

**CEKENAS
BUSINESS STUDIES
565/1
2 HOURS
JULY/AUGUST
END OF TERM TWO EVALUATION TEST 2018
BUSINESS STUDIES PAPER 1**

1. Highlight four ways in which Kenya may benefit from its natural resources endowment. (4mks)
2. Outline four ways in which commerce satisfies human wants. (4mks)
3. The following information was extracted from the books of Sarai Traders for the year ended 30th April 2003.

	Shs.	
Sales	480,000	
Stock (1.05.13)	80,000	
Stock (30.04.14)		120,000

Profit margin is calculated at 25%

Calculate the rate of stock turnover.
4. Outline four circumstances under which a producer may not require a large warehouse (4mks)
5. Highlight four money transfer services offered by commercial banks. (4mks)
6. Highlight four measures taken by producers to ensure consumers are protected when using their products (4mks)
7. Outline four circumstances that allow existence of monopolies in a country. (4mks)
8. In the absence of the Partnership Deed, the provisions of the Partnership Act of the Laws of Kenya applies. Outline four stated provisions. (4mks)
9. The demand curve for personal cars/vehicles in Kenya has in the recent times shifted to the right. Give four possible reasons for this. (4mks)
10. The table below shows the source documents and their corresponding books of original entry. Identify the correct one in each case.

Source Document	Book of Original entry
i) Incoming invoice	
ii) Outgoing receipt	
iii) Incoming Credit Note	
iv) Outgoing Credit Note	

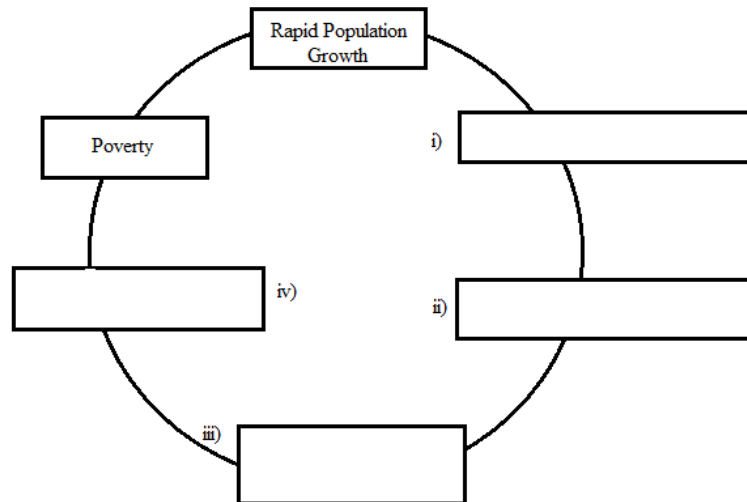
(4mks)

11. Outline four characteristics of direct production. (4mks)
12. Indicate in the table below the most appropriate office machine one would use to handle the following situations. (4mks)

Office Situation	Most appropriate machine
a) Need to produce twenty copies of exams analysis for a meeting in session	
b) Cutting unwanted document into tiny pieces to avoid such document getting into the wrong hands	
c) For printing postage impressions on envelopes	
d) For trimming documents into required shapes and sizes.	
13. State four factors that an insurance company may consider when determining the premiums to be charged for an insurance cover. (4mks)
14. Outline four drawbacks met when comparing standards of living in different countries. (4mks)
15. Identify four barriers to effective communication. (4mks)
16. Taxation is a main source of public finance. Highlight four factors that come in play to determine the amount of revenue collected by any country using it.

(4mks)

17. Below is a vicious circle of poverty caused by a RAPID POPULATION GROWTH. Fill in the missing spaces (4mks)



18. On July 1 2016, Emayang’a traders has Ksh. 6,000 cash in hand; bank overdraft of Ksh. 2,000. During the month, the following transactions took place.

July 4th : Received a cheque from debtors totaling to Ksh. 80,000

July 16th : Paid telephone bills Ksh. 1,200 cash

July 21st: Withdrew Kshs 16,000 from bank for office use.

Required: Enter the above information in Emayang’a Trader’s Cash Book.

(4mks)

19. Outline four factors that an entrepreneur should consider before settling up a manufacturing business. (4 mks)

20. Outline four challenges associated with heavy traffic jam in urban areas. (4mks)

21. Complete the following table by indicating the account to be debited and the one to be credited (4mks)

Transaction	Account to DR	Account to CR
i) Bought a delivery van on credit from Super Motor Ltd.		
ii) Withdrew cash from the bank for business use		
iii) Paid Nyamu, a creditor in cash		
iv) Received a loan from NBC Bank by cheque		

22. The following balances were extracted from the books of Grara Traders on 30th June 2015

Purchases	200,000
Opening stock	40,000
Closing stock	30,000
Sales	300,000
Sales returns	5,000

Calculate:

- i) Cost of goods sold
- ii) Percentage of gross profit on net sales
(4mks)

23. On the table given, indicate the appropriate type of advertising method used.
(4mks)

Description	Type
i) To promote a particular brand of a product	-
ii) To persuade a customer to buy a product	-
iii) Creating awareness about a product	-
iv) To promote the name of a company	-

24. Keith owned a motor vehicle valued at Sh. 2,000,000. He comprehensively insured the car at Sh. 1,200,000. The motor vehicle was involved in an accident and declared a write off. Calculate the amount Keith should get from the insurer. (4mks)

25. State four negative effects of unemployment.
(4mks)

CEKENAS
BUSINESS STUDIES
565/2
2 ½ HOURS
JULY/AUGUST
END OF TERM TWO EVALUATION TEST 2018
BUSINESS STUDIES PAPER 2

1. a) Describe five roles of an office as a centre of communication. (10mks)
 b) Discuss five ways of dealing with public debt. (10mks)
2. a) Discuss five business considerations made by an entrepreneur when evaluating a business opportunity (10mks)
 b) Explain five causes of balance of payment deficit in a country. (10mks)
3. a) Describe five circumstances in which human portorage is appropriate as a means of transport. (10mks)
 b) Use the following transactions to prepare a 2 column cash book.
 Jan. 1: Started business with 50,000 cash
 Jan 3 : Transferred 30,000 cash to bank
 Jan 4 : Bought goods worth 20,000 by cheque
 Jan 6 : Received cash 40,000 from debtors
 Jan 7 : Sold stock worth 10,000 receiving payment buy cheque
 (10mks)
4. a) The following balances relate to Moto Enterprises as at 31 December 2016
- | | | |
|--------------------|-----------|--------|
| Land and building | 1,500,000 | |
| Stock (1.1.16) | 60,000 | |
| Purchases | 740,000 | |
| Stock (31.12.16) | | 54,000 |
| Return inwards | 15,000 | |
| Return outwards | | 18,000 |
| Discount received | 10,000 | |
| Rent and rates | 20,000 | |
| Advertising | 42,000 | |
| Sales | 1,700,000 | |
| Water and lighting | 28,000 | |
| Salaries | 56,000 | |
| Commissions paid | 13,000 | |
| Carriage inwards | | 60,000 |
- Required: Moto Enterprises Trading and profit and less account for the year ended 31st December 2016.
- b) i) Using a well labeled diagram illustrate price and output determination in an oligopoly market structure. (8mks)
 ii) Account for price rigidity in this market structure (2mks)
5. a) Explain five reasons for raising finances through sale of ordinary shares instead of debentures (10mks)
 b) Highlight five differences between Central Bank and Commercial Banks (10mks)
6. a) Discuss five problems which a country can face when implementing a development plan. (10 mks)
 b) Explain five circumstances in which an insurer may refuse to insure an applicant. (10 mks)

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BUSINESS STUDIES PAPER 1
MARKING SCHEME**

1. – Source of foreign exchange
 - Provision of raw materials
 - Creation of employment as the natural resources are extracted.
 - Provision of land for erecting buildings.
 - Providing energy e.g. solar, geothermal e.t.c.
2. – Through transportation, goods reach their required destination.
 - Through warehousing goods stored meet unexpected demand
 - Through advertising consumers are informed of the goods in the market.
 - Through banking, they save and store money for future needs and for safety reasons.
 - Through trade where consumers gets what they do not produce.
3. Margin = $\frac{\text{G.P.}}{\text{Sales}}$
 0.25 = $\frac{\text{G.P.}}{480,000}$

 G.P. = Sh. 120,000

 R.O.S.T.O. = $\frac{\text{Cost of Sales}}{\text{Average Stock}}$

 But G.P. = Sales – C.O.G.S.

 120,000 = 480,000 – C.O.G.S.

