

TIGANIA SOUTH 2015
BUSINESS STUDIES
565/1: PAPER ONE
MARKING SCHEME.

1. Reasons for the popularity of public relations among banks

- ❖ It is effective in informing the public about the products/activities offered by the banks.
- ❖ Reliable way of correcting a bad image created about the firm/bank
- ❖ Useful in maintaining the good image of the bank
- ❖ It is effective in creating and improving the relationship between the bank and its customers/Personal touch.
- ❖ There is the benefit of immediate feedback from clients (4 × 1 = 4 mks)

2. Non-tax internal sources of government revenue

- ❖ Fines imposed by courts on offenders
- ❖ Rent and rates paid for use of government property
- ❖ License fees paid by businesses
- ❖ Profits and dividends from government investments
- ❖ Interest earned on loans advanced by the government
- ❖ Proceeds from sale of government property (4 × 1 = 4 mks)

3. Measures to improve performance of human resource

- ❖ Offering reasonable remuneration
- ❖ Providing training and refresher courses
- ❖ Availing all the necessary equipment/Co-operant factors
- ❖ Putting in place an efficient supervisory system
- ❖ Providing enough time for recreation
- ❖ Giving all an opportunity for promotion, training, transfer/ It should be on merit
- ❖ Providing fringe benefits such as subsidized transport, cheap housing, and interest free car loan and so on. (4 × 1 = 4 mks)

4. Effects of transactions on balance sheet totals (4 Marks)

Transaction	Effect on Balance sheet totals
a) Sold a private car and deposited the money in the business's bank account	Increased
b) Withdrew money from bank for office use	No effect
c) Paid Mr. Kimeli, a creditor in cash	Decreased
d) Purchased a Motor car by cheque	No effect

5. Conditions fulfilled for an insurance contract to be valid

- ❖ It must be for a legal purpose
- ❖ The insured and the insurer must have legal capacity to contract
- ❖ The terms and conditions of the contract must be acceptable to both parties

- ❖ The payment of premium as a consideration must be done.
- ❖ The risk must be insurable

(4 × 1 = 4 mks)

6.

Cash Payment journal✓

Date	Details	Rcpt No.	L.F	Disc. Received Shs.	Cash Shs.	Bank Shs
2014 June 1.	Purchases✓				25,000✓	
4.	Kibogong✓			2,000✓		38,000✓
12.	Stationery✓				19,000✓	
18.	Yatich✓			2,700✓		87,300✓
30.	Salaries✓				30,000✓	50,000✓
	Totals posted to the discount received✓, cash✓ and bank✓ accounts.			<u>4,700</u> ✓	<u>74,000</u> ✓	<u>175,300</u> ✓

20 × 1/5 = 4 marks

7. **Four ways in which the government can use to influence the supply of maize in Kenya**

i) Price control

Fixing the highest price beyond which a commodity should not be sold at

ii) Taxation

Reduction of tax on the price of farm inputs e.g fertilizer may increase maize production

iii) Subsidies

Offering subsidies to maize producers in order to reduce cost of production and hence increase supply

iv) Quotas

Can use quotas to control overproduction

(4 × 1 = 4 mks)

8. **Negative effects of inflation**

- ❖ Reduction in profits due to reduced sales
- ❖ Wastage of time comparing prices
- ❖ Conflicts between employers and employees over increase in pay
- ❖ Lowers peoples purchasing power hence decline in standards of living.
- ❖ Loss to creditors since they are paid when the money has already lost value
- ❖ Causes economic retardation since the citizens will not be willing to invest or increase their investment activities.
- ❖ Leads to adverse B.O.P due to increase in the imports that are now cheaper yet exports are expensive.
- ❖ Loss of confidence in the country's monetary system.

- ❖ Reduced savings since people are forced to spend/consume all their income because of the increased prices.

