



*(Knowledge for Development)*

**KIBABII UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**ACADEMIC YEAR**

**THIRD YEAR FIRST SEMESTER**

**SPECIAL/SUPPLEMENTARY EXAMINATIONS**

**FOR THE COMMON COURSES**

**COURSE CODE:** ESM 104

**COURSE TITLE:** QUANTITATIVE SKILLSII

**DATE:** 16  
17/10/2018

**TIME:** 11.30- 1.30 P.M

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**INSTRUCTIONS TO CANDIDATES**

Answer question **ONE** and any other **TWO** questions.



## QUESTION ONE

Describe any FIVE sources of government revenue in Kenya (5marks)

- a) Use FIVE points to justify the move by the government to annually budget for its finances (5marks)
- b) Differentiate between tangible and intangible assets and give TWO examples for each (6marks)
- c) Outline any FIVE importance of Nairobi Stock Exchange market (5marks)
- d) Distinguish between current liabilities and long term liabilities and state TWO examples for each (5marks)
- e)
  - i. State any TWO factors that should be considered in determining depreciation of an asset (2marks)
  - ii. Calculate the annual depreciation of a plant that costs 48 million with an estimated residual value of ksh4000 and an estimated life of 25 years (2marks)

## QUESTION TWO

- a) Enter the following transactions into relevant ledger accounts (10 marks)

On 1<sup>st</sup> Jan 2018, Ann started a business with a capital of ksh15 million which she put into the business bank account.

On 2<sup>nd</sup> Jan 2018, she paid by cheque ksh6 million for the business premises.

On 3<sup>rd</sup> Jan 2018, she purchased iron sheets from Khetia worth ksh3 million on credit.

On 5<sup>th</sup> Jan 2018, she sold some iron sheets to Charles worth ksh1.8 million on credit.

On 10<sup>th</sup> Jan 2018, she paid by cheque the ksh3 million to khetia

On 14<sup>th</sup> Jan 2018, Charles returned some iron sheets worth 60000 to Ann and paid by cheque for the rest.

On 18<sup>th</sup> Jan 2018, Ann sold for cash some iron sheets worth ksh900000.

On 21<sup>st</sup> Jan 2018, she purchased more iron sheets from Khetia worth ksh3.6 million and paid by cheque.

On 24<sup>th</sup> Jan 2018, she sold iron sheets worth ksh2.4 million which was paid by cheque.

On 30<sup>th</sup> Jan 2018, she returned to khetia iron sheets worth 450000 and was paid by cash.

- d) Mr. Keah entered into an agreement to sell bulls for a butcher man on commission basis. 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 Keah sold 34 bulls within the period provided, each bull costing sh100000, calculate the commission Keah was paid. (4 marks)

#### QUESTION FIVE

- a) The Kenyan government recently increased her tax rates in order to pay her external debts and cater for her internal functions. State and explain any FOUR of those functions. (8 marks)

- b) An employee earns the following per month.

Basic salary-240000

House allowance-140000

Car allowance-40000

Entertainment allowance-24000

Responsibility allowance-30000

Telephone allowance-12000

In the month of September 2018, he made the following contributions.

6% of basic salary to a registered pension scheme

10% of basic salary to the bank for a loan he took

9% of house allowance to NHIF

80% of car allowance to a motor spares shop for spares he had taken to repair his car.

He is entitled to ksh21000 tax relief. Calculate his:

- i. Annual gross income (3 marks)
- ii. Annual taxable income (2 marks)
- iii. Monthly income tax (5 marks)

- b) Extract a trial balance as at 31<sup>st</sup> January 2018. (10 marks)

### QUESTIO THREE

- a) Outline any FOUR uses of price indices (4 marks)
- b) The following table shows prices and quantities of some commodities consumed in Kibabii high school in term two for the years 2017 and 2018.

Commodity	2017		2018	
	Quantity	Price (ksh)	Quantity	Price (ksh)
Maize	55(90 kg bags)	2800	60(90 kg bags)	3000
Beans	22(90 kg bags)	6000	25(90 kg bags)	6400
Tomatoes	15(crates)	5000	17(crates)	5000
Onions	20(30 kg bags)	6000	21(30 kg bags)	6000

Using 2017 as the base year, calculate and commend on:

- i. Lespeyre's price index (4 marks)
- ii. Paasche's price index (4 marks)
- iii. Fisher's ideal index (4 marks)
- iv. Marshall-edge worth index (4 marks)

### QUESTION FOUR

- a) If ksh2 million is invested at 6% p.a, what will be the amount in 8 years time using:
- i. Simple interest (3 marks)
  - ii. Compound interest (3 marks)
- b) Mrs. Maseshe rents out her premises, with an agreement of a regular annual increment of ksh 6000. If the rent in the first year is ksh72000, what is the rent in the tenth year? (4marks)
- c) Distinguish between trade discount and cash discount. Site one example for each case (4marks)

iv. Monthly deductions (1 mark)

v. Monthly net income (1 mark)

The following tax schedule is used monthly to compute income tax. Use it to answer the above questions.

<b>From ksh</b>	<b>To ksh</b>	<b>Tax rate (%)</b>
1	10800	10
10801	21600	15
21601	32000	20
32001	43200	25
43201	Above 43201	30