 R.O.S.T.O. = $\frac{360,000}{(80,000+120,000)}$

 = $\frac{360,000}{100,000}$ = 3.6 times
4. – Where the production scale is low
 - Where goods are produced as per customer's order
 - Where one has bulk buyers
 - Where the size of the market is large/fast moving goods
 - Where the risk of storage for the product is very high e.g. perishable goods
5. – Cheque
 - Standing order
 - Credit transfer
 - Electronic money transfer (EFT)
 - Telegraphic transfers
6. – Indicating ingredients used
 - Indicating expiry date
 - Writing instructions on the use/storage of products
 - Giving contacts/phone numbers
 - Indicating stamp of approval from Kenya Bureau of Standards
7. – Where a firm has a copyright/patent rights on a product
 - Where technology to produce a particular product is only available to one firm
 - Where market size is too small to accommodate several firms
 - Where a firm has absolute control of inputs (raw materials) required in the production of a particular product.
 - Where the initial capital is too large thus making other firms unable to join the industry.
8. – Equal contribution of capital
 - No salary to partners
 - P & L sharing ratio is equal

- Every partner has a right to take part in the running
 - No interest on capital
 - No interest to be charged on drawings
 - Excess of capital by partners should be treated as a loan to the business.
 - No partner should carry out a competing business.
9. – Increase in consumer's income
- Fashionable to have a personal car.
 - Favourable government policy such as a decrease in taxes on imported vehicles
 - A future expectation of an increase in prices of personal vehicles or expectation of a ban on their importation.
 - Fair distribution of incomes
 - Favourable terms of sale for buying personal cars
 - Peer influence
10. – Purchases Journal
- Cash receipts journal
 - Purchases Returns Journal/Return Outwards Journal
 - Sales returns Journal/Returns Inwards Journal
11. – Goods and services are of low quality and quantity
- Encourages individualism
 - Leads to low standards of living
 - Use of simple methods of production
 - Time wastage moving from one job to another
 - Does not encourage invention and innovation
12. – Photocopier/printer
- Paper shredder
 - Franking machine
 - Guillotine
13. – Health of the person
- Age of the person/value of property in question
 - Frequency of the occurrence of risks
 - Extent of the previous losses
 - Value of the property insured
 - Occupation of the insured
 - Residence of the insured
 - Period to be covered by the policy
14. – Different currencies
- Different goods and services
 - Disparity in distribution of income
 - Different needs and tastes
15. – Language barrier
- Poor listening
 - Negative attitude
 - Poor timing
 - Wrong medium
 - Prejudgement
 - Emotional responses
 - Unclear systems within an organization
 - Noise
 - Unfamiliar non-verbal signals.
16. – Distribution of incomes
- Social and political factors
 - Citizens level of real incomes
 - Honesty and efficiency of tax authorities
 - Economic structure of the country
17. i) High dependency ratio
 ii) Low incomes
 iii) Low saving
 iv) Low investments

18. Emanyanga Traders Cash Book

Date	Details	F	Cash	Bank	Date	Details	F	Cash	Bank
2016			Shs.		2016			Shs.	Shs.
July 1	Bal b/d		6,000		July 1	Bal b/d			2,000
July 4	Debtors			80,000	July 16	Telephone		1,200	
July 21	Bank	'C'	16,000		July 21	Cash	'C'		16,000
					July 21	Bal b/d		20,800	62,000
			<u>22,000</u>	<u>80,000</u>				<u>22,000</u>	<u>80,000</u>
	Bal b/d		20,800	80,000					

19. – Potential demand for goods/services

- Sources of raw material
- Security of the area
- Legal requirements/government policy
- Source of labour
- Existing infrastructure
- Auxiliary services
- Possible returns on investment
- Availability of room for expansion
- Social – cultural environment

20. Outline challenges – traffic jam

- Waste of time
- Waste of fuel
- Increase of pollution
- Increase in crime
- High stress levels

21. DR

CR

- i) Delivery van Super Motors Ltd.
- ii) Cash - Bank
- iii) Nyamu Cash –
- v) Bank NBC Loan

22. Cost of goods sold

- i) Opening stock + purchases – closing stock
 $40,000 + 200,000 - 30,000 = 210,000$

ii) Percentage on GP to net sales

$$\begin{aligned} \text{Net sales} &= \text{sales} - \text{sales returns} \\ 295000 &= 300,000 - 5000 \\ \text{GP} &= \text{Net sales} - \text{COGS} \\ 85000 &= 295000 - 210000 \\ \frac{85000}{295000} \times 100 &= 28.8\% \end{aligned}$$

23. i) Product advertising

- ii) Competitive/persuasive advertising
- iii) informative
- iv) Institutional

24. Compensation = $\frac{\text{Sum insured}}{\text{Actual value}} \times \text{loss}$

$$\begin{aligned} &= \frac{1,200,000}{2,000,000} \times 2,000,000 \\ &= 1,200,000 \end{aligned}$$

4mks

25. Negative effects of unemployment

- Increased social evils
- Increased dependency ratio
- Reduced savings/investment
- Low living standards
- Increased corruption

5mks

**CEKENAS
BUSINESS STUDIES
565/2
FORM IV
2 HOURS
JULY/AUGUST
END OF TERM TWO EVALUATION TEST 2018
MARKING SCHEME**

1. a) Roles of an office as a center of communication

- Receiving information from various sources e.g. letters, calls, emails e.t.c.
- Sorting information for easy dispatch to right people
- Disseminating information to the right people for action
- Sending information to various people for action.
- Storing information for future reference
- Gathering information required in decision making

(Naming 1 mk, otherwise 2mks)
2 x5 =10mks

b) Discuss five ways of dealing with public debt

- Repudiation/refusal to pay if the country is completely unable to meet the obligation
- Borrow to pay in order not to expose inability to pay
- Negotiate for extension of credit period so that the installments are more affordable to the country
- Payment in kind so that the country does not directly part with money to pay debt ie lender generates income to pay his own debt.
- Pay as scheduled until the debt is cleared/as a sign of goodwill
- Plea for pardon so that the debt is written off/ burden of paying the debt is over

(Naming 1 mk, otherwise 2mks)
2 x5 =10mks

2. a) Discuss five business considerations made by an entrepreneur when evaluating a business opportunity

- Profitability of business whether it is worth the capital to be invested.
- Capital requirement and whether he can afford to raise it or not.
- Level of competition whether he can coup or not.
- Government policy whether it is in line with the existing policies to avoid conflict.
- Labour requirement whether he can get enough workers with the required skills or not.
- Location of business whether he will be able to get a suitable location or not

(Naming 1 mk, otherwise 2mks)
2 x5 =10mks

2. b) Five causes of balance of payment deficit

- Fall in volume of export hence reducing export earning
- Increase in volume of import hence raising expenditure on import
- Over valuation of domestic currency making exports expensive lowers demand
- Devaluation of currency by a trading partner making imports cheaper hence increase total volume of import.
- Less capital flow compared to outflow.
- Trade restrictions by trading partners thus reducing market for exports/export earnings
- Deteriorating terms of trade hence reduces export earnings/increase expenditure on imports.

(Naming 1 mk, otherwise 2mks)
2 x5 =10mks

3. a) Circumstances in which human portorage is appropriate as a means of transport

- Where the distance to be covered is short hence not too tedious
- Where the person wishes to exercise for good physical fitness
- Where other means of transport are not available hence the person has no choice but to walk.
- Where there is need to save on transport cost in order to use the money in other ways/as it is free/as it is cheap.
- In case a person has no money to pay for transport hence he has no choice but to walk.
- If the weather is friendly e.g. its not raining hence no hardships are encountered
- If the route is safe hence no fear of attack e.g. by thugs or animals.
- Where the other means of transport do not after door to door services hence walking completes the journey.

(Naming 1 mk, otherwise 2mks)
2 x5 =10mks

3. b) Two Column Cash Book

Dr					Cr				
Date	Details	F	Cash	Bank	Date	Details	F	Cash	Bank
2012					2012				
Jan 1	Capital ✓		50,000 ✓		Jan 3 ✓	Bank ✓		30,000 ✓	
Jan 3	Cash ✓			30,000 ✓	Jan 4 ✓	purchase ✓			20,000 ✓
Jan 6	Debtors ✓		40,000 ✓		Jan 8	Balance ✓	c/d	60,000 ✓	20,000 ✓
Jan 7	Sales ✓			10,000 ✓					
			<u>90,000 ✓</u>	<u>40,000 ✓</u>				<u>90,000 ✓</u>	<u>40,000 ✓</u>
Jan 8	Balance	b/d	60,000	20,000					

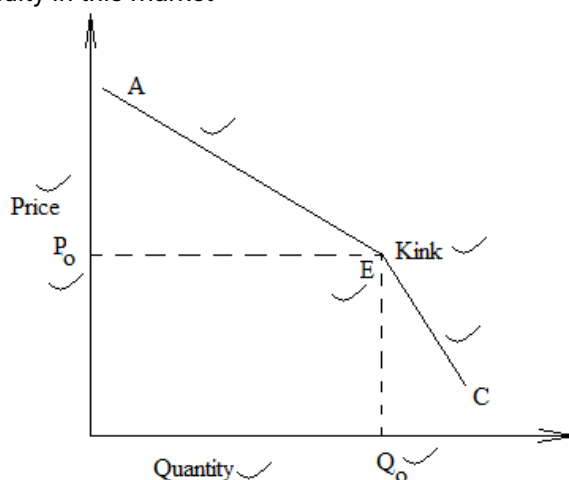
(½ x 20 = 10mks)

4. a) Moto Enterprises
Trading and profit and loss A/C
For the Year ended 31 Dec 2016

Opening stock	60,000	Sales	1,700,000
Add: Purchase	740,000	Less return inwards	15,000
Carriage inwards		Net sales	1,685,000
		Net Purchase	782,000
Less: Return Outwards	18,000		
	842,000		
Less: Closing stock	54,000		
COGS	788,000		
Gross profit c/d	897,000		
	<u>1,685,000</u>		<u>1,685,000</u>
Rent and rates	20,000	Gross profit b/d	897,000
Advertising	42,000	Discount received	10,000
Water & Lighting			
Salaries	56,000		
Commission paid			
	13,000		
Total expenses	159,000		
Net profit c/d	748,000		
	<u>907,000</u>		<u>907,000</u>

20 x ½ = 10mks

4. b) i) Using a well labeled diagram illustrate the price and output determination in an oligopoly market structure.
ii) Account for price rigidity in this market



8mks

Setting price above equilibrium price will result to loss of customers as they buy from other firms
Lowering price below P_o will attract similar reaction from other firms so there is little or no gain on sales.