(4 × 1 = 4 mks)

9. Benefits enjoyed by a credit card holder.

- ❖ Saves one the inconvenience of carrying large sums of money.
- ❖ It is safer to carry the card than cash.
- ❖ The holder can get goods and services from specified sellers without immediate payment.
- ❖ It is one way of increasing ones credit rating
- ❖ Visa card holders can obtain money from specified banks not necessarily his/her bank

(4 × 1 = 4 mks)

10.

**Roba Traders
Trial Balance
As at 31st March 2014**

Account	Debit Shs.	Credit Shs.
Capital		1,500,000√
Cash at bank	680,000√	
Machinery	175,000√	
Creditors		190,000√
Furniture	85,000√	
Motor van	200,000√	
Cash in hand	50,000√	
Premises	500,000√	
	<u>1,690,000</u>	<u>1,690,000</u>

8 × ½ = 4 marks

11. Circumstances under which air transport is preferred

- ❖ If the distance involved is long such as cross continental
- ❖ If the goods to be moved are perishable
- ❖ When transporting urgently needed goods or services
- ❖ Where the goods being transported are fragile hence in need of minimal handling
- ❖ If the goods are of high value
- ❖ When it is the only means of transport available.

(4 × 1 = 4 mks)

12.

- i) Consignment note√ (1mk)
- ii)
 - a) It shows that a transporter has been hired to deliver specified goods to a particular buyer
 - b) It is used where the goods are delivered to the buyer by public means of transport
 - c) It shows goods to be transported, the names and address of the seller and the buyer and the transportation cost paid

d) It is used by a buyer to sign as the evidence that the goods stated in the note have been delivered

(any 2 × 1=2 mks)

13. Four costs incurred by intermediaries in the chain of distribution

- ❖ Cost of transportation
- ❖ Cost of warehousing
- ❖ Problem of bad debts
- ❖ Damage of stock in warehouses
- ❖ Cost of buying goods from the manufacturer
- ❖ Cost of loss of stock through theft

(any 4 × 1 = 4)

14.

DR	CASH A/C	CR
5.1.15 sales 20,000	21.1.15 Jamwal 10,000	

DR	SALES A/C	CR
	5.1.15 cash 20,000	

DR	FURNITURE A/C	CR
10.1.15 Jamwal 50,000	29.1.15 Jamwal 6,000	

DR	Jamwal A/C	CR
21.15 Cash 10,000 29.1.15 Furn. 6,000	10.1.15 Furn. 50,000	

8 × ½ = 4 marks

15. Features of time deposit

- ❖ Money earns interest at an agreed rate
- ❖ There is usually a minimum amount that is required to operate this account
- ❖ A certificate of deposit is usually issued to a depositor
- ❖ If the money is withdrawn before expiry of agreed period the depositor may lose the accrued interest
- ❖ The money plus all the interest can be withdrawn at the time of the agreed period

(4 × 1 = 4 mks)

16. Commercial services that facilitate trade

- ❖ Banking
- ❖ Advertising
- ❖ Warehousing

- ❖ Transportation
- ❖ Insurance

(4 × 1 = 4 mks)

17.

Njoro Traders Profit and loss account For the period ended 31 st Dec 2013✓			
EXPENSES		REVENUES	
Salaries	2,000✓	Gross profit	10,000✓
Electricity	2,000✓	Commission income	4,000✓
Carriage outwards	4,000✓	Rent received	3,000✓
Net profit c/d	9,000✓		
	17,000		17,000
	17,000	Net profit b/d	9,000

8 × ½ = 4mks

18. Factors that determine the National income of a country.

- ❖ Natural resource endowment in terms of quantity and quality
- ❖ Availability of capital/man-made resources
- ❖ Human resource in terms of quantity and quality of labour force
- ❖ Social cultural attitudes that have a bearing on development of entrepreneurs
- ❖ Technology in terms of methods or techniques used in production process
- ❖ Foreign investment in the country
- ❖ Type of governance and political situation in the country.
- ❖ Attitudes of citizens towards work

