



(Knowledge for Development)

KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2017/2018 ACADEMIC YEAR

FIRST YEAR SECOND SEMESTER

MAIN EXAMINATION

**FOR THE DEGREES OF BACHELOR OF EDUCATION (ARTS),
BACHELOR OF EDUCATION (SCIENCE), BEE, BAE, BJM&EDE**

COURSE CODE: ESM 104

COURSE TITLE: QUANTITATIVE SKILLS II

DATE: 7/08/2018

TIME: 9 AM-11 AM

INSTRUCTIONS TO CANDIDATES

Answer Question One and Any other Two (2) Questions

TIME: 2 Hours

This Paper Consists of 4 Printed Pages. Please Turn Over. ►

QUESTION ONE

- a) Outline any **five** merits of financial ratios (5 marks)
- b) A man deposited shs.50000 in a bank that paid compound interest at 14%p.a compounded after every 6 months for 3 years. At the same time, his wife deposited shs.40000 in an institution that paid simple interest for the same period of time. If they earned the same interest at the end of three years, what was the rate of simple interest to 1d.p? (5 marks)
- c) MrTumbo, an accountant at Khetias supermarket, is paid a huge salary for budgeting for the supermarket. Justify with **five** reasons why he is paid a lot of money for that service. (5mks).
- d) Dr Smith alleges that weighted index numbers are useless and only full of limitations associated with their calculation. Highlight **five** points to support your disagreement with Dr Smith's allegation. (5 marks)
- e) The youngest country in Africa is said to face a big deficit in financing her functions because of over reliance on her tax income. Outline any other **five** sources that can very well supplement taxation. (5 marks)
- f) Many companies strive to get quotation to the stock market because of reasons best known to the companies. However, many other companies avoid getting the quotation. Highlight any **five** reasons why some companies avoid the said quotation. (5 marks)

QUESTION TWO

- a) The following information was extracted in the books of Sharrif traders on 30/6/2017.

Carriage Outwards	2300	Closing Stock	22000
Commission Received	8000	Returns Inwards	15000
Lighting	12000	Returns Outwards	19000
Discount Received	2000	Carriage Inwards	5400
Salaries	50000	Purchases	140000
Sales	320000	Opening Stock	45000
Discount Allowed	6000		

REQUIRED

- i. Trading account (5 marks)
- ii. Profit and loss account (5 marks)

- b) The following balances were extracted from account records of Tobiko traders on 31st Dec 2017

Cash In Hand	10000	Creditors	50000
Salaries Accrual	20000	Debtors	25000
Cash At Bank	16000	Stock	40000
Furniture	15000	Motor Vehicle	500000
Land	900000	Capital	1086000
Loan From KIE	200000	Loan From ICDC	150000

REQUIRED

- i. Balance sheet showing fixed assets, current assets, long term liabilities and short term liabilities(6 marks)
- ii. Use the balance sheet in (i) above to determine;
 - a. capital owned (1 mark)
 - b. borrowed capital (1 mark)
 - c. working capital (1 mark)
 - d. capital employed (1 mark)

QUESTION THREE

- a) Oglah entered an agreement entered into an agreement to sell bulls for a butcher man onommission bans. The following rates applied.

<i>Number of bulls sold</i>	<i>% Rate of commission</i>
1 – 9	2
10 – 19	5
20 – 29	8
30 and above	10

If Oglah sold 34 bulls within the period provided each bull costing sh100000. Calculate the commission Oglah was paid. (5 marks)

- b) Differentiate between the following terms;simpe interest, compound interest and annuity (3 marks)
- c) Patel a textbook wholesaler sold the text books to Kimani a bookshop owner at the following terms. 1000 copies of Textbook @ shs.20 discount per copy. If the marked price for each book was shs.200, calculate;
 - i. Percentage discount awarded. (2 marks)
 - ii. The total amount Kimani paid Patel for the books. (2 marks)

- d) Discuss any **four** circumstances under which an investor may sell his shares to buy other shares from a different company. (8 marks)

QUESTION FOUR

- a) The government of Kenya spends its revenue in financing state activities. State and explain **four** categories of those activities. (8 marks)
- b) The table below shows quantity and price of some cereals produced in 2007 and 2017.

Items	2007		2017	
	Price(ksh)@kg	Quantity(kgs)	Price(ksh)@kg	Quantity(kgs)
Maize	70	700	50	490
Beans	50	270	70	280
Coffee	100	350	90	290
Wheat	90	500	40	420
Millet	30	160	100	250

Using 2007 as the base year, calculate and interpret

- i. Laspeyre's index (3 marks)
- ii. Paache's index (3 marks)
- iii. Fisher's ideal index (3 marks)
- iv. Marshall-edge worth index (3 marks)

QUESTION FIVE

- a) Cases of tax evasion have been reported in the Republic of Kenya in the recent past. The offenders commit this crime capitalizing on existing short falls in the tax system. Explain any **five** such shortfalls (10 marks)
- b) The following table shows income tax rates for a certain year.

Monthly income in kshs	% tax rate per shilling
1 – 9400	10
9401 – 18000	15
18001 – 26600	20
26601 – 35600	25
35601 and above	30

A monthly tax relief of shs.1172 was allowed. Opunyi's taxable income in the last band was kshs.3200 in a month.

- I. Calculate;
 - i. His taxable income (2 marks)
 - ii. The amount of tax he paid in a month (5 marks)
- II. Opunyi's salary included a medical allowance of shs.6000 and a commuter allowance of shs.8000. He contributed 6% of his basic salary to a cooperative for shares. Calculate his monthly net salary. (3 marks)