**565/2**

**I a) Methods used by central bank to increase money supply**

Reducing bank rates

Reducing liquidity ratio

Buying government securities

Reductions on compulsory deposits

Opening credit to all sectors in the economy

Directives to increase credit lending

Moral persuasions to banks to increase credit lending

**b) Principles of insurance**

**2) Negative effects of inflation**

Lowering standard of living

Discouraging savings

People loose confidence in the currency

Leads to balance of payments problems

Leads to high unemployment



**Carson Traders.**

**Profit and Loss A/C for the year ended 31st Dec. 2005.**

|  |  |
| --- | --- |
| Expenses sh. Sh.  Wages and salaries 31,650√  Add: Accrued wages 5,400√  37,050  Rates 2750√  Less: Prepaid rates 650√  2100  Depreciation net veh. 2200√  Discount allowed 3540√  Advertising 3130√  Balance debts 1100√  General expensed 5100√  Net profit 8000√  62220 | Gross profit 58920√  Discount received 3300√    62220 |

**ii) Carson Traders**

**Balance sheet as at 31st Dec. 2005.**

|  |  |
| --- | --- |
| Fixed Assets sh. Sh.  Premises 75000√  Motor vehicles 11000  Less: depreciation 2200 8,800  83,800  Current Assets  Stock 25000√  Debtors 25350√  Prepaid rates 650√  Cash at bank 3300√  Cash at hand 800√ 55100  138,900 | Sh. Sh.  Capita 130 000  Add: Net profit 8000√  138000  Less: Drawings 27000√  111,000  Current Liabilities  Creditors 22500√  Accrued wages 5400√  27900    138900 |

12 ticks x 1/3

**3 a) Documents used in recording transactions**

Invoice

Debit note

Credit note

Statements of accounts

Receipts

Bank statements

**b) Factors that influence entrepreneurial practices**

Positive/ good societal attitude

Government support

Good peer influence

Proper education and training

High number of successful entrepreneurs

High number of financial institutions

High level of personal motivations

**4) a Benefits of matatu reforms**

Less congestions

Reductions in accidents

Adequate insurance

Passengers confidence and safety

More revenue to the government

Order in the terminals as illegal touts evacuated

Less pollutions

**4b) to be drawn**

5 a) – Suitable location to receive and issue goods

* Proper buildings suitable to the type of goods to be stored
* Equipment and facilities for handling goods such as forklifts
* Safety equipment for protection of goods against water and sunshine and personal protection
* Accessibility to its users near transport system
* Enough space for easy movement and accommodation of goods
* Well trained staff for proper management
* Requirement of the law

b) – Increase government expenditure to stimulate aggregate demand, hence the level of production

- Encourage local private investment to increase productivity

- Diversify the Kenyan economy

- Protect local industries from foreign competition in order to maintain employment level

- Find market for locally produced goods through aggressive export promotion in order to expand production capacities of local industries

***6 (a) Five channels for distribution of imported*** manufactured goods ***.***

1. Foreign manufacturer → local consumer
2. Foreign manufacturer → Foreign agent/exporter → local consumer.
3. Foreign manufacturer → Foreign agent → local agent → local consumer.
4. Foreign manufacturer → local agents/importers → local consumer.
5. Foreign manufacturer → Foreign agent → local agent/import merchant → local wholesaler → local consumer.
6. Foreign manufacturer → Foreign agent → local agent→ local wholesaler → local retailer →local consumer.
7. Foreign manufacturer → local agent/import merchant → local wholesaler → local retailer → local consumer.
8. Foreign manufacturer → local retailer → local consumer.
9. Foreign manufacturer → local wholesaler→ local consumer.
10. Foreign manufacturer → local wholesaler → local retailer→ local consumer.
11. Foreign manufacturer → foreign agent → local wholesaler → local consumer.
12. Foreign manufacturer → Foreign agent → local wholesaler→ local retailer → local consumer.
13. Foreign manufacturer → own retail outlet → local consumer.

(b) **Konate Traders**

**Three column cash book**

**As at 31st Dec 2010**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Details | L.F | D.A | Cash | Bank |  | Date | Details | LF | DR | Cash | Bank |
| 1st /12  3/12  8/12  9/12  31/12 | Capital  Tila  Katu  Sales  Cash | c | 1000  400  1400 | 100000  100000 | 200000  19000  7600  80000  306600 |  | 1st /12  2/12  6/12  10/12  11/12  31/12  31/12 | Furniture  Purchases  Kahama  Wages  Electricity  Bank  Balance | c  c/d | 2500  2500 | 20000  80000  100000 | 50000  40000  22500  10000  184100  306600 |