(4 × 1 = 4 mks)

19. Causes of demand pull inflation

- ❖ Consumers increasing their expenditure
- ❖ Autonomous increase in government expenditure
- ❖ Increase in export or fall in imports
- ❖ Rise in money supply in an economy
- ❖ Increase in wages and salaries
- ❖ Increase in population
- ❖ Natural causes such as natural disasters

(4 × 1 = 4 mks)

20. Ways in which the problem of scarce resources can be addressed by a consumer.

- ❖ Drawing up of a scale of preference
- ❖ Planning/Budgeting every expenditure
- ❖ Conservation of resources
- ❖ Recycling of goods
- ❖ Rationing/Using resources in small amounts (4 × 1 = 4 mks)

21. How to manage local resources in order to alleviate the problem of unemployment

- ❖ Government funding of local entrepreneurs such as through the youth and the women fund
- ❖ Carrying out research to discover the existence of these resources
- ❖ Training/Nurturing individual talents such as through KBTI
- ❖ Sensitizing people on the need to utilize local resources/Advocating for the use of local resources.
- ❖ Giving the citizens government contracts for instance women and the youth.
- ❖ Promoting the use of local products through the mass media.
- ❖ Improving infrastructure to ease the transportation of both raw materials and finished products
- ❖ Providing appropriate incentives to local entrepreneurs for example subsidies, tax concessions etc.
- ❖ Reclamation/Rehabilitation of waste land. (4 × 1 = 4 mks)

22. Factors that comprise negative internal environment of the business

- ❖ Non-committed owners
- ❖ Poor business structure
- ❖ Inadequate capita resource
- ❖ Outdated/Poor technology
- ❖ Poorly skilled/Inexperienced workers
- ❖ Unfavourable business culture (4 × 1 = 4 mks)

23.

- a) **Current assets** = Stock+ Debtors + Cash at bank
 $= 174,000 + 113,000 + 53,000 = 340,000\checkmark$ (1mk)
- b) **Capital owned** = Capital invested + Net profit – Drawings
 $359,000 + 114,000 - 73,000 = 400,000\checkmark$ (2mks)
- c) **Working capital** = Current assets- current liabilities
 $340,000 - 143,000 = 197,000\checkmark$ (1mk)

24. Use of office equipment and their respective names (4mks)

Functions of the Machine	Office Equipment
a) Used in posting information to ledgers and preparing payrolls	Accounting machine
b) To transmit printed messages such as	A facsimile (Fax machine)

photographs, letters, and maps	
c) Usually fire proof where important documents in an organization are stored	A safe or Vault
d) Used to carry out many functions such as storing information, typing and performing complex calculations	A computer

25. Factors that give rise to monopoly power

- ❖ Control of important factor of production
 - ❖ Legal production through patents and copyrights
 - ❖ Merging or amalgamation of firms producing similar products to control the market
 - ❖ Government owned or controlled enterprises to eliminate wasteful competition
 - ❖ Where the production requires heavy capital investment not affordable by many firms
 - ❖ Where there exists substantial economies of scale which can only be tapped by one very large enterprise.
- (4 × 1 = 4 mks)**

565/2
BUSINESS STUDIES
PAPER 2
MAY 2015
FORM FOUR
TIME: 2 HRS.

TIGANIA SOUTH PRE-MOCKS 2015

565/2
BUSINESS STUDIES
FORM FOUR
TIME: 2½ HRS.