(4 x ½ =2mks)

5. a) Reasons for raising finances through issues of ordinary shares instead of debentures

- i) Debenture are units of loans which must be paid by a public company unlike ordinary shares which is a unit of capital only payable at liquidation.
- ii) Raising money through shares requires no security while debentures may require a security.
- iii) Security finance through debentures is more expensive than through ordinary shares.
- iv) Debentures reduce the borrowing power of a company while shares enhance.
- v) Failure to pay debentures rates lead to a company being declared bankrupt unlike payment of share dividends.

b) Differences between Central bank and Commercial bank

Central Bank	Commercial Bank
i) Banker to the government/commercial banks	i) Bank to individuals/other businesses
ii) Issue currency/print/mint money	ii) Circulate currency/do not print/mint money.
iii) Set up by an act of parliament	iii) Set up under the companies act.
iv) Manages the country's foreign exchange reserves.	iv) Only allowed to buy/selling foreign exchange on behalf of the central bank.
v) Financial/economic advisor to the government	v) Provide financial advice to individual/other business.
vi) Credit control/regulates amount of money in the circulation economy.	vi) Do not control credit/only act on directors by central bank on credit control.

6 a) Problems that a country could face during implementation of development plans

- Over reliance on donor funding which if not released on time makes it difficult for project to take off.
- Inadequate domestic resources – e.g. skilled personnel and finances.
- Failure by locals to support implementation especially if they were not involved during plan formulation.
- Occurrence of natural calamities e.g. disease outbreak, drought, flood leading to diversion of funds for projects
- Lack of co-operation among the executing parties causing delay
- Some plans are over ambitious and are meant to please the donors and thus difficult to implement.
- Inflation/increased costs of financing project requiring more funds to be raised/allocated

b) Circumstances under which an insurer may refuse to insure an applicant

- i) When the risk applied for is non-insurable – for example it being not for a legal purpose e.g. one cannot insure activities prohibited by the government.
- ii) When the applicant follows the wrong procedure for applying for policy like incomplete filling of the proposal form.\
- iii) When the applicant lacks contractual capacity like being below eighteen years, insane.
- iv) When the applicant gives false information thereby going against the principle of utmost good faith.
- v) When the property does not belong to the applicant – because can only insure his/her own property.

(Naming 1mk otherwise 2mks)

**KIRINYAGA
BUSINESS STUDIES
PAPER ONE 565/1
TIME 2 HOURS**

Answer All Questions In The Spaces Provided

1. State **four** uses of invoice to a seller of goods
(4mks)
2. In which **four** ways are consumers likely to suffer in a situation where there is no warehousing
(4mks)
3. Highlight **four** ways in which a firm can improve the productivity of its human resources
(4mks)
4. Give **four** reasons why a manufacturing firm would be located in an area with good road network
(4mks)
5. The following relates to Kiboko Traders for the year ended 31st Dec 2012
 Gross profit..... sh. 28000
 Opening stock shs. 9000
 Closing stock Shs. 6000
 Gross profit margin 25%
 Prepare Kiboko Traders Trading Account for the year ended 31st Dec 2012
(4mks)
6. Indicate in the space provide whether the following factors will increase or decrease the income in circular flow of income
(4mks)

Factors	
(a) Savings	
(b) Government Expenditure	
(c) Taxes	
(d) Investment	

7. The table below illustrates the demand and supply of a commodity

Price sh	Quantity	
	Demanded	Supplied
Sh 25	80	40
30	70	50
35	60	60
40	50	70
45	40	80

From the table state

- (a) The nature of the demand of the commodity
(1mk).
- (b) The nature of the supply of the commodity
(1mk)
- (c) Equilibrium price
(1mk)
- (d) Equilibrium quantity (1mk)
8. Highlight **four** ways in which consumers may protect themselves against exploitation by traders
(4mks)
9. Outline **four** features of a private Limited Company (4mks)
10. State **four** advantage of sending parcels by courier firms (4mks)
11. James intends to open a bank current account. Highlight to him four merits of operating a bank current account
(4mks)
12. Highlight **four** benefits of "Pooling of risks" to an insurance company (4mks)
13. Outline **four** reasons why countries may trade with each other
(4mks)
14. State **four** reasons why financial institutions may require a balance sheet from a trader who intends to borrow money to expand his business
(4mks)
15. Outline **four** characteristics of an efficient tax system
(4mks)

16. State the effect of each of the following transactions on the balance sheet totals by writing increase, decrease or no effect in each case

(4mks)

<u>Transaction</u>	<u>Effect</u>
(a) Purchased stock in cash	
(b) Paid creditors in cash	
(c) Withdrew cash for personal use	
(d) Bought machinery on credit	

17. Highlight **four** benefits of using electronic filing system

(4mks)

18. Outline **four** strategies that a small scale firm could adopt to expand so as to enjoy economies of scale

(4mks)

19. State four benefits that could accrue to a customer who buys goods from a departmental store

(4mks)

20. Outline **four** advantages of advertising to the consumer.

(4mks)

21. Outline **four** reasons why it makes it difficult to satisfy all human wants

(4mks)

22. Identify **four** reasons for maintaining books or original entry

(4mks)

23. Mavoko Traders had the following transactions for the month of February 2014

Feb 2 2014 – Bought goods costing sh. 600,000 from Mwiki Traders on credit

Feb 24 2014 – Bought goods for 700,000 from Mwiki traders on credit

Feb 25 – Paid Mwiki trader sh. 350,000 by cheque as part payment for goods received

Record the above transactions in the account below and balance it off.

Dr			CR		
MAVOKO TRADERS A/C					
Date	Particular	Amount	Date	Particulars	Amount

24. The following is an extract of a cash book from Rovio traders

(4mks)

Dr				Cr			
Date	Details	Cash	Bank	Date	Details	Cash	Bank
Jan 1		Bal b/f	12500	Jan 1	Bal b/f		5500
5	Sales		7200	8	Wages	2400	
10		Cash		10	Bank	1500	

a). Give the name of transaction on

(i) Jan 1 2006 on credit side

(ii) Jan 10 2006

(iii) Determine the balances carried down on Jan 31st 2006

25. State **four** differences between a monopoly and perfect competition market structure

(4mks)

Monopoly	Perfect Competition
(a)	(a)
(b)	(b)
(c)	(c)
(d)	(d)

**KIRINYAGA
BUSINESS STUDIES
PAPER TWO 565/2
TIME: 2 ½ HOURS**

Answer any five questions

- 1 a) Discuss **five** economic importance of natural resources
(10mks)
b) Other than the instruments used by Central Bank to control credit creation, explain other five methods that are used to control inflation
(10mks)
2. a) Describe **five** documents that are used in international trade.
(10mks)
b) The table below shows the age distribution of a country

Age in years	% of population
0- 15	45
16-55	31
56 and above	24

Explain **five** negative economic implications of this age distribution to a country (10mks)

3. a) Explain **five** ways in which the insurance industry contributes to the development of Kenya's economy
(10mks)
b) The following transactions relate to Pumua Wholesalers for the month of March 2011
March 1: Bought goods on credit from Kawe distributors shs. 26,200 , Kamakia Shs. 15600, Mambo Shs. 33,360
March 2 : Sold goods on credit to Fuma retailers Shs. 37, 200 , Tito grocers Shs. 25,500 and Wamba traders shs. 16,250
March 6: Returned goods to Kamakia shs. 2,400 and Mambo Shs. 4,160
March 9: Sold goods on credit to Tamu Shs. 5,500 and Patu Shs. 18,200
March 11: Bought goods on credit form Chuma Shs. 33,840
March 15: Goods returned by Tamu Shs. 1,500 and Fuma retailers Shs. 1,820 and Patu Shs. 2,600
March 18: Bought goods on credit from Jama Shs. 21,210 and Sana Shs. 53,850
March 26: Credit sales to Kamanja Shs. 16,600 , Orengo Shs. 19,260 and Wama traders 15,200

