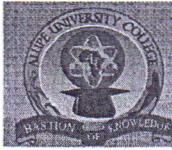


IRD 104



**ALUPE UNIVERSITY**  
COLLEGE

*Pursuing the Frontiers of Knowledge...*

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ACADEMICS, STUDENT AFFAIRS AND RESEARCH

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# UNIVERSITY EXAMINATIONS

## 2017 /2018 ACADEMIC YEAR

FIRST YEAR SECOND SEMESTER REGULAR EXAMINATION

**FOR THE DEGREE OF BACHELOR OF  
MLS/MPS/STA/CS/MIC**



**COURSE CODE: IRD 104**

**COURSE TITLE: QUANTITATIVE SKILLS II**

**DATE: 30<sup>TH</sup> APRIL, 2018**

**TIME: 2 PM – 5 PM**

**INSTRUCTION TO CANDIDATES**

- SEE INSIDE

**THIS PAPER CONSISTS OF 7 PRINTED PAGES**

**PLEASE TURN OVER**

**IRD 104: QUANTITATIVE SKILLS II****STREAM: MLS/MPS/STA/CS/MIC****DURATION: 3 HOURS****INSTRUCTIONS TO CANDIDATES**

- i. Answer *Question ONE* and any other *TWO* questions.
- ii. *Question ONE* carries *30 Marks*
- iii. Do not write on the question paper

**SECTION A****Question One**

- a) (i) Define a balance sheet and give one reason why it is prepared? (3 Marks)
- (ii) The following balances were extracted from the books of Kenya Traders enterprises as at December 2011.

KShs

Capital 1,250,000

Land and Buildings 2,000,000

Plant and Machinery 1,500,000

5 Year loan from ICDC 1,000,000

Debtors 450,000

Creditors 1,750,000

Cash at bank 300,000

Cash at hand 50,000

Net profit 300,000

Required: Prepare a balance sheet of Kenya Traders enterprise as at 31st December 2011 clearly showing long-term liabilities, current Liabilities, Fixed Assets and Current Assets

(5 Marks)

- b) (i) Mr. Joseph Mathews is commission agent for Carmax, who are importers of new cars in Kenya. During the month of August 2011, he sold 12 new cars each selling at Kshs. 2,000,000. The company's commission policy for its agents is as follows:

Number of units sold Percentage commission

1 – 5 %

6 – 10 %

11 – 15 %

16 – 20 %



Calculate Mr. Joseph Mathew's commission from the month of August 2012. (3 Marks)

(ii) Define tax and explain the difference between Direct tax and Indirect tax. (3 Marks)

c) (i) Explain what you understand by Gross National Product (GNP) and state the difference between Gross National Product (GNP) and Gross Domestic Product (GDP) (3 Marks)

(ii) Mambo Safaris is a limited Liability Company with 10,000 ordinary shares each per value of K Shs 100.

After the end of the year results for the year 2011, and after taking into consideration

Government taxes, the company declared a dividend of 10% for each ordinary share held.

Calculate the dividend on ordinary shares. (2 Marks)

d) (i) What is the difference between simple interest and compound interest? (2 Marks)

Mr. Simiyu Mwangi borrowed K Shs 100,000 from Kenya Commercial bank which charges 10% p.a simple interest. The loan is payable in 5 years. Calculate the total interest payable on the loan and the total amount of money repaid after 5 years. (2 Marks)

(ii) Differentiate between a surplus budget and a deficit budget. (2 Marks)

e) (i) Highlight TWO uses and ONE limitation of index numbers. (3 Marks)

(ii) What do you understand by the term Return on capital invested? (1 Mark)

(iii) Explain the meaning of Payable period of an investment. (2 Marks)

(iv) State the difference between Cash discount and Trade discount. (2 Marks)

**Question Two**

The following trial balance was extracted from the books of Rodney, a sole trader, at 31<sup>st</sup> December 1997:

	Shs	Shs.
Drawings/Capital	2,148	20,271
Debtors/Creditors	7,689	5,462
Purchases/Sales	62,101	81,742
Rent and Rates	880	
Light and heat	246	
Salaries and wages	8,268	
Bad debts	247	
Provision for bad debts		326
Stock in trade 31 <sup>st</sup> Dec 1996	9,274	
Insurance	172	
General Expenses	933	
Bank balances	1,582	
Motor van at cost/Provision for depreciation	8,000	3,6000
Proceeds on sale of van		250
Motor expenses	861	
Freehold premises at cost	15,000	
Rent received		750
Provision for depreciation on buildings		<u>5,000</u>
	<u>117,401</u>	<u>117,401</u>

The following matters are to be taken in to account:

1. Stock in trade at 31<sup>st</sup> December 1997 was Shs.9,884
2. Rates paid in advance at 31<sup>st</sup> December 1997, Shs.40
3. Rent receivable due at 31<sup>st</sup> December 1997, Shs.250
4. Lighting and heating due at 31<sup>st</sup> December 1997, sh.85
5. Provision for doubtful debts to be increased to Shs.388
6. Included in the amount for insurance Shs.172, is an item for Shs 82 for motor insurance and this amount should be transferred to motor expenses.

7. Depreciation has been and is to be charged on vans at an annual rate of 20% on cost.
8. Depreciate buildings Shs.500
9. On 1<sup>st</sup> January 1997 a van which had been purchased for Shs.1,000 on 1<sup>st</sup> January 1994 was sold for Shs250. The only record of matter is the credit of Shs.250 to "Proceeds of sale on van" account.

**Required:**

A Trading Profit and Loss account for the year ended 31<sup>st</sup> December 1997 and a Balance Sheet as at date using vertical format.

**Question Three**

Mr. Peter Smith, a small scale dealer in food products. On examination of his goods of accounts, the following balances were extracted for the year ended 30th June 2012.

KShs

Stock 1st July 2011 20,500  
 Stock 30th June 2012 22,500  
 Sales 200,000  
 Purchases 104,000  
 Stationary 1,630  
 Rent and rates 5,280  
 Traveling expenses 3,500  
 Capital 72,590  
 Salaries 15,000  
 Debtors 20,000  
 Creditors 30,000

**Required:**

- (i) Prepare Mr. Peter Smith's Trading Profit and Loss account for each year ended 30th June 2012 clearly showing the Gross Profit, Total expenses and Net profit (12 Marks)
  - (ii) Calculate his net profit as a percentage of capital. Comment on this rate of return on capital. (6 Marks)
- b) What is the difference between a Subsidy and a Grant? (6 Marks)

**Question Four**

a) Kenya Government uses taxation to serve various purposes. Explain any FIVE purposes for imposition of tax by the government. (5 Marks)

b) An employee with a Local Authority drew the following benefits in the month of Jul 2012.

K Shs

Basic Salary 25,000

House Allowance 12,000

Medical Allowance 2,000

Commuter Allowance 1,500

During the same month, the employee made the following payments

5% of basic salary to a registered Pension Scheme

2% of basic salary to a cooperative Society shares

Shs.320 to NHIF

Shs.700 to House savings

Shs.600 to Life Insurance Scheme

The employee is entitled to a personal relief of K Shs. 1025 per month.

Tax Schedule

**Amount (K Shs) Tax (%)**

1 – 10164 10%

Next 9576 15%

Next 9576 20%

Next 9576 25%

Excess of 38,892 30%

Using the tax schedule provided, calculate the employee's

- i) Gross income for the month of August 2012. (2 Marks)
- ii) Taxable income for the month of August 2012. (2 Marks)
- iii) Tax liability for the month. (4 Marks)
- iv) Net income for the month. (2 Marks)

**Question Five**

The table below shows the prices and quantity of commodities sold at a certain market in the Years 2010 and 2011



Year	2010		2011	
Commodity	Price (Shs)	Quantity (Kg)	Price (Shs)	Quantity (Shs)
Maize	65	20	135	30
Rice	95	8	160	7
Beans	150	5	320	8

a) Using 2010 as the Base year, compute to the nearest 1 decimal place:

- i) Laspeyre's Price Index. (5 Marks)
- ii) Paasche's Price index. (5 Marks)
- iii) Fisher's Ideal Price index. (2 Marks)

b) Comment on the prices of commodities in the month using Laspeyre's Price Index(1Mark)

c) Give the reason why Paasche's Price Index is preferred as a measure of the cost of living. (2 Marks)

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