MARKING SCHEME

1. (a) Explain **five** measures put in place by the government to bring order in road transport sector in Kenya today. **(10 marks)**
- *Speed governors – used to check on over speeding on our roads which causes accidents.*
 - *Use of alcoblows – to check/detect and prevent driving of vehicles by drunk drivers.*
 - *Certificate of good conduct – carried out to make sure that those involved in road transport are of good conduct especially drivers and touts.*
 - *Inspection of vehicle – done to make sure that only road worthy vehicles are allowed in Kenyan roads.*
 - *Carrying capacity – the government usually determine the carrying capacity of vehicle both passengers and cargo carrying vehicles to avoid road damage and accidents. (5 well explained @ 2 = 10 marks)*
 - *Vetting of drivers to ascertain that the genuity of their driving licences.*
 - *Designating routes for PSV.*
 - *Uniform for drivers and touts/conductors.*
 - *All PSV vehicles should have the yellow line.*
 - *All PSV vehicles to join matatu SACCO.*
 - *Use the cashless means of payment.*
- (5 well explained @ 2 = 10 marks)*

(b) Explain **five** reasons why per capita income is not a good indicator of standards of living. **(10 marks)**

- *It does not take into consideration the effects of production activities on the environment like pollution and environmental degradation which actually lowers the quality of life of people.*
- *High: per capita income may be as a result of increase in the number of working hours at the expense of the people's health.*
- *It does not show the gross national output among the citizens of a country.*
- *It does give the goods produced in a country but does not show whether they are socially desirable or not.*
- *The per capita income may be caused by inflation in the economy or devaluation of a country's currency; it may seem high but does not mean that the welfare is good.*
- *Income distribution – If the income is in the hands of a few, then we cannot say that peoples' welfare has improved.*
- *Nature of products – If the products that make up national product are not meant to satisfy immediate wants of people, then an increase in per capita; income may not lead to a high economic welfare.*
- *Difficulty to measure welfare – economic welfare is subjective, is not easy to measure quantitatively. Peoples' wants and inspiration keep on changing and their tastes change over time.*
- *Statistical problems – inaccurate data brings about wrong national income which also give wrong per capita figures. If per capita income is wrong, then it's wrong to use it as a measure of people's welfare. (any 5 well explained @ 2 = 10 marks)*

2. (a) On 1st November 2013:Tabagon Co. Ltd. had a balance of shs. 12,000 at the bank and shs. 2500 in hand. During the month, the following transaction took place;

Nov. 1	Cash sales Shs. 2500, cash purchase Shs. 1750
Nov. 3	Paid the following accounts by cheque. Kiroop Shs. 1500 less 5% cash discount Kirui Shs. 2000 less 5% cash discount Nasimiyu shs. 2100 less 3 % cash discount
Nov. 5	Received the following amounts from debtors, Ondiek shs. 1200, Jane shs. 3850 and Mueni by cheque shs. 2050 after allowing her shs. 300 cash discount.
Nov. 14	Paid office cash to the bank shs. 2000
Nov. 17	Cash sales 8500
Nov. 22	Mueni paid her account of shs. 5000 by cheque less 10% cash discount

- Nov. 28 Withdrew all the money from the bank for office use except shs. 1000
 Nov. 29 Paid salary cash shs. 8000
 Nov. 30 A cheque received from Mueni on Nov. 5th was dishonoured.

Prepare Tabagon Co. Ltd. three column cash book. (10 marks)

Date	Details	F	Discount allowed	Cash	Bank	Date	Details	F	Discount received	Cash	Bank
2011						2011					
Nov1	Balance	b/d		2500	12000	Nov1	Purchase			1750	
1	Sales			2500		3	Kiprop		75		1425
5	Ondiek			1200		3	Kirui		100		1900
5	Jane			3850		3	Nasimiyu		63		2037
5	Mueni		300		2050	14	Bank	C		2000	
14	Cash	c			2000	28	Cash	C			14188
17	Sales			8500		29	Salary			8000	
22	Mueni		500		4500	30	Mueni				2050
28	Bank	c		14188		30	Bal.	c/d		20988	
30	Bal	c/d			1050						
			800	32738	21600				238	32738	21600
30	Bal	b/d		20988	30		Bal.	b/d			1050

$$50 \times \frac{1}{5} = 10 \text{ marks}$$

(b) Describe the procedure of obtaining an insurance claim. (10 marks)

▪ **Filling a proposal form**

The person intending to take insurance policy fills in a proposal form. The applicant fills relevant / material facts on the subject matter of insurance.

