831729

E-mail: enquiries@kibabiiuniversity.ac.ke

Knowledge for Development

UNIVERSITY REGULAR EXAMINATIONS

2013/ 2014 ACADEMIC YEAR

1ST YEAR 2ND SEMESTER EXAMINATION

(PSSP)

FOR THE DEGREE OF BACHELOR OF EDUCATION (ARTS)

COURSE CODE: ESM 104

COURSE TITLE: QUANTITATIVE SKILLS II

DATE: 14TH AUGUST, 2014

TIME: 2:00P.M.-5:00P.M.

INSTRUCTIONS TO CANDIDATES

Answer Question ONE and any other THREE Questions

Question One

- (a) Describe the accounting cycle (5 marks)
- (b) Explain the difference between Gross Domestic Product and Gross National Product (4marks)
- (c) Kamlesh business books recorded the following transactions
(i) Jan 2nd paid for business premises by cheque worth Kshs 5000
(ii) Jan 4th Purchased sugar from Mumias Sugar Co. for Kshs 4000 credit
Post the information in a journal and then transfer it to the relevant ledger accounts (5 marks)
- (d) Calculate the amount of interest on an investment of Kshs 10000 after 3 years, if simple interest is paid at an annual rate of 5%. (2 marks)
- (e) State any three factors considered when constructing price indices (3 marks)
- (f) Suggest any four measures that the government of Kenya should emphatically employ to curb tax evasion (4 marks)
- (g) Differentiate between share and stock as used in stock exchange market (2 marks)

Question Two

The following information was extracted from the books of Makhese enterprises on 31st August 2005

Title of account	Amount (Kshs)
Capital	1,234,600
Sales	640,000
Purchases	380,000
Carriage inwards	20,000
Debtors	63,500
Creditors	48,400
Stock (1 st Sept 2004)	86,000
Carriage inwards	18,500
Purchases returns	30,000
Sales returns	25,000
Rent income	35,000
Premises	450,000
Furniture	250,000
Motor vehicle	550,000
One year bank loan	200,000
Salaries	80,000
General expenses	120,000
Discounts allowed	14,800
Discounts received	12,000
Electricity	16,500
Cash at bank	15,500
Cash in hand	10,200
Drawings	100,000
Stock (31 st Aug 2005)	56,000

REQUIRED

- i. Trial balance (4 marks)
- ii. Trading, profit and loss account (6 marks)
- iii. Balance sheet (5 marks)

Question Three

- a) The Kenyan government relies heavily on taxation as its source of income.
Explain any four types of those taxes (4 marks)
- b) Outline any four features of a good tax system (4 marks)
- c) Differentiate between net income and gross income (2 marks)
- d) An employee made the following payments in the month of April 2014:
 - i. Kshs 430 to NHIF,
 - ii. 5% of basic salary to a registered pension scheme,
 - iii. 3% the basic salary to the cooperative for shares,
 - iv. Kshs 12,000 to a medical chemist for the drugs he had taken.

In the same month, he had drawn the following benefits:

- i) Basic salary Kshs 20,000,
- ii) House allowance Kshs 15,000
- iii) Medical allowance Kshs 8,000,
- iv) Car allowance Kshs 8,500,
- v) Entertainment allowance Kshs 5,500,
- vi) Responsibility allowance Kshs 7,200.

In addition, the employee received a tax relief of Kshs 1,056. Using the tax schedule below calculate the employee's monthly PAYE. (5 marks)

TAX SCHEDULE

Income (Kshs)	Tax rate (%)
1-10,800	10%
10,801-21,600	15%
21,601-32,400	20%
32,401-43,200	25%
43,201 and above	30%

Question Four

- a) Describe three types of budgets which are vital to citizens of a country (3 marks)
- b) State three features of a good budget prepared for use by the public (3 marks)
- c) Differentiate the following terms (3 marks)
 - i. Deficit balance of payments

- ii. Surplus balance of payments
- iii. Equilibrium balance of payments
- d) Highlight any three financial ratios (3 marks)
- e) Justify with three reasons why business should compute financial ratios. (3 marks)

Question Five

- a) Mr. Kamuren gives trade discount of 20% to customers who purchase more than 79 units and 10% to customers who purchase less than 80 units. A customer bought 80 units from him. If he sells Kshs 240 per dozen, calculate
 - i) Trade discount per unit (3 marks)
 - ii) The net amount paid by the customer (2 marks)
- b) Brenda earns Kshs 3,000 monthly. In addition she earns 5% commission on Kshs 100,000 of the sales she makes and 6% on the sales above Kshs 100,000. Calculate her month's earnings if she sold goods worth Kshs 250,000 during that month. (4 marks)
- c) The table below shows the consumption of wheat flour in Eldoret town

Year	2007	2009	2011	2013
Price (Kshs)	100	110	120	130

Using 2007 as the base year, compute:

- i) Price Relative Index for the year 2013 and commend on the answer (2 marks)
- ii) Price Relative Index for the year 2011 and commend on the answer (2 marks)
- d) What is stock exchange index? (2 marks)