



**KIBABII UNIVERSITY COLLEGE**

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*Knowledge for Development*

**UNIVERSITY REGULAR EXAMINATIONS**

**2013/ 2014 ACADEMIC YEAR**

**1<sup>st</sup> YEAR 2<sup>ND</sup> SEMESTER EXAMINATION**

**(SCHOOL BASED)**

**FOR THE DEGREE OF BACHELOR OF  
EDUCATION (ARTS)**

**COURSE CODE: ESM 104**

**COURSE TITLE: QUANTITATIVE SKILLS II**

**DATE: 27<sup>TH</sup> AUGUST, 2014**

**TIME: 2.00 P.M. – 4.00 P.M.**

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**INSTRUCTIONS TO CANDIDATES**

- Answer Question one and any other three questions

### Question one

- (a) State any four benefits of taxation to an economy. (4 marks)
- (b) Mention any four sources of public finance. (4 marks)
- (c) Explain briefly the implications of excess working capital. (4 marks)
- (d) Explain the main probes encountered when measuring the national income. (4 marks)
- (e) On 1-8-2010, Onyango bought goods on credit quoted at Kshs 200,000. Terms of sale were 20% trade discount and 10% cash discount if payment was made on or before 29-8-2010. Calculate the amount paid if payment was made on 26-08-2010. (4 marks)
- (f) After how long will a sum of money double itself at 8% p.a. compound? (5 marks)

### Question two

- (a) The inflation rate in Kenya moved up from 5.8% to 8.4%. State five positive outcomes of this change. (5 marks)
- (b) Explain briefly the negative effects of inflation. (5 marks)
- (c) Mention five monetary measures that can be used to curb inflation. (5 marks)

### Question Three

- (a) Differentiate between the following terms
  - (i) Laspeyre index and Paasche index (2 marks)
  - (ii) Weighted index and unweighted index (2 marks)
- (b) Highlight any four limitations of using index number in statistical data analysis (4 marks)
- (c) The table below shows the sales of some commodities on a local market. Use the information to obtain
  - (i) The value index (3 marks)
  - (ii) The fishers ideal index (4 marks)

Commodities	2012		2013	
	Price	Quantity	Price	Quantity
Maize	65	20	135	30
Wheat	95	8	160	70
Beans	130	5	320	8

#### Question four

Mr. Osiemo is a company director and earns a salary of Kshs 36,500 p.m. He has a life insurance policy which he pays Kshs 2,000 p.m. The company provides him with a free house and a company car. His other taxable benefits are:

Fuel                    Kshs 250 p.m.  
Water                   Kshs 20 p.m.  
Electricity            Kshs 50 p.m.

Using the tax table below and the given reliefs

- (a) Find how much PAYE does he pay (8 marks)  
(b) If a part from the insurance and PAYE in (a) above, other deductions on his pay add up to Kshs 11,400 p.m. Calculate his net monthly pay (7 marks)

#### TAX TABLE

Income (K\$ p.a)	Rate (Kshs per pound)
1-5808	2
5809-11280	3
11281-16752	4
16753-22224	5
Excess over 22224	6

#### Relief

- (i) Every employee is entitled to an automatic personal tax relief of Kshs 12,672  
(ii) An employee with a life insurance policy is entitled for a tax claim on the premiums at kshs 3 per pound  
(iii) An employee house by the employer 15 % of his salary is added to his salary for purposes of tax calculations

#### Question Five

- (a) Define the term Balance sheet (1 mark)  
(b) John wholesalers had the following account balances on 31<sup>st</sup> March 2006

	Kshs
Capital	907,000
Stock 1.4.05	30,000
Land and buildings	750,000
Furniture	100,000
Vehicle	700,000
ICDC Loan	400,000
Creditors	55,000

Stock 30.3.06	60,000
Cash	10,000
Bank overdraft	12,000
Accrued salaries	200,000
Net profit	300,000
Prepaid Insurance	4,000
Debtors	7,000

Required

Prepare John's balance sheet as at 31<sup>st</sup> March 2006 (10 marks)

(c) Calculate

- (i) Working capital (1 mark)
- (ii) Rate of return on capital (1 mark)
- (iii) Capital employed (1 mark)
- (iv) Borrowed capital (1 mark)