▪ **Determining the premium to be paid**

The premium to be paid is determined depending on the value of the property and the type of risk to be covered.

- **Payment of the first premium**
After the insurance company has accepted to cover the risk and premiums are calculated and the insurer pays the first premium.
- **Issuing of cover note (binder)**
The insured is issued with temporal policy which is valid for 30 days within which the policy would be issued.
- **Issuing of policy**
This is the contractual document between the insurer and the insured and it contains the terms and conditions of the insurance cover. Once issued it replaces the cover note and the policy becomes operational.
(2 ×5 = 10 marks)

3. (a) Explain the meaning of the following terms as used in business ownership. **(10 marks)**
- (i) Franchising
Where a business permits another the right to manufacture, distribute its branded products using the name of the firm that gives the rights for a fee.
 - (ii) Merger
Where two or more businesses combine to form one new business.
 - (iii) Holding company
Is a company that acquires 51% or more ownership of one or more companies which will be her subsidiaries under her control but with separate identities.
 - (iv) Front Office Savings Account (FOSA)
Is an a/c provided by SACCOs to their members to enable them to deposit or withdraw money conveniently.
 - (v) Globalization
Where businesses conduct their activities all over the world through technology such as e-commerce/where a business has branches all over the world-called multinationals.
- (b) Explain **five** features of a hypermarket. **(10 marks)**
- *Hypermarkets are usually several shops that sell the same type of products while others deal in different products.*
 - *They occupy a large space, complete with access roads and ample parking spaces.*
 - *They are usually located away from the city or town centre.*

- *Their frequent customers are usually middle and higher income earners.*
- *Operate under one roof but owned by different people.*
- *They open up to late hours of the evening on all days including weekends and public holidays.*

4. (a) Explain **five** emerging issues in office practice today. (10 marks)

- *Increased use of computers in the office most work in the office is being typed, stored and transmitted by use of computers because they are faster, accurate and can Store more information.*
- *There is increased use of tele-conferencing in holding meetings. Whereby most businesses are networked regionally, nationally and globally etc. At the moment business meetings are being held online and this has reduced cost of travelling globally.*
- *E-commerce is on the increase whereby most businesses are transacting regionally, nationally and globally through the internet. Business deals are being networked via the internet when people are right in their offices.*
- *Increased use of the Open-Office or landscaped office layout is the trend in most offices today. This has enhanced better management of the businesses and increased the customers' satisfaction.*
- *Development of public relations departments. Most businesses have developed customer care departments to enhance customer contact and increase the customers' awareness on the existence and use of firm's products.*
- *Increased use of cellphones is a new order for most businesses. All their employees have cellphones to enable them serve the business better even when they are away from their offices. Some business organizations even provide airtime to their workers in order to improve their efficiency and attain a wider market for the goods and services.*
- *Most office are being located in the outskirts /sub-urban areas in order to reduce on the cost of land, reduce running cost, attain good parking space and solve the problem of traffic jams.*
- *Procedure and routines have changed in the offices today, whereby most senior officers are typing their work today by use of computers and also driving themselves in the organizations cars in order to reduce on the cost of delegating such duties to junior staff which is an additional operational cost.*
- *Use of tags/badges/uniforms for workers*
- *Logging in and out.*

(5 × 2 = 10 marks)

(b) Explain **five** reasons that account for the existence of small firms in an economy. **(10 marks)**

