F4 TOPICAL REVISION

BUSINESS

A SERIES OF KCSE TOPICAL REVISION QUESTIONS IN BUSINESS STUDIES.

An Intensive Analysis of Past KCSE Questions. Candidates are Hereby Advised to Keep attention to this Crucial Quick Revision Kit.

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MWALIMU AGENCY

SOURCE DOCUMENTS AND BOOKS OF ORIGINAL ENTRY

The topic entails;

- **Meaning of source documents; identify source documents and explain how they are used in recording business transactions**
- **Meaning a book of original entry**
- **Discussing the various types of books of original entry**
- **The journal as the main book of original entry and how to record information from source documents into relevant journals.**
- **Posting information from the journals to relevant accounts.**

1. The following data was extracted from the books of Mwauri Traders:

	31-12-2002	**31-12-2003**
	Shs.	**Shs.**
Salaries accrued	46 000	
Salaries prepaid		150 000

For the year ended 31-12-2003, salaries paid amounted to sh.200 000.

Prepare the salaries account as at 31st Dec. 2003

2. State **four** conditions necessary for the operation of the principle of indemnity in Insurance

3. On 31st December,2009 details extracted from Khetia's Ltd. showed commission received for the year as Kshs. 60,000. Commission received in advance by 1st January,2009 was Kshs.12,000. Whereas commission received in advance as at 31st December, 2009 was Kshs. 24,000. Determine the commission income for the year 2009 that is posted to the profit and loss account

4. State the journal that deals with each of the following types of transactions

TYPE OF TRANSACTION	**JOURNAL**
i) Credit sales	
ii) Return of goods by customers	
iii) Return of goods to suppliers	
iv) Cash cheques received	
v) Credit purchases	
vi) Sale of fixed assets on credit	
vii) Purchase of a motor van on credit from general motors	
viii) Correction of errors	

5. From the following information prepare debtors control account for the year ended 31st Dec 2007

	Shs
Debtors balance 1-1-07	11,000
Credit sales	**?**
Bad debts written off	5,000
Return inwards	1,600
Receipts from debtors	31,000
Dishonoured cheque	2,800
Discount allowed	3,400

Debtors balance 31-12-07 25,300

6.Journalize the following transactions which took place in the business of W. Wanjala during the month of June 2009:-

June 1 Balance B/f from May 2009 were:-
Office furniture shs.50,000 and motor vehicle shs.100,000

June 2 Purchased office furniture on credit for shs.65,000 from Mwema furniture

June 10 Sold an old vehicle on credit to Omwami garage for shs.200,000

June 25. Discovered that a motor vehicle that had been bought on credit from Kanyere motor for Kshs.750,000, had been recorded in purchases account

June 28 Sold an old computer to classic academy on credit for ksh. 15,000

June 29 : Sold an old tractor whose book value is Kshs. 200,000 for Khs.250,000 to Goseta

Prepare a general journal

7. Mr. Osodo, a sole trader in Mumias town does not keep complete set of accounting books. However, the following information was obtained from his general operation book for the year ending 31/12/2009

	Shs.
Debtors balance on 1/1/2009	24000
Bad debts	2000
Creditors balance 1/1/2009	68000
Debtors balance on 31/12/2009	72000
Discount allowed	18000
Creditors balance on 31/12/2009	83600
Returns inwards	5600
Cash paid to creditors	590000
Returns outwards	10200
Cash received from debtors	298000
Discount disallowed	1000
Dishonored cheques	36000
Discount received	6000

Additional information

He also disclosed that he had paid cash purchases amounting to Shs.483400 and received cash sales of Shs.70000 for the year

Required; i) Prepare total debtors account and total creditors account

ii) Calculate total purchases and total sales for the year

8. On 1st June 2009, **Nyamira Traders** had cash in hand shs.87,000 and cash at bank Shs.250,000. During the month, the following transactions took place:-

2009 June 2:-Cash sales shs.50,000 issued Receipt No.063

3:- Paid salaries and wages shs.101,500 by cheque ; cheque no. 083

6:- Received a cheque for shs.76,800 from Kemunto, after allowing her a cash discount of 4% issued a receipt No. 064

12:- Settled Omwabo's account of shs.40,000 in cash, having deducted shs.800 cash discount. Received recipt no. 0656

18:- Withdrew shs.30,000 from bank for office use

21:- Received shs.16,500 cash from Manwari in settlement of his account less shs.660 cash discount. Receipt No. 065

22: - Bought office furniture by cheque shs.85,000. Receipt No. 734

23:- Paid wages Shs.24,000 in cash receipt No. 801

28:- Withdrew shs.5000 cash for private use

30:- Received a cheque for shs.150,000 in respect of cash sales . Receipt No. 066

Required: Prepare:- (i) A cash receipts journal

(ii) A cash payment journal

9. The following is a trial balance of JAO traders as at 31/12/2009

	Dr (Shs)	**Cr (Shs)**
Capital		170000
Opening stock	60000	
Equipment at cost	125000	
Purchases	161000	
Sales	208000	
Discounts	2000	8000
Returns	27000	25000
Salaries	20000	
Telephone charges	5000	
Water bills	2100	
Creditors		15100
Debtors	21000	
Electricity expenses	2000	
Insurance paid	1000	

426000 426000

Additional information

i. Closing stock was valued at Shs.72000

ii.Telephone charges prepaid was Shs.1000 and outstanding water bills was Shs.1300

iii.Depreciation on equipment is 10% p.a on cost

iv.Carriage inwards was Shs.11000 and carriage outwards Shs.10000

Prepare trading and profit loss account for the year ending 31/12/2009

10. During the month of March 2010 the petty cashier of Nyangija distributors made the following payment after receiving an imprest of shs12, 000 from the general cashier.

March 3	traveling	3500
March 6	office expenses	1000
March 8	postage	1200
March 15	staff tea	800
March 19	stationery	2000
March 22	office expenses	800
March 24	staff tea	1000
March 26	sundry expenses	700
March 31	F. Benson a creditor	900

Required: Using the analytical columns below prepare a petty cash book of Nyangija distributors

- Traveling
- Office expenses
- Postage
- Stationery
- Staff tea
- Sundry expenses
- Ledger accounts

11. The following extracted from the books of Mogusii Ltd. 2005

March 1. Credit purchases from Obwocha Sit 1200

Agwata sh. 3,000 and Nyauamba sh.2,500

March 5 Credit sales to Okero Sit 2,000, Michieka sh.4,300 and Omwenga sh. 1500

March 10 Credit purchases from Onyancha Sh.2700

Obwocha sh 6600 and Ombaki sh.3300

" 20 Returned goods to Obwocha sh.250 and Onyancha 703

26 Credit sales to Bundi sh.850. Tendu sh.630 and Okero-sh.900

" 30 GoodswereretumedbyBundish.I50andMichiekasitl30

Required: ***Enter the above transactions in their relevant day books***

FINANCIAL STATEMENTS

The topic entails:

- **Explaining the meaning of a financial statement and identifying basic financial statements and discuss purpose of each.**
- **Prepare basic financial statements as per the relevant formats.**
- **Discuss the various types of capitals and their implication on performance of business**
- **Identify basic financial ratios and compute the various ratios form financial statements**
- **Discussing the importance of each financial ratio.**

1. The following information was extracted from the books of Klub traders

	Kshs.
Opening stock	160,000
Closing stock	200,000
Purchases	1,800,000
Margin	20%

Calculate klubs sales

2. The following balances were extracted from the books of Masai retailers on 14^{th} July 2000

	Shs.
Opening stock	30 000
Purchases	800 000
Closing stock	**?**
Sales	1 000 000
Return inwards	20 000
Return outwards	15 000

Maasai retailers sell goods at a mark up of 20%

Prepare the trading account for the period ended 14^{th} July 2000

3. The following account balances were obtained from Omenda traders on 31^{st} December 2002

	Kshs.
Stock (1/1/2002)	120,000
Purchases	170,000
Return inwards	30,000
Stock (31/12/2002)	110,000
Sales	300,000

Calculate: **(i) Margin**

(ii) Rate of stock turn over

4. The following information relates to Kafupi business enterprise:-

Average stock Shs.120,000

Rate of stock turnover 3 times

Margin 25%

From the data above, determine;

(a) The cost of goods

(b) Gross profit

(c) Sales

5. The following information was extracted form the books of Bondo Traders as at 31st Dec. 2004

Opening stock	2,500
Purchases	46,000
Closing stock	1,500
Mark up	20%

Prepare a trading account

6. Identify **four** methods that a government can use to finance a national budget deficit

7. The information below relates to Half-Bilha Traders for the year ended 30th September 2009;

Net sales	300,000
Cost of sales	150,000
Bad debts	30,000
Wages	25,000
Discount received	25,000
Rent	6,000
Carriage inwards	18,000
Carriage outwards	12,000

Prepare a profit and loss account for the business

8. The following information related to Virusi Trader for the year ended June 28th 2009

	Shs
Sales	5 400 000
Expenses	800 000
Mark up ration	2:3
Stock turnover ratio	6times

Required:-

Calculate: i) Gross profit
ii) Cost of sales
iii) Net profit

9. The following information relates to Mandu enterprises limited

Stock (1.1.2009)	40000
Stock (31.1.2009)	60000
Purchases	500000
Margin	20%

Prepare Mandu Enterprises Limited Trading account for the year ended 31st December, 2009

10. The following balances were extracted from the books of Wanga traders as at 30th June,2009

Current assets	320000
Capital	525000
Net profit	95000
Creditors	88200

Accrued expenses 10800

Calculate: a) Working capital

b) Return on capital

11. The following relates to Atis traders

Stock (1-7-2007)	shs. 22,000
Purchases	100,000
Mark –up	10%
Stock (30-6-2008)	26,000

Prepare her trading account

12. The following balances were extracted from the books of Shah Traders on 30th June, 2010

	Shs
Opening stock	65,000
Sales	280,000
Purchases	190,000
Purchases returns	10,000
Sales returns	4,200

Closing stock was Kshs. 70,000 as at 30th June, 2010. Prepare the trading account for the period ended 30th June, 2010

13. The following balances were extracted from the books of Chombo wholesalers for the year ended 31st December, 2009

	Kshs.
Sales	500,000
Purchases	320,000
Opening stock (1:1:2009)	80,000
Closing stock (31:12:2009)	40,000
Debtors	140,000
Creditors	90,000

Calculate;- a) Margin

b) Current ratio

c) Rate of Stock turnover

14. The following information was obtained from Maganda Enterprises for the year ended 31st Dec 2003:-

Opening stock	kshs. 40,000
Purchases	kshs. 400,000
Gross profit	kshs. 100,000

Goods were sold at a marked-up of 25%

Required;

Calculate: i) Sales for the year

ii) Rate of stock turn over

15. The following information was extracted from Jaribu traders on 31st December 2009

Stock turnover	5
Mark up	25%
Cost of sales	60,000
Closing stock	8,000

Required: i) Net sales
ii) Average stock
iii) Opening stock
iv) Net purchases

16. The following trial balance was extracted from Vumilia traders as 31st December 2006

	Dr	**Cr**
Capital		125,000
Purchases	45,000	
Carriage on sales	2,000	
Stock	25,000	
Sales		120,000
Carriage on purchases	1,200	
Insurance	5,900	
Salaries	12,450	
Discount allowed/ Discount received	3,400	1,950
Debtors/creditors	25,000	15,500
Bank	14,500	
Machinery	128,000	
	262,450	262,450

Additional information:

-closing stock 25,000
-Outstanding salaries 450
-Insurance 900 has been paid in advance
-Depreciate machinery by 10% on cost

Required: i) trading, profit and loss a/c
ii) Balance sheet

17. The following balance sheet was prepared by the accounts clerk of Mapato traders:-

Mapato traders
Balance sheet
As at 31st dec 2009

Fixed assets			
Land and building	300 000	capital	422 930
Furniture and fittings	51 500	+net profit	220 500
Machinery	140 000		643 430
Motor vehicle	190 000	-drawings	175 000
	681 500		468 430
Current assets		long term liabilities	
Stock	124 500	mortgage loan	30 000
Debtors	103 650	bank loan	400 000
Cash at bank	54 850		430 000
Cash at hand	3650	current liabilities	
	286 650	creditors	99 730
	968 150		968 150

Requirements:

Calculate the following

i) Working capital

ii) Return on capital

iii) Current ratio

iv) Capital employed

v) Borrowed capital

18. The following information was extracted from books of Chunga Traders for the period ending 31/12/2000:-

Fixed assets – 350,000
Drawings – 50,000
Creditors – 50,000
Cash – 60,000
Discount received 4,000
Rent – 12,000
Bank overdraft – 10,000
Debtors – 20,000
Stock (31/12/2000)-30,000
Commission received – 6,000
Gross profit – 80,000
Electricity – 3,000
Stock (11/1/2000) – 50,000
Salaries – 20,000

(a) ***Prepare:-*** (i) Their profit & loss account

19. The following balances were extracted from the books of **Nyamaiya Traders** on 31st May 2009:-

	shs.
Gross profit	400,000
Equipment	900,000
Furniture	500,000
Provision for depreciation on furniture	65,000
Power & lighting	24,000
Commission received	170,000
Stock (31.05.09)	35,000
General expenses	240,00
Debtors	350,000
Provision for bad debts	3,000
Creditors	550,000
Discounts allowed	29,000
Discounts received	40,000
Cash in hand	150,000

Additional information

(i) Depreciation to be provided as follows: – Equipment 20% on cost
– Furniture 10% on book value

(ii) Adjust provision for bad debts to shs.3500

(iii) Commission received in advance amounted to shs.10,000

Required: Prepare:- (i) Profit and loss account for the year ended 31st May 2009

(ii) Balance sheet as at 31st May 2009

20. The following information relates to Kipgaa traders for the year 2006:-

	Kshs.
Turnover	270,000
Margin	40%
Rate of turnover	6 times
Expenses	40,000

From the information given above,

Calculate: (i) Gross profit

(ii) Cost of goods sold

(iii) Average stock

21. The following information relates to Odongo Traders for the year ended 31.Dec. 2008.

Land	shs.50,000
Capital	shs.94,000
Machinery	shs.20,000
Motor vehicles	shs.30,000
10 year bank loan	shs.20,000
5 year AFC loan	shs.10,000
Stock	shs.10,000
Debtors	shs.6,000
Creditors	shs.6,000
Accrued expenses	shs.2,000
Cash at bank	shs.10,000
Cash in hand	shs.2,000
Drawings	shs.4,000

Required:

i) A balance sheet as at 31st Dec. 2008

ii) Calculate -borrowed capital

-current ratio

-capital owned

22. (a) Two firms **X** and **Y** engage in similar lines of business had the following records in 2009;

	Firm X	**Firm Y**
Average stock at cost	shs.8,000	shs.7000
Rate of stock turnover	6.4times	6.5times
Average mark-up	20%	20%
Expenses	shs.5,632	shs.4,186
Capital	shs.30,720	shs.24,570

(a) For each firm, calculate: (i) The cost of sales

(ii) Gross profit

(iii) Rate of return on capital

(b) Giving a reason, state the firm which is better

23. The following information relates to Ladopharma Chemist as at 30th November 2008

	Dr (shs)	Cr (shs)
Stock (30th Nov 2007)	23 910	
Capital		30 955
Drawings	8 420	
Bank	3 115	
Cash	295	
Debtors	12 300	
Creditors		9 370
Motor vehicles	4 100	
Equipment	6 250	
Sales		130 900
Purchases	92 100	
Returns inwards	550	
Carriage inwards	215	
Return outwards		307
Carriage outwards	309	
Motor expenses	1 630	
Rent	2 970	
Telephone charges	405	
Wages	12 810	
Insurance	492	
Office expenses	1 377	
Sundry expenses	284	
	171 532	171,532

Stock as at 30th November 2008 was shs 27 475

Required: prepare

i) The trading, profit and loss account

ii) A balance sheet as at 30th November 2008

24. The following is a trial balance of JAO traders as at 31/12/2009

	Dr	Cr

	(Shs)	(Shs)
Capital		170000
Opening stock	60000	
Equipment at cost	125000	
Purchases	161000	
Sales	208000	
Discounts	2000	8000
Returns	27000	25000
Salaries	20000	
Telephone charges	5000	
Water bills	2100	
Creditors		15100
Debtors	21000	
Electricity expenses	2000	
Insurance paid	1000	
	426000	426000

Additional information

(i) Closing stock was valued at Shs.72000

(ii) Telephone charges prepaid was Shs.1000 and outstanding water bills was Shs.1300

(iii) Depreciation on equipment is 10% p.a on cost

(iv) Carriage inwards was Shs.11000 and carriage outwards Shs.10000

Prepare trading and profit loss account for the year ending 31/12/2009

25. The following trial balance relates to Jakobura Stores

	DR	CR
Gross profit		85,000
Debtors	95,500	
Motor vehicle	150,000	
Furniture	30,000	
Bank	62,000	
Stock	52,500	
Provision for depreciation on Motor vehicle		16,000
Provision of depreciation on Furniture		2,620
Salaries	64,000	
Building	180, 000	
General expenses	45,200	
Creditors		75,000
Commission received		42,800
Equipment	55,200	
Electricity	15,420	
Capital		528,400
	749,820	749,820

Additional information

(i) Profit margin was 20%

(ii) Stock as at 1st January was valued at Ksh. 48,000

(iii) Depreciation was provided as follows:

(a) Motor vehicle 25% p.a on cost

(b) Furniture 7% p.a on cost

(iv) On 31st Dec 2006, equipment was valued at Ksh. 48,576 and general expenses outstanding were Ksh. 1,200

(v) A bill of Khs.340 which was paid for a private residence was included in the electricity account .

Required:-. Prepare a trading profit and loss account for the year ended 31st Dec 2006

26. Prepare a trading and profit and loss account for the year ended 30th June 2008 and a Balance sheet as at date from the following trial balance;

Bosongo wholesalers **Trial balance as at 30th June 2008**		
Stock on 30/6/2007	400	13,870
Capital and drawings	600	7,000
Purchases and sales	3,500	
Furniture and fittings	2,000	
Motor vehicles	15,000	
Debtors and creditors	800	1,200
Returns	150	200
Discounts	90	80
Rent		100
Insurance	210	
Bank		300
	22,750	22,750

Closing stock shs. 5.00

INCOMPLETE RECORDS

The topic entails:

- **Meaning of incomplete record, giving examples and explain how they come about.**
- **Explaining the meaning of a statement of affair and show the difference between statement of affairs and balance sheet.**
- **Preparation of statement of affairs**
- **Identifying the items used in updating the records**
- **Prepare financial statement from the updated records.**

1. The bookkeeper of Chacha Traders extracted the following information form the accounting records:-

	1/1/2009	**31/12/2009**
Suppliers	445,000	620,000
Discount received	-	12,000
Purchases returns	-	25,000

During the year ended 31/12/2009, suppliers were paid shs.1,400,000 while cash purchases Amounted to shs.800,000. Determine the purchase for the year

2. On 31st January 2004, Maleya Traders had a capital of Kshs.65000. At the end of the year, the following balances were available:-

	Kshs.
Stock	8,000
Creditors	6,000
Cash at bank	4,000
Premises	90,000

Prepare a statement of affairs on 31st December 2004

3. On 1st January 2009, Rodi Traders had a capital of shs 550 000 at the end of the year. The following balances were available

Items	**31.12.2009** **Shs.**
Creditors	50 000
Debtors	30 000
Bank overdraft	80 000
Buildings	870 000
Rent due	10 000
Salaries prepaid	10 000

i) Prepare statement of affairs as at 31.12.2009

ii) Determine the net profit for the year

4. Highlight **four** differences between a balance sheet and statement of affairs

5 **Kemoko**, a trader does not keep a complete set of accounting records. A summary of his bank account for the year ended 31st Dec. 2008 is given below:

Bank account summary

Cash sales	47,500	Balance b/f	30,000
Trade debtors	170,000	Trade creditors	250,000
Commission	65,000	Rent & Rates	5,000
Balance c/f	20,500	Sundry expenses	4,000
		Wages	7,750
		Lighting	3,750
		Insurance	2,500
	303,000		**303,000**

The following information was also available:-

	01/01/08	**31/12/08**
Stock	45,000	27,500
Creditors	100,000	125,000
Debtors	75,000	115,000
Machinery & Equipment	432,000	425,000

Required: -Prepare Kemoko's Trading, profit and loss account for the year-ended 31st Dec. 2008

6. Explain **five** distinctions between statement of Affairs and a balance sheet

MONEY AND BANKING

The topic entails:

(i) Explanation of meaning of barter and highlight its major limitations in facilitating trade.
(ii) Explaining the meaning of money and its characteristics
(iii) Discussing function of money and how each of the characteristics of money facilitate these functions.
(iv) Discuss the factors that influence the demand and supply of money.
(v) Meaning of banking and discuss the role of banking in an economy.
(vi) Discuss the development of banking
(vii) Discuss the various types of accounts offered by commercial banks
(viii) Discuss the functions of non-bank financial institutions bringing out the differences between commercial banks and non-bank financial institutions.
(ix) Discuss the role played by the central ban in an economy
(x) Identify trends in banking.

1. Give **four** circumstances under which a trader would operate a fixed deposit account
2. Give any **four** functions of money
3. Highlight **four** reasons why loans advanced by commercial banks in Kenya may not appeal to many people
4. Give **four** disadvantages of barter trade
5. Identify the motive of holding money in each of the circumstances below:-

   (a) Need to hold money to cater for future unforeseen eventualities
   (b) Need to have money to cater for daily expenses
   (c) Need to have money with hope that prices will fall in future in order to purchase more
6. Identify **four** roles of the Central Bank as a government banker
7. E-banking is a method of banking through electronic systems. Give **four** reasons to account for the rising popularity of this banking system
8. Mention **four** ways in which individuals can hold money
9. State **three** motives of holding money
10. Outline **four** differences between commercial banks and non- bank financial institutions
11. Identify **four** roles played by the international monetary fund in international trade
12. Explain **five** characteristic of a monopolistic market.
13. Highlight any **five** modern trends in the Banking industry in Kenya
14. Explain **five** ways in which commercial banks have enhanced the development of business activities in the country
15. Explain **five** ways through which the central bank of Kenya can expand the supply of money in an economy

16. Explain **five** methods of payments offered by commercial Banks in Kenya
17. Explain **five** factors that can lead to a cheque being dishonoured
18. Explain **four** emerging trends in the banking system
19. Banking has played a major role in Kenyan's economic development. Explain **five** current trends in banking sector

PUBLIC FINANCE

The topic entails:

- **The meaning of public finance and the purpose**
- **Identifying various sources of public finance.**
- **Categorizing public/government expenditure and explain various ways the government uses public finances and their influence on business activities in an economy.**
- **Discuss taxation and its contribution to public finance**
- **Discuss the purpose and principles of taxation laying emphasis on characteristics of a good tax system.**
- **Classify taxes and outline the merit and demerits of each.**
- **Meaning of the budget and discuss the role of a budget as a tool for planning.**

1. Outline **four** short comings of a country borrowing heavily from internal and external sources
2. Mention **four** cannons of taxation
3. State **four** reasons why government levy taxes
4. Identify **four** methods that a government can use to finance a national budget deficit
5. Match the following types of taxes with the appropriate description given below:-

   Corporate tax, Customs duty, Estate duty, Excise duty

Tax	**Description**
(a)	Is a tax levied on manufactured goods
(b)	Is a tax levied on wealth of a person after his death
(c)	Is a tax levied on entry of goods into a country
(d)	Is a tax levied on profits of business enterprises

6. Highlight any **four** features of a good tax system
7. Outline **five** principles of taxation
8. Differentiate between progressive and regressive taxation giving an example of each
9. Highlight **four** advantages of direct tax
10. Highlight **four** sources of revenue to the local authorities
11. Discuss **five** principles of taxation
12. Outline **five** sources of non- tax public revenue
13. Explain **five** principles of public expenditure
14. Highlight **five** reasons for imposition of tax by the government
15. Discuss **five characteristics** of a good tax system
16. Outline **five** reasons why the Kenya government must impose tax.

INFLATION

The topic entails:

- **Explaining the meaning of inflation bringing out clearly how that affects the economy.**
- **Computation of the price index**
- **Discussing different types of inflation and how they may occur in real life situation and their consequences to an economy.**
- **Discuss the levels of inflation**
- **Discussing how to control the various types of inflation and how the government controls inflation rates so as to provided conducive environment for business to perform and contribute to the general growth and development of the economy.**

1. A country's domestic currency has been depreciating over time highlight five disadvantages of this to the country
2. State **four** negative effect of inflation to a country
3. State any **four** causes of demand-pull inflation
4. State **four** non-monetary methods of controlling inflation in a country
5. Mention **four** desirable effects if inflation
6. Highlight **four** negative effects of inflation in Kenya
7. Highlight **four** negative effects of inflation in Kenya
8. Explain **five** negative effects of inflation to an economy
9. Explain **five** positive inflation effects of inflation to the economy.
10. Explain **five** causes of inflation in an economy
11. Write short notes on the following strains of inflation;
    - i) Mild inflation
    - ii) Hyper inflation
    - iii) Demand-pull inflation
    - iv) Cost push inflation
    - v) Imported inflation

