2b)

Rahwaro Enterprises

Trading Profit and Loss Account

For The Period Ended 31st Dec 2015.

Opening stock	160,000	Sales	1,440,000
Purchases	960,000	Returns in	(16,000)
Carriage in	6,800	Net sales	1,424,000
	966,800		
COGAFS	1,126,800		
Closing stock	(280,400)		
COGS	846,400		
Gross profit c/d	577,600		
	1,424,000		1,424,000
		Gross profit b/d	577,600
Expenses:			
Disc allowed	40,400		
Salaries & Wages	200,000		
Net profit c/d	337,200		
	577,600		577,600
		Net profit b/d	337,200

Initial capital = 720,000

1. Describe the procedures that should be followed when taking an insurance policy. (10mks)

- ***Filling a proposal form***

- *A person intending to take an insurance policy fills in a proposal form from the insurance company. The form is designed in such a way that it guides the applicant on the details required.*
- ***Determining the premium to be paid***
- *once the company receives the form it studies the facts given in and makes decision on whether to accept to cover the risk. If the application is accepted the insurer calculates the amount of premium to charge the applicant.*
- ***Payment of the first premium***
- *After the insurance company has accepted to cover the risk and premiums are calculated the insured pays the first premium.*
- ***Issuing of cover note (Binder)***
- *The insured is issued with a cover note after paying the first premium. The document serves as evidence that the person to whom it is issued is insured and would be compensated incase of a loss arising from the insured risk.*
- ***Issuing of the policy***
- *The policy is the actual document of contract between the insurer and the in... It contains terms and conditions of the insurance cover. The document is issu... within thirty days and once issued it replaces the cover note.*

REVISION EXERCISES
PAPER 1

1. Give four advantages of barter trade.
2. Highlight four services offered by the central bank of Kenya to the commercial banks.
3. State four methods through which commercial banks can transfer money.
4. State any four current developments that have taken place in the banking sector.
5. Outline four tools of monetary policy used by the central bank to control money supply.
6. Outline four factors that may have led to the downfall of barter trade.
7. Highlight two factors that may influence:
   a. Transaction motive.
   b. Speculative motive.
8. Mention four functions of commercial banks in an economy.
9. Outline three factors that influence the supply of money.
10. Give four characteristics of money.
11. The following are some of the accounts available to customers in Kenya banking industry: Current account, Savings account and Fixed deposit account. Give the account that corresponds to each of the description given below.

	Description	Type of account
(a)	Account holders required to deposit a specific initial amount as well as maintaining a minimum balance.	
(b)	Account holders may deposit and withdraw money whenever they want without maintaining a minimum balance.	
(c)	Banks pay interest on deposit at comparatively higher rates.	
(d)	Money may be deposited at any time and interest is earned if a specific balance is maintained.	

12. Outline four benefits that accrue to a customer who uses automated teller machine (ATM) banking services.