- *Due to situations where the market being served is small or limited.*
- *To enjoy quick decision making with small firms it takes a very short time to make some decisions because less consultations are involved.*
- *Some products can only be produced or provided in small amounts – personalized services for instance need personal contact with the clients thus the need to keep the business small/To enhance or promote customer loyalty.*
- *General knowledge that small firms are simple to manage hence encouraging the owner(s) to keep it small as a way of avoiding the complexity associated with large business.*
- *Some business people need to retain control – where the owner wants to continue being independent and taking charge in the management of the business/Derives pleasure by being own boss.*
- *Flexibility – small firms are preferred because one can easily adjustments especially when there is need to change the line of business.*
- *Less capital required – a big number of people are able to raise the small amount of capital that is needed to start and operated a small business.*
- *Legal constraints – where government policies restrict the expansion of a business.*

(5 × 2 = 10 marks)

5. (a) Explain **five** ways in which communication enhances trading activities. **(10 marks)**

- *Facilitates the giving and receiving of information – this is within and between the firm and outsiders. For example the boss informing the members of staff of a planned meeting so that they prepare for it.*
- *Enhances clarification of issues – some information that is confusing may be due to complex management are communicated well to stop the confusion.*
- *Enhancing public relations – this way the business creates a positive corporate image to members of the public.*
- *A way of starting and influencing action-new ideas and plans are communicated while making sure they are implemented in the desired way.*
- *Improving customer service it is one way of handling customer inquiries efficiently and giving them the desired feedback.*
- *Helps to coordinate departments of the organization – enable good linkage of the activities of all departments in an organization so as to achieve harmony at work.*
- *Way of giving reassurance – for instance the management may appreciate the good work of an employee by serving him/her with a ‘well done’ memo.*

- *For confirming arrangements – enables the office to confirm such arrangements as meetings or conferences.*
- *Giving feedback.*
- *For giving instructions – enables the management to get work done by issuing procedures and orders.*

(5 × 2 = 10 marks)

(b) Highlight **five** factors that facilitate entrepreneurial development in an economy. **(10 marks)**

- **Good infrastructural development in an economy** *Whenever there is good transport network, developed water systems, proper buildings and good security in a country, the levels of entrepreneurial development will increase greatly.*
- **Favourable government policy.** *Whenever the government increases taxes on the factors of production, the rate of entrepreneurial development decreases because, taxes usually reduces the profits of the entrepreneurs and whenever the government lowers the taxes on the factors on the factor inputs a large number of entrepreneurs usually join business practice.*
- **Increased levels of education and skills in the economy.** *Wherever people in an economy get educated they acquire the relevant skills and knowledge, training and experience and can therefore engage in entrepreneurial practices in the economy.*
- **Availability of market for goods and services.** *Availability of adequate market in goods and services always acts as a ‘pull’. Factors to the growth of businesses, as more entrepreneurs will start businesses in order to provide goods and services to the already existing market.*
- **Availability of resources.** *Availability of adequate resources i.e. capital, labour, physical resources and modern technology always facilities faster entrepreneurial development in an area.*
- **Reduced levels of competition.** *In a particular trade will lead to increased levels of entrepreneurs will endeavour to start business in those areas where the levels of competition are low in order to attain higher profits.*
- **Political stability.** *Political stability and general peace in an economy always lead to increased levels of entrepreneurial development in an economy because businesses thrive well whenever there is general peace in the economy and people can trade peacefully.*
- **Natural factors.** *Like rainfall temperature earthquakes, pests, wind and drought usually influence the type of businesses carried out in an area. Whenever there is adequate rainfall businesses dealing with horticulture practices will be established, whereas areas that experience long spells and constant pest outbreak may have limited businesses for lack of the output / farm produce to trade.*

(2 × 5 = 10 marks)

6. (a) The following trial balance was extracted from the ledgers of Gathioro's mobile phones business for the year ended 31st Oct 2013.