INTERNATIONAL TRADE

The topic entails:

- **Meaning and importance of international trade**
- **Clear distinction between balance of trade, and balance of payment.**
- **Computation of balance of trade.**
- **Accounting for the differences in terms of trade of various countries**
- **Identifying components of balance of payment account and their preparation**
- **Discussing causes of disequilibrium in the balance of payment and measures to resolve them.**
- **Discussion on the terms of sale used in international trade and their cost implication of each to the seller and the buyer.**
- **Discussing the meaning of economic integration and distinguish between the various forms of integration.**
- **Discuss the benefits as well as the disadvantages of integration.**
- **Discuss free trade outlining case for and against free trade.**
- **Discuss merits and demerits of trade restrictions.**
- **Discuss the benefits of trade agreements such as A.G.O.A**
- **Meaning of exchange rates and comparison between salient features of flexible and fixed systems.**
- **Discuss reasons for various development.**

1. Write in full the following abbreviations:
   i) Franco
   ii)O.N.
   iii)C.W.O
   iv)I.O.U
2. State any **four** economic benefits Kenya may derive from the recently revived East African cooperation (E.A.C)
3. Highlight **four** trade measures that can be undertaken by a country to correct balance of payment disequilibrium
4. Highlight **four** difficulties encountered in international trade
5. The following statement shows the various level of economic integration. Against this statements, give the level that suits each:

Statement	Level
(a) Member countries imposes common tariffs on non-member states	
(b) Member countries have joint economic institution and common monetary and fiscal policies	
(c) Member countries agree to either abolish or relax tariffs and other barriers	
(d) Member countries allow free movement factors of production	

6. Outline **four** ways in which Kenya benefits by being a member of Common Market for East and Southern Africa States (COMESA)

7. The table below gives descriptions of some documents used in international trade complete the table, by indicating the name of the document that corresponds to each description

Description	Document
i) Requests the exporter to supply the importer with the items indicated	
ii) Acknowledges the receipt of goods on board a ship	
iii) Authorizes the bank to resell goods being exported	
iv) Gives details of exported goods and name of country of origin	

8. Highlight **four** factor that may hinder the success of East African Co-operation (E.A.C)
9. Explain **five** benefits that will accrue to a country due to use of pipeline in transporting oil products
10. Explain **five** advantages that a country may experience from imposing trade restrictions In trading partners.
11. Discuss **five** reasons why many countries tend to prefer free trade
12. Discuss **five** causes of the persistent balance of payment disequilibrium in East African countries
13. Explain **five** measures that the Government of Kenya may take to control her persistent Balance of payment deficit
14. Explain **five** advantages of economic integration to a member state.

ECONOMIC DEVELOPMENT AND PLANNING

The topic entails:

- **Distinction between economic growth and economic development.**
- **Discussion of characteristics of under development.**
- **Discussion of the goals of development and factors that hinder development**
- **Discuss the meaning and importance of planning in an economy.**
- **Outlining common features of a development plan.**
- **Outline problems encountered in development planning.**

1. Outline any **four** problems encountered in development planning in Kenya
2. Mention any **four** obstacles faced by the Kenyan government in realizing its development planning .
3. Outline **four** indicators of underdevelopment
4. Highlight **four** circumstances under which a country may be classified as underdeveloped
5. Highlight **three** goals of development
6. Describe **fou**r reasons why it is important for Kenya to prepare a proper development plan
7. Highlight **four** characteristics of good development plan
8. Discuss **five** principles of taxation
9. Highlight distinguishing features between developing and developed countries.

10. Every third world country aspires to develop but it is faced with some obstacles. Explain **five** of such obstacles to economic development
11. Explain **five** factors that have frustrated economic development in a developing country like Kenya for the last few decades
12. The national budget is drawn before the beginning of every financial year by the government discuss **five** functions it plays as a planning tool

13. Explain **five** challenges that Kenya is facing in the implementation of her development plans
14. a) Explain **five** changes that may take place when a country is experiencing economic development

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