Required

Enter the above transaction in the respective books of original entry

- (10mks)
4.(a) Explain **five** factors that a trader may consider when determining the appropriate channel for distribution goods
(10mks)
b) Kenya is in the process of developing a standard gauge railway line from Mombasa to Malaba, Explain **five** benefits of the new railway line
(10mks)
- 5.(a) Explain the **five** factors that an entrepreneur would consider when evaluating a business idea.
(10mks)
b) The economy of a certain country in the continent has been growing at a very low rate. Explain **five** possible reasons that could have led to this trend.
(10mks)
- 6(a) Explain **four** internal factors that may encourage the achievement of business goals
(8mks)
b) The following information was extracted from the books of Ramogi Traders as at 31st December 2012

Kshs	
Sales	800,000
Purchases	500,000
Return inwards	90,000
Return outwards	26,000
Creditors	150,000
Rent	60,000
Delivery van	160,000
Carriage outwards	3,000
Debtors	120,000
Carriage inwards	40,000
Cash	60,000
Stock(June 2012)	100,000
Interest expenses	10,000
General expenses	7,000

Stock (31 st Dec 2012)	120,000
Bank overdraft	4,000
Capital	170,000

Required

- (i) Prepare a Trading , Profit and loss account for the year ended 31st December 2012
(8mks)
- (ii) Prepare a balance sheet as at 31st December 2012
(4mks)

**KIRINYAGA
BUSINESS STUDIES 565/1 MARKING SCHEME
FORM FOUR 2018 PAPER I**

1. Uses of invoice

- To demand payment
- Show level of debtors by customers
- Show expected revenue
- Show any discounts allowed
- Future references
- Show details eg price quantity, terms and conditions
- A source document in recording transactions in books of Accounts **(4 x 1 = 4mks)**

2. - Consumers not assured of steady flow of goods

- Quality of goods compromised
- Unstable prices
- Not getting goods in convenient quantities
- Not enjoying lower prices **(4mks)**

3. – Educating /training workers

- Pay workers well
- Provide medical care
- Promotion
- Provide recreational facilities
- Good working condition
- Good working tools and equipment
- Awards /Gifts /tours
- Good working relations (P.R)
- Accommodation /Housing **(4mks)**

4. – Facilitate easy delivery of raw materials

- Easy movement of workers to and from work
- To facilitate movement of finished goods
- Gain access to auxiliary services e.g Banks
- Reduced cost of transport
- Easy movement of customers to the factory **(4mks)**

**KIBOKO TRADERS
TRADING A/C
For the year ended 31st Dec 2012**

Opening Stock	9000	Sales	112,000
Add purchases	81000		
CGAS	90000		
Less closing stock	6000		
COGs	84000		
G.P.	28000		
	112,000		112,000

6. (a) Decrease
 (b) Increase
 (c) Decrease
 (d) Increase s

- 7 (a) The higher the price the lower the demand and V.V
 (b) The higher the price the higher the supply and V.V
 (c) Equilibrium price is sh. 35
 (d) Equilibrium quantity – 50kg

(4mks)

8-Complain through the media

- Peaceful demonstration
- Boycott traders who exploit them
- Consumer education
- Form consumer association
- Go to court
- Complain to the authority eg NEMA

(4 x 1 = 4mks)

9.-Must have at least one director

- Shares not freely transferable
- Shares not advertised/No prospectus
- Minimum manbeashy 2
- Can start trading on receipt of certificate of incorporation
- No need to have authorized share capital
- Maximum shareholders are 50

(4 x 1 = 4mks)

10.-Spread /quick delivery

- Security /more secure
- Door to door service /Direct delivery
- Proof of delivery /Evidence /signing
- Personal touch/contact
- Delivery of variety of items
- Reliability /Delivered to desired destination
- Proof of evidence /future evidence
- Insurance/compensation

(4 x 1 = 4mks)

11. –Bank draft facilities

- Use of cheque
- Money can be withdrawn on demand
- No minimum balance is maintained
- Large sums of money can be withdrawn without notice
- Issues monthly irregular payment
- Can give post dated cheques

(4 x 1 = 4mks)

12. – Create a common pool from regular premium

- Enables compensation
- Spread risks
- Surplus funds are re-invested /buy shares
- Insurer can meet the running costs
- Earns profit which is distributed as dividends
- Company is compensated out to of re-insurance
- Enables determining premiums to be paid

(4mks)

13. –Acquires goods , unable to produce

- Enhance international relations
- Dispose surplus
- Exchange skills and knowledge
- To create employment
- Acquire variety of goods
- Enhance mobility of factors of production

- Foreign exchange /income
- 14. -Shows indebtensness of a borrower/Ability to pay debts
 - Shows value of assets /used as security
 - Shows level of Net profit which can determine profitability
 - Shows financial position to determine how much to lend
 - Shows liquidity position/ability to meet short term obligation **1x4=4mks**
- 15. Equity
 - Economical
 - Convenience
 - Certainty
 - Flexibility /Elasticity
 - Simplicity
 - Diversity
 - Difficulty to evade **(4 x 1 = 4mks)**
- 16. (a) No effect
 (b) Decrease
 (c) Decrease
 (d) Increase **(4 x 1 = 4mks)**
- 17 – Easy access
 - Reduction of labour costs /materials
 - Less storage facilities
 - Updated with ease
 - Less paper work
 - Environmental friendly
 - Use of network
 - Its safe since there is use of password
 - Presentable outlook
 - Highly portable **(4 x 1 = 4mks)**
- 18. – Entering into merger /amalgamation
 - Divesification/produce variety of goods
 - Expand capital base
 - Formation of cartels with similar business
 - Adopting appropriate technology to increae quality and quantity
 - Expand markets to increase volume of sales
 - Arrange for franchising by acquiring rights to produce /sell goods under name of another company **(4 x 1 = 4mks)**
- 19 – Saves time – by shopping under one roof
 - Access variety of goods from relevant department shops
 - Personal attention in customer
 - Prices are relatively low
 - Use of debit /credit cards relieve customers carrying cash – Access to new products /information which he may not be aware
- 20.- Consumers become aware/informed
 - Enjoy high quality goods
 - Can choose from wide variety of goods
 - Educate consumer on use of products
 - Enjoys entertainment
 - Able to budget /planning
 - Enjoy lower prices
 - Communicate changes in the product
 - Consumer is protected from exploitation **4x1=4mks**
- 21.- Wants are endless /limitless
 - Limited resources to satisfy them
 - Wants change according to age social status
 - Consumers have to make tough choices to satisfy them
 - They are recurrent

23. DR			MAVOKO A/C			CR
Date	Details	Amount	Date	Details	Amount	
Feb 25	Bank	350,000	Feb 2 Feb 24	Purchases Purchaser	600,000 700,000	
Feb 28	Bal c/d	950,000	Feb 28		1300,000	

22.- To reduce details to be recorded in ledger A/c

- Reduce bulkiness of the ledger
- Act as back up of data – can extra other information
- Contains information in details eg trade discount , terms of sale
- Used to trace/locate errors
- Ensure double entry is adhered to
- Act as diaries
- Minimise fraud /enhance accountability

4x1=4mks

24. (a) Jan 1 2006 , Had cash balance of sh. 12500, and bank overdraft sh. 5500

(b) 10 Jan contra entry / He deposited sh 1500 into the bank

(c) Bal c/d cash 8600

Bank 3200

(4x 1 = 4mks)

25. Monopoly	Perfect competition
1. Only one seller /supplier	1. Many sellers in the market
2. Difficult for other firms to enter the market	2. Sellers have freedom to enter the market
3. Prices are fixed by the suppliers	3. Prices is determined by forces of demand and supply
4. Products have no close substitute	4. Commodities , are identical
5. There is price discrimination	5. One price reign the market
6. Firms earns supernormal profit	6. Firms earns normal profit

KIRINYAGA

SCHOOL BASED FORM FOUR JULY / AUGUST 2018

MARKING SCHEME BUSINESS PAPER II

1. Economic importance of natural resources

- i) Create employment – when they are exploited
- ii) Provide raw materials to industries –source of inputs for industries
- iii) Earn foreign exchange/income- to the country when exported
- iv) They are source of energy – e.g solar provides energy
- v) Provide settlement for man/animals – forms habitat for animals/people.

(b) Ways of controlling inflation other than using monetary policies

- i) **Increasing income tax** – to reduce disposable income
- ii) **Restricting imports** – to control imported inflation
- iii) **Reducing government spending** to reduce the money in circulation
- iv) **Subsidising production** – in order to reduce prices of products
- v) **Reducing tax** on production which reduces cost of production hence reduced prices of goods
- vi) **Controlling wages** and salaries –thus reducing production cost and disposable income
- vi) **Price control** by the government to check on unreasonable prices

2(a) Describe five documents used in international trade

- i) **inquiry** – letter sent by an importer to an exporter asking about the supply of goods/terms of sale
- ii) **Order/indent** – Used by importer to ask the exporter to supply him with goods specified
- iii) **Bill of lading** – Document used by importer to claim for the goods when they arrive at the port of entry .
- iv) **Letter of credit** - it's issued by the importers bank to the exporters bank to assure the exporter that good will be paid for

- v) **Import licence**- Issued by the authority to permit the holder to buy goods from abroad .
- vi) **Freight note**- Shows transportation charges for goods
- vi) **Airway bill**- Issued by the air line . It's a document of title used by importer when claiming for goods at the port
- (viii) **Certificate of origin** – Shows the country from which goods have been bought
- (ix) **Consular invoice** – It's an invoice signed by consul to confirm that prices charged on goods are fair
- (x) **Proforma Invoice** – Issued by the exporter if he wishes to be paid before goods are delivered
- (xi) **Commercial Invoice** – Issued by the exporter to demand payment for goods sold on credit
- (b) **Negative economic implications of given age distribution**
- (i) About 45% of the total population consists of those below 15 years . This implies more expenditure has to be directed towards provision of education, health etc
- (ii) There is high dependency ratio which adversely effects savings and investments of the working population
- (iii) There is need to plan for creation of employment opportunities to cater for the expected increase in labour force
- (iv) Industries are likely to produce mainly goods used by the young population at the expense of the needs of adult population
- (vi) The country may be forced to import such goods as food and medicine which leads to balance of payments problems
- (vi) There will be little or no exports as the majority of the population who are young consume everything
- (vii) Low standard of living/low per capita income
- 3(a) **Ways in which insurance industry contributors to the development of Kenya's economy**
- (i) **Government revenue** – The government collects revenue by taxing the insurance industry /uses the revenue to provide public services .
- (ii) **Creation of employment** as many people are employed in the industry
- (iii) **Creating confidence** – The companies encourage people to undertake risky businesses since they are assured of compensation
- (iv) **Investable funds**, money collected by insurers is made available to investors as loans for development
- (v) **Compensation** offered by insurers enables the economy to continue developing
- (vi) Encouraging a saving . Insurers mobilize long term funds from the members in public in form of life policies
- (vii) Direct investment – Insurance companies invest directly into the economy e.g. in real estate.
- (viii) Policies provided in life assurance can be used as security to acquire loans for development /investment

(b) **Books of Original Entry****Purchases of Journal**

Date	Details	Invoice Number	Folio	Amount
March	Kawe			26,200
	Kamakia			15,600
	Mambo			33,360
11	Chuma			33,840
18	Jama			21,210
18	Sama			53,850
Total posted to purchase A/c				184,060

Purchases Returns Journal

Date	Details	Invoice Number	Folio	Amount
March	6 Kamakia			2,400
	6 Mambo			4,160
Total posted to purchases Returns A/c				6,560

Sales Journal

Date	Details	In voice Number	F olio	Am ount
March 2	Fuma Retailer			37,200
2	Tito Grocers			25,500
	Wamba			16,

2	Traders			250
9	Tamu			5,500
9	Patu			18,200
26	Kamanja			16,600
26	Orengo			19,260
26	Wama traders			15,200
	Total posted to sales A/c			153,710

Sales Returns Journal

Date	Details	In voice Number	Folio	Amount
March 15	Tamu			1,500
15	Fuma			1,820
	Patu			2,600
	Total posted to sales returns			5,920

4. **Factors considered when determining the chain of distribution**

- (i) The nature of the goods e.g perishable goods may require a shorter channel of distribution
- (ii) Needs to keep control of the goods, if the producer wants to keep track from the beginning to the end he will distribute directly
- (iii) Ability of the firm to access most of the customers/location of the market for scattered customers a longer channel may be used
- (iv) Cost of the channel – Use one which the distributor can afford
- (v) Government policy where the government requires a particular channel to be used the producer will have no choice
- (vi) The size of market where consumers are few a shorter channel may be appropriate
- (vii) Nature of competition , stiff competition requires direct link with consumers

(b) **Benefit of standard gauge railway**

- (i) Cheap cost of transport
- (ii) Opening up of interior areas/urbanization
- (iii) Employment
- (iv) Faster delivery of goods
- (v) Influence demand of goods and services
- (vi) Creation of new sustainable business
- (vii) Enhance local and regional commerce /trade
- (viii) Reduced rate of accidents

5. a) **Evaluating a business ideas**

- (i) Profit to be earned in order to cover all operational expenses
- (ii) Technology to be used in producing the product
- (iii) Availability of market/demand which should be adequate
- (iv) Government policy/legal requirement which should be favorable
- (v) Channel of distribution to ensure the products is available in the market
- (vi) Competition which should be fair
- (vii) Capital which should be adequate to start
- (viii) Input/supplies which should be minimal
- (ix) Payback period which should be reasonable in relation to amounts invested

(any 5x 2 = 10mks)

(b) **Reasons that can led to low rate of growth of a country**

- (i) Inadequate capital/funds/finance limiting production/investment
(ii) Poor/underdeveloped/undeveloped/inadequate infrastructure leading to reduced economic activities/slow production (of goods/services)
(iii) Political instability /insecurity leading to hostile/unfavourable environment for economic growth
(iv) High population growth rate that necessitates more production of consumer goods compared to producer/capital goods/ which could have led to higher economic growth
(v) Use of old/obsolete/outdated/backward/inappropriate technology) thereby hindering/inhibiting/limiting fast/high productivity (of economic resources)
(vi) Widespread/high levels of ignorance/illiteracy leading to failure to keep up with modern economic trends worldwide
(vii) Poor/underdeveloped entrepreneurial skills limiting expansion/establishment of more production units

6 (a) **Internal factors that may encourage the achievement of business goals**

- (i) Proper human resource management
(ii) Well laid down business structure allows proper flow of instructions and team work within the organization
(iii) Adequate financial /proper finance management allows acquisition of assets/stock/expansion of business
(iv) Adequate physical resources such as buildings , machines/furniture
(v) Developed business culture with proper values
(vi) Well set-out objectives of the business to guide activities in the organization
(vii) Committed /qualified /experienced owner who are able to make sound decisions , provide resources etc

Any 5 x2 = 10mks

- (b)(i) Ramogi Traders
Trading, profit and loss A/C
For the year ending 31st Dec 2013

Opening stock	100,000	Sales	800,000
Add purchases	<u>500,000</u>	Less returns	
	600,000	Inwards	90,000
Add carriage inwards	<u>40,000</u>	Net sales	710,000
	640,000		
Less Returns outward	26,000		
GAFS	614,000		
Less closing stock	<u>120,000</u>		
COGS	494,000		
Gross profit c/d	<u>216,000</u>		
	710,000		710,000
Carriage outwards	3,000	Gross profit b/d	216,000
Rent	60,000		
Interest expenses	10,000		
General expenses	7,000		
Net profit	136,000		
	216,000		216,000

Ramogi Traders
Balance Sheet
As at 31st Dec 2013

Assets		Capital +Liabilities	
Fixed assets	shs. Shs		shs shs
Delivery van	160,000	Capital	170,000
		Add net profit	136,000 306,000
Current assets		Current Liabilities	
Stock	120,000	Creditors	150,000
Cash	60,000	Bank overdraft	4,000 154,000
Debtors	120,000 <u>300,000</u>		
	<u>460,000</u>		<u>460,000</u>

IGEMBE
565/1
BUSINESS STUDIES
PAPER 1
JULY 2018
TIME: 2 HRS
ICSSE FORM FOUR TRIAL EXAM JULY 2018

1. Identify four types of business activities an entrepreneur may invest in. (4 marks)
2. State four factors to consider before a trader offers a credit to a customer. (4 marks)
3. Highlight four reasons why many business are adopting an open office layout. (4 marks)
4. Give an example for each of the following: (4 marks)

	Item	Example
i)	Free resource	
ii)	Human resource	
iii)	Non-material good	
iv)	Capital good	

5. Highlight four factors that may slow down the growth of Entrepreneurship in Kenya. (4 marks)
6. Three partners would like to engage in a partnership form of business without a written partnership agreement. Highlight how the Partnership Act will guide them regarding: (4 marks)
 - a. Profit and loss sharing
 - b. Salary to partners
 - c. Loans given to the business by a partner
 - d. Admission of a new partner
7. Explain briefly the following trends in forms of business units. (4 marks)
 - a. Franchising
 - b. Globalization
 - c. Cartels
 - d. Check off system
8. Highlight four reasons why Consumer Associations may not be effective in their consumer protection efforts. (4 marks)
9. Mention four circumstances under which a producer will find it necessary to transport goods by a train. (4 marks)
10. Outline four roles played by warehouses in trade. (4 marks)
11. List four errors that may make a trial balance not to balance. (4 marks)
12. Highlight four functions of advertising agencies to an advertiser. (4 marks)
13. Highlight four contemporary trends in communication in Kenya today. (4 marks)
14. State four reasons that may prompt an investor to locate his firm near the market for his products. (4 marks)
15. Highlight three benefits of business that uses social media platforms in promoting its products is likely to have over its competitors. (3 marks)
16. The table below shows the age distribution of a given country.

Age bracket	0-15	16-55	56 and above
Percentage composition	45	31	24

- State any four negative economic implications of this age distribution to a country. (4 marks)
17. Outline any four features of oligopoly market. (4 marks)
18. Below is the balance sheet of Willy Traders as at 31st Dec 2018.

Willy Traders'
Balance sheet
At 31st Dec 2017

Fixed Assets	87,800		
Current Assets	55,200		Capital 1/1/2017
	<u>143,000</u>		78,000
			Add Net Profit
			42,000
			Net capital
			120,000
			Current liabilities
			<u>23,000</u>
			<u>143,000</u>

Calculate:

- i. Current ration (2 marks)
 - ii. Return on capital. (2 marks)
19. The following statements relate to terms used in the study of national income for any country. Identify the most appropriate term for them. (4 marks)
- a. The total monetary value of commodities produced in a year.
 - b. Income attributed to one person per year in a country.
 - c. Factors that lead to an increase in the income and expenditure in the circular flow of income.
 - d. Capital consumption during production.
20. State four reasons why inflation may be desirable in a country. (4 marks)
21. Journalize the following transactions relating to Kipingo Traders for the year 2011. (5 marks)
- Jan 5. Cash Purchases sh. 8920 receipt no. 517
- Jan 12. Paid Juma Shs. 9800 by cheque after having been allowed a cash discount of 2% receipt no. 0951
- Jan 17 Banked Shs. 6000 from the cash till
- Jan 19 Paid for repairs in cash Shs. 14000, receipt no. 0251.
- Cash payments journal
22. Other than serving as a medium of exchange, mention four other functions of money. (4 marks)
23. Outline four duties of Commercial attaches. (4 marks)
24. Outline four ledger accounts used for recording movement of stock. (4 marks)
25. Outline four differences between hire purchase and installment buying. (4 marks)

IGEMBE**565/2****BUSINESS STUDIES****PAPER 2****JULY 2018****TIME: 2 HRS****ICSSE FORM FOUR TRIAL EXAM JULY 2018**

1. a. In spite of the benefits of large scale operations, small scale firms continue to exist. Explain the factors that justify the existence of such small firms. (10 marks)
- b. Using a diagram, explain the effects of increase in demand for a commodity on market equilibrium when its supply remains constant. (10 marks)
2. a. Explain five factors that determine the premiums to be charged in property insurance. (10 marks)
- b. Explain five principles that guide the tax system in a country. (10 marks)
3. a. Highlight four ways through which a government can provide an enabling environment for the success of business activities in a country. (8 marks)
- b. On first March 20 - 6, Najib had cash in hand Kshs. 7800 and a bank overdraft of Kshs. 23,400. During the month, the following transactions took place;
- | | | |
|----------|---|--|
| March 3 | : | Cash sales Shs. 6500 paid direct in to the bank |
| March 4 | : | Bought goods for Shs. 15,000 and paid by cheque. |
| March 6 | : | Cash sales Shs. 50,000 |
| March 9 | : | Received a cheque for shs. 18000 from Amolo in full settlement of his debts. |
| March 13 | : | Paid insurance premiums shs. 16,000 in cash. |
| March 14 | : | Paid Kamotho by cheque sh. 9,700 in full settlement of his account less 3% cash discount |
| March 17 | : | Cash sales Shs. 150,000 paid direct in to bank. |
| March 21 | : | Withdrew Shs. 30,000 from bank for office use. |
| March 23 | : | Received a cheque of sh. 23,750 from Rotich in full settlement of his account less 5% cash discount. |
| March 25 | : | Paid wages of sh. 20,000 in cash. |
| March 26 | : | Cheque received from Amolo was dishonoured. |
| March 30 | : | Banked all cash except sh. 30,000. |
- REQUIRED : Prepare a duly balanced three column cash book. (12 marks)
4. a. Explain five benefits that Kenya would get if the Government encourages location of a business in rural areas. (10 marks)
- b. Despite the announcement by the Government that the country has achieved 6% economic growth, this has not been translated to economic development. Discuss five indicators of under development currently experienced in Kenya. (10 marks)
5. a. Describe five circumstances under which a manufacturer would find it necessary to sell his products directly to the consumer. (10 marks)
- b. Explain five benefits of filing office documents to an organization. (10 marks)
6. a. Highlight any four distinguishing characteristics between a public limited company and a public corporation. (8marks)
- b. The following trial balance was extracted from the books of Bumala Traders on Dec 2017.
- Bumala Traders
Trial Balance
As at 31st/Dec/2011

Particulars	Dr	Cr
Sales		720,000
Purchases	340,000	
Returns	20,000	18,000
Rent	16,000	
Advertising	24,000	
Commission		9,000
Debtors & Creditors	54,000	64,000
Stock 1/1/2011	60,000	
Insurance	30,000	
Drawings	40,000	
Furniture & Fittings	100,000	
Cash in hand	15,000	
Premises	400,000	
Capital		288,000
	1,099,000	1,099,000

Additional information.

i. Stock as at 31st Dec, 2011 was sh. 52,000

ii. Rent accrued sh.60,000.

iii. Insurance paid in advance sh. 4000

iv. Commission due sh. 5000.

v. Salaries owing Sh. 21,000.

Required :

A. Prepare a trading, profit and loss account for the year ended 31st Dec, 2011.

B. Balance sheet as at that date .

marks)

(12

IGEMBE
ICSSE FORM FOUR TRIAL EXAM JULY 2018
BUSINESS STUDIES (MARKING SCHEME) PAPER 1

1. Types of business activities.
 - Extraction
 - Processing
 - Manufacturing
 - Construction
 - Distribution of goods
 - Trade
 - Service provision
2. Factors to consider before offering credit.
 - Credit worthiness
 - Repayment period
 - Amount of goods
 - Availability of stock
 - Honesty / Integrity / Reliability
 - Frequency of purchase
 - Intention to attract and retain customers.
3. Advantages of an open office layout.
 - Easy supervision of workers
 - Cheap to construct / Maintain / decorate
 - Facilitates sharing of facilities.
 - Enhances teamwork
 - Saves on space.
4. Any appropriate example
 - Free resource - Sunshine, rainfall, air
 - Human resource - Teacher, nurse, doctor
 - Non-material good - Teaching, nursing, hair dressing.
 - Capita good - Tools, machines
5. Factors discouraging entrepreneurship.
 - Lack of capital
 - Lack of entrepreneurial skills
 - Lack of appropriate technology.
 - Poor infrastructure - roads, communication
 - Lack of raw materials.
 - Lack of labour
 - Lack of land
 - Insecurity
6. Contents of Partnership Act.
 - Profits and losses to be shared equally.
 - Loans advanced to the business by partners to carry interest at an agreed rate.
 - Admission of new partners has to be approved by all.
 - No salary is to be given to any partner.
7. Trends in forms of business, units
 - Franchising - A business grants another the right to manufacture, distribute its products using their name.
 - Globalization - Practice of activities involving business at a global scale / world wide.
 - Cartels - Organizations that join together to control the output / price of a given commodity.
 - Check off System - A system that allows money to be deducted from the source by an employer and submitted to a SACCO on behalf of the employee
8. Challenges facing consumer associations
 - Inadequate finances to support their activities.
 - Low membership
 - Lack of political good will
 - Lack of support from the Government
 - Individualism / Consumer preference / to shop independently
 - Ignorance of consumers about their rights.
9. Circumstances for using train.
 - If goods are heavy and bulky.
 - If goods are not perishable.
 - If value of goods is high since theft cases are rare.
 - When distance is relatively long.

- If trader wants to transport goods over long distances economically
- In case the trader wants to make advance plans for movement of goods since they follow a regular time table.
- If the trader wants to make use of handling facilities for loading and offloading hence saving time.

10. Roles of warehouses.

- Storage of raw materials hence continuous production.
- Stabilizing of prices - regular supply of finished goods.
- Marketing - traders can look for market while goods are stored.
- Preparing goods for sale - Some can be blended, packed, e.t.c.
- Checking of harmful / illegal goods by Government
- Protection of goods against theft / loss/ damage
- Quality can increase - for some goods e.g. wine, tobacco

11. Errors making a trial balance not to balance.

- Posting (transferring) a wrong balance to the trial balance.
- Posting a balance to the wrong side of the trial balance
- Failure to post a balance from the ledger A/C to the trial balance.
- Arithmetical mistakes in balancing the trial balance.
- In case of partial omissions.
- Different amounts for the same transaction might have been entered in the account.
- In case of partial reversal of entry

12. Functions of advertising agencies.

- Advertise on behalf of their clients
- Help organizations design their trademarks, logos and advertising materials
- They book space and airtime for their customers in various media.
- Offer advisory services to clients on selling techniques
- Choose on behalf of their clients on selling techniques.

13. Trends in communication.

- Use of social media
- Use of mobile phones
- Email
- Internet
- Intranet
- Extranet
- Management information systems
- Mobile phone applications.

14. Circumstances for locating firm near market.

- Where products are perishable.
- Where there is need to reduce costs of distribution.
- Where goods are fragile.
- Where goods are bulky
- Where market is concentrated in one area.
- Where the Government policy requires firms be located in that area.
- Where goods are specialized and require after sales services.
- Where raw materials and market are located in one area.

15. Benefits of using social media

- Fast
- Operates 24 hours / day & night.
- Wide coverage / whole world.
- Information can be stored for future .
- Relatively cheap.
- Confidentiality can be enhanced through direct mails.
- Transactions of sale / purchase can be done online

16. Negative economic implications of a young population.

- High dependency ratio
- High rate of unemployment
- Increased social evils.
- Pressure on goods and services required by the youths.
- diversion of Government expenditure.

17. Features of oligopoly market.

- Few firms controlling the entire market.
- Deal with identical product.
- Some deal with products that are close substitutes.
- Interdependence among firms.

18. i. Current ratio = $\frac{C.A}{C.L}$

$$\frac{55\,200}{23\,000} = 2.4$$

ii. Return on capital = $\frac{\text{Net Profit} \times 100}{\text{Capital Invested}}$

$$= \frac{42,000}{120,000} \times 100 = 35\%$$

19. Terms used in national income.

- Gross Domestic Product
- Per capita income
- Injections
- Depreciation

20. Positive effects of inflation.

- Motivates people to work hard to maintain living standard.
- High prices give incentives to investors / sellers
- Leads to better use of available resources.
- Debtors end up paying less than they borrowed.
- Leads to increased production as people work hard to maintain their standards of living.

21. Journal entries

Cash payments journal

Cash payments journal						
Date	Details	Receipt No.	L.F	Disc. Received	Cash	Bank
1/1/11	Purchases	517			8920	
12/1/11	Juma	0951		200		9800
17/1/11	Bank				6,000	
19/1/11	Repairs	0251			14,000	
19/1/11	Totals			200	28,920	9800

22. Functions of money.

- Measure of value.
- Store of value
- Unit of account.
- Standard of deferred payment.
- Facilities transfer of immovable asset.

23. Duties of Commercial attaches.

- Explore and identify new markets for more export.
- Research and analyze markets for exports from their home countries.
- Keep statistics of products e.g. volumes traded, packaging sizes, e.t.c.
- Attend meetings, seminars and workshops on trade patterns of the countries and keep data on new markets for exports.
- Publish and advertise their countries exports in business journals and magazines.
- Select buyers, agents and distributors of the home country's exports.

24. Ledger account

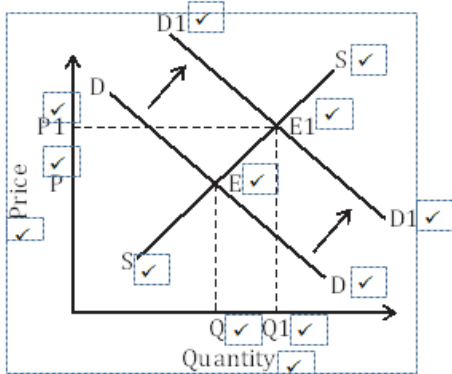
- Sales account
- Sales Returns account
- Purchases account
- Purchases returns account.

25.

Hire Purchase	Installment buying
- Buyer does not become the owner of goods in taking possession	- Buyer becomes the owner of the goods on taking their possession
- Buyer cannot resell the goods since he is not the legal owner	- Can resell the goods as he/she is the legal owner of the goods
- Higher purchase price is usually higher than the price of goods bought on credit.	- Price of goods bought on installments is lower than that of the same goods bought on hire purchase
- If the buyer defaults in paying any installment goods may be repossessed by the owner	- Goods cannot be repossessed if the buyer defaults payment but the buyer can be sued.

IGEMBE
ICSSE FORM FOUR TRIAL EXAM JULY 2018
BUSINESS STUDIES (MARKING SCHEME) PAPER 2

1. a. - Size of the market
 - Nature of the product
 - Flexibility of small firms
 - Legal constraints.
 - Rising Cost of Production.
 - Need to retain control
 - Quick decision making.
 - Belief that small firms are more manageable



b. Demand increased from DD to D₁D₁ with the effect that the equilibrium price /quantity changed from Q to Q₂ respectively. This changed the equilibrium point from E₁ to E₂.

2. a. - Value of property.
 - Frequency of occurrence of the risks.
 - Extent of previous losses.
 - Period to be covered by the policy .
 - Age of the property in question.

- b. -Equitable.
 - Certain
 - Convenient.
 - Flexible.
 - Economical.
 - Ability to pay
 - Simplicity

Any five well explained points

3. a. - Giving subsidies / financial assistance to business people to reduce running costs.
 - Giving incentives.
 - Ease access to credit facilities / Loan guarantee.
 - Protection of local infant industries from competition from foreign established industries.
 - Provision of security to business people.
 - Provision of trade information to local businessmen.
 - Provision of good social / physical infrastructure / good transport and communication systems.

b. **Three column cashbook**

DR.						CR					
Date	Particulars	F	D.A	Cash	Bank	Date	Particulars	F	D.R.	Cash	Bank
2006 march 1	Bal ^{b/d}	^{b/d}		7800		2006 march 1	Bal	^{b/d}			23,400
march 3	Sales				6500	march 4	Purchases				15,000
march 6	Sales			50000		march 13	Insurance			16000	
march 9	Amolo				18000	march 14	Kamotho		300		9700
march 17	Sales				150000	march 21	Cash	C			30000
march 21	Bank	C		30000		march 25	Wages			20000	
march 23	Rotich		1250		23750	march 26	Amolo		48800		18000
march 30	Cash	C		48800		march 30	Bank		3000		
							Bal	C ^{b/d}			209,450

4. a. - Reduction in rural - Urban migration.

- Balanced regional development.
- Reduced effects covered by occurrence of war, terrorism, attacks or natural calamities such as earthquakes.

- Creation of a market for locally produced raw materials.
- Creation of employment opportunities to people living in rural areas.
- The local communities are able to get the produced goods without necessarily travelling very far.

b. Indicators of under development.

- High level of poverty where many people live below poverty line.
- Disparity in income distribution; there are many people whose incomes are very low while minority earn very high income.
- Low level of savings and investments; low per capital income in Kenya make people to have little to save.
- High population growth rate that leads to low per capital income.
- Rural to Urban migration in search of jobs and other social amenities in urban areas.
- Overdependence on agricultural sector.
- Capital deficiency in form of finance, machines and equipment.
- Cultural bottlenecks where many countries are tied to traditional customs and beliefs which are rigid to adjust to the up coming and existing structures of development.

5. a. - Where the products are of technical nature, the manufacturer may want to have direct contact with consumer.

- Where the manufacturer has his own retail outlet.
- Where the products are expensive and the manufacturer fears losing them through intermediaries or the middlemen are not able to stock them.
- Where products are produced according to consumers' specification.
- Where consumers are localized in one geographical area or the manufacturer is close to them.
- Where the products are perishable and the manufacturer wants to deliver them first to their customers.

- b.
- Documents are protected from loss and landing in to unauthorized hands.
 - It aids in office tidiness and efficiency.
 - Filing is an important aid to memory that its reference can be made in future.
 - It ensures that information is stored systematically and this can be retrieved easily when needed.
 - Saves time when identifying documents in the office.
 - Economizes in space in the office.

6. a.

Public limited company	Public corporations
<ul style="list-style-type: none"> • Formed with an aim of making profit public • Formed under company's act • Main source of capital is sale of shares • Managed by a board of directors elected President by the shareholders. 	<ul style="list-style-type: none"> • Formed to provide essential goods and services to the public • Formed under the act of parliament • Main source of capital is the government as part of expenditures • Managed by a board of directors elected by the government

6b)

Bumale Traders
Trading, profit and loss account
For the period ended 31st Dec, 2011

Opening stock	60,000	Sales	720,000
Add purchases	340,000	Less returns inwards	(20,000)
Less Returns out	(18,000)		
	322,000		
Cost of goods available for sale	382,000		
less closing stock	(52,000)		
Cost of goods sold	330,000		
Gross profit c/d	370,000		
	700,000		700,000
Rent	16,000	Gross profit b/d	370,000
		Commission received	9,000
Advertising	24,000		
Insurance	30,000		
Net profit c/d	309,000		
	379,000	Net profit b/d	379,000

Bumala Traders
Balance Sheet
As at 31st Dec, 2011

As at 31st Dec, 2011

Premises	400,000	Capital	288,000
Furniture & fittings	100,000	Add net profit	309,000
Stock	52,000	Less drawings	(40,000)
Debtors	54,000	Creditors	64,000
Insurance paid in advance	4,000	Commission due	5,000
Cash in hand	15,000	Salaries owing	21,000
	625,000		625,000

WESTSCENT EXAMINATION

565/1

Business Studies

Paper 1

July/August 2018

Time: 2 Hours

1. Outline four measures the government of Kenya should put in place to prevent brain drain. (4mks)
2. As an external environment give four ways on how economic factor influences the operation of a business. (4mks)
3. Outline four factors to be considered in order to construct a consumer price index. (4mks)
4. State four benefits of using social media in promoting a product. (4mks)
5. The following information relate to Odanga Traders for the year ended 31st December 2017.

Sales	2,000,000
Current Assets	5,000,000
Fixed Assets	650,000
Net Profit	300,000
Current Liabilities	650,000
Closing Stock	100,000
Opening Stock	200,000
Gross Profit margin was	20%

 Calculate:
 - i) Current Ratio (1mk)
 - ii) Gross Profit mark up (1mk)
 - iii) Rate of stock Turn over (1mk)
 - iv) Capital employed (1mk)
6. Outline circumstances under which a trader would use porters to transport goods. (4mks)
7. State four importance of financial Ratio. (4mks)
8. Highlight four reasons why interest is charged on borrowed capital. (4mks)
9. Outline four uses of an invoice to a seller of goods. (4mks)
10. Give four reasons why Kenyan government restricts imports. (4mks)
11. The following balances were extracted from the books of Onkwani on 31st December 2017.

Capital ksh.	240,000
Investment during the year ksh	100,000
Monthly drawings ksh.	10,000
Profit per year ksh.	76,000

 Calculate initial capital. (4mks)
12. Give four reason why monopoly may not be popular to most economies in Africa. (4mks)
13. The following illustration was taken from the operations of K & X metal workshop. State four causes of the shift indicated. (4mks)
14. State four causes of balance of payment surplus. (4mks)
15. State four way in which the stock of a business may change. (4mks)
16. Identify four long chains of distribution not popular to the buyers. (4mks)
17. On 1st May 2018, David bought goods on credit quoted at Ksh. 200,000. Terms of sale were 20% trade discount and 10% cash discount if payment was made on 28th/5/2018. Calculate the amount paid if payment was made on 27th/5/2018. (4mks)

- 18.** Identify four features of the economic union as a form of economic integration. (4mks)
- 19.** After his KCSE examination, Osoro was advised to start operating a tied shop rather than a unit shop. Give four reasons for this advice. (4mks)
- 20.** State four circumstances in which the nature of goods would influence the choice of transport means. (4mks)
- 21.** Outline four benefits of money transfer service using a mobile phone. (4mks)
- 22.** Differentiate between the following terms:
i) Economic growth and economic development. (2mks)
ii) E-mail and E-commerce. (2mks)
- 23.** Highlight four circumstances under which the manager of Wangu Trader may prefer to talk to his workers verbally instead of writing them a message. (4mks)
- 24.** Outline four types of ledgers that a business dealing with goods is likely to maintain. (4mks)
- 25.** You have been appointed as the public relations' officer in a well-to-do company. Disclose four duties you will be undertaking

WESTSCENT EXAMINATION

565/2

BUSINESS STUDIES

Paper 2

July/August 2018

Time: 2½ Hours**Answer five questions**

- 1.a)** Explain five factors that may lead to business mergers. (10mks)
- b)** Give five differences between a bonded warehouse and a free warehouse. (10mks)
- 2a)** The following transactions took place during the month of April 2018 in Otoy traders.
- | | |
|------------------|---|
| April | |
| 1 st | Started business worth Ksh. 150,000 deposited into the bank Account. |
| 2 nd | Bought machine worth Ksh. 8,000 and paid by cheque. |
| 8 th | Received Ksh. 6,500 from Karis who owed Ksh 7,000 in full settlement of the account. |
| 12 th | Withdrew Ksh. 20,000 of which 15,000 was for office use and the rest was to pay for his son's medical bill. |
| 15 th | Paid Ochieng Traders account in cash of Ksh. 10,000 at a 10% cash discount. |
| 25 th | He bought equipment for 18,000 and paid by cheque. |
| 26 th | He made cash sales paid directly to the bank account worth 15,000. |
| 26 th | Made credit sales amounting Ksh. 7,500. |
| 27 th | Paid Okongo a creditor in cash Ksh. 3,200 in full settlement of his account of Ksh 3,500. |
| 30 th | Banked all the money except Ksh. 2,000. |
- Required**
Enter the above transactions in relevant cash book and balance it off. (10mks)
- b)** Explain five advantages of M-Banking. (10mks)
- 3a)** In the recent past the country of Rwanda has been very keen in joining the East Africa Community. Explain five benefits that Rwanda may enjoy by being a member of East Africa Community. (10mks)
- b)** Explain five types of unemployment that the government of Kenya may be required to address. (10mks)
- 4a)** Explain the procedure for personal selling. (10mks)
- b)** Omari Traders had the following assets and liabilities balances on 31st December 2017. (10mks)
- | | | |
|----------------------|--------|--------|
| Capital | 15,100 | |
| Bank | 6,000 | |
| Debtors | 2,000 | |
| Prepaid Electricity | 600 | |
| Cash | 3,000 | |
| Creditors | 1,500 | |
| Outstanding salaries | | 15,000 |
| Equipment | 20,000 | |
- Required**
- i) Prepare a general journal to record the transaction. (8mks)
- ii) Post the transactions to the relevant ledger accounts. (10mks)
- 5a)** some taxes are imposed directly on taxpayers' income. Explain five of such taxes. (10mks)
- b)** Explain five limitations of a trial Balance. (10mks)
- 6a)** Explain five ways by which an entrepreneur contributes to the production of goods and services. (10mks)
- b)** The following information relates to Nyaroo Traders for the year 2017.
- | | | |
|------------------------|------|---------|
| Net Sales | ksh. | 320,000 |
| Margin | | 20% |
| Expenses | | 35,000 |
| Rate of stock turnover | | 6 Times |
| Capital | ksh. | 180,000 |
- From the information above, determine.
- i) Gross Profit (2mks)

-
- | | |
|------------------------------|--------|
| ii) Cost of goods sold | (2mks) |
| iii) Net Profit | (2mks) |
| iv) Average Stock | (2mks) |
| v) Rate of return on capital | (2mks) |

**WESTSCENT EXAMINATION
FORM FOUR 2018 END OF TERM 2 EXAMS
BUSINESS STUDIES 565/2)**

Paper 2
July 2018

MARKING SCHEME

1. **Measures to prevent brain drain.** (4mks)
- Introduce relevant education system to fit the local needs.
 - Ensure proper and harmonised remuneration.
 - Ensure political freedom.
 - Build confidence in the training institutions to create confidence in them.
 - Provide necessary facilities to qualified personnel to work locally.
2. **As an external environment, give four ways on how economic factor influences the operation of a business.** (4mks)
- Affects the level of income of buyers/customers.
 - Affects the prices and trends.
 - Affects the structures and level of savings.
 - Affects the debt patterns and repayment abilities.
 - Affects the credit availability.
3. **Factor to consider in order to construct a consumer price index.** (4mks)
- Selection of the commodities (basket of commodities)
 - Choice of the base year/period.
 - Price of the commodity during the current and base period.
 - Choice of the average to be used.
4. **Benefits of promoting a product through the social media.** (4mks)
- Gives access to world market/wider market.
 - Equal opportunity in the market to producers regardless of whether the business is small or large.
 - It is fast to transact/to promote/saves time.
 - Paperwork is reduced.
 - It is cheap/saves on cost of communicating to customers.
 - Feedback is immediate.

5. i)
$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$= \frac{650,000}{650,000} = 1.1$$

ii) Gross Profit Mark up

$$= \frac{\text{Gross profit}}{\text{Cost of sales}} \times 100$$

a) Gross Profit = Margin x Sales

$$= \frac{20}{100} \times 200,000 = 40,000$$

b) Cost of sales = Sales - Gross Profit

$$= 2,000,000 - 400,000$$

$$= 1,600,000$$

$$= 25\% \text{ or } \frac{1}{4}$$

Alternative method I

Convert Margin to mark-up

$$\frac{20}{100} \times 100 = \frac{20}{80} \times 100 = 25\%$$

Alternative method II

$$\frac{1}{5-1} = \text{or } 25\%$$

iii) Rate of stock Turn Over

$$= \frac{\text{Cost of sales}}{\text{Average stock}}$$

$$\text{Average stock} = \frac{100,000 + 200,000}{2}$$

$$= 150,000$$

$$\text{Stock Turn over} = \frac{1,600,000}{150,000}$$

= 10.67 times

iv) Capital employed

$$\begin{aligned}
 &= \text{Fixed Assets} + \text{Current Assets} \\
 &= 5,000,000 + 650,000 \\
 &= 5,650,000
 \end{aligned}$$

or

$$\begin{aligned}
 &\text{Capital} + \text{