**Gathioro's mobile phones
Trial Balance
As at Gathiro's 31st Oct 2013**

Details	Dr. (Shs)	Cr. (Shs)
Sales		855,000
Purchase	420000	
Sales returns	12000	
Purchase returns		20000
Creditors		165000
Debtors	63000	
Motor vehicle	480000	
Cash in hand	65000	
Furniture	190000	
Carriage inwards	14000	
Stock	280000	
Capital		626250
Drawing	88000	
Telephone	6400	
Insurance	8200	
Postage	3850	
Rent	19600	
Discounts received		4000
Advertising	12900	
Discount allowed	7300	
	1670250	1670250

On 31st Oct. 2013, the business had closing stock valued at Shs. 60,000

Required

- (i) The trading, profit and loss a/c for the year ended 31st Oct 2013.
(8 marks)

**Gathiro's mobile phones
Trial Balance
As at Gathiro's 31st Oct 2013**

	<i>Shs</i>	<i>Shs</i>		
<i>Opening stock</i>		<i>280000</i>	<i>Sales</i>	<i>855000</i>
<i>Add: purchases</i>	<i>420000</i>		<i>Less R.I</i>	<i>12000</i>
<i>Add C. I</i>	<i>14000</i>			
<i>Less R.O</i>	<i>20000</i>	<i>414000</i>	<i>Net sales</i>	<i>843000</i>
<i>C.O.G.A.S</i>		<i>694000</i>		
<i>Less C. stock</i>		<i>60000</i>		
<i>C.O.G.S</i>		<i>634000</i>		
<i>G.P c/d</i>		<i>209000</i>		
		<u><i>843000</i></u>		<u><i>843000</i></u>
<i>Telephone</i>		<i>6400</i>	<i>G.P b/d</i>	<i>209000</i>
<i>Insurance</i>		<i>8200</i>	<i>Discount received</i>	<i>4000</i>
<i>Postage</i>		<i>3850</i>		
<i>Rent</i>		<i>19600</i>		
<i>Advertising</i>		<i>12900</i>		
<i>Discount allowed</i>		<i>7300</i>		
<i>Net profit c/d</i>		<i>154750</i>		
		<u><i>213000</i></u>		<u><i>213000</i></u>
			<i>Net profit b/d</i>	<i>154750</i>

(16 × ½ = 8 marks)

Gathioro's mobile phones
Balance Sheet
As at 31st Oct 2013

(ii)

<i>ASSETS</i>			<i>CAPITAL + LIABILITIES</i>	
<i>FIXED ASSETS</i>			<i>Capital</i>	<i>626250</i>
<i>Motor vehicle</i>	<i>480000</i>		<i>Add net profit</i>	<i>154750</i>
<i>Furniture</i>	<i>190000</i>	<i>670000</i>	<i>Less drawings</i>	<i>88000</i>
				<u><i>693000</i></u>
<i>CURRENT ASSETS</i>			<i>CURRENT LIABILITIES</i>	
<i>Stock</i>	<i>60000</i>		<i>Creditors</i>	<i>165000</i>
<i>Debtors</i>	<i>63000</i>			
<i>Cash</i>	<i>65000</i>	<i>188000</i>		
				<u><i>858000</i></u>
		<u><i>858000</i></u>		<u><i>858000</i></u>

(12 × 1/3 = 4 marks)

(b) Explain **five** services rendered by the Central Bank to the government.

(10 marks)

- *Administration of public debt – the government makes payment of all her debts, both internal and external, through the Central bank.*
- *Providing financial advice to the government – from time to time they give useful advice to the government on important economic and financial matter.*
- *Receiving payment on behalf of the government - from foreign donors, the income tax department and the customs department.*
- *Makes payment on behalf of the government – all government payments to different agencies are made through the CB.*
- *Links the government to international monetary institutions and other lenders/ bilateral all transactions between the government and international financial institutions/other trading partner, are facilitated by the CB.*
- *Government operates a bank account with the central bank – it keeps the accounts of the various government departments and institutions.*
- *Custodian of foreign exchange reserves; that way it manages the country's relations with international financial institutions.*

(5 × 2 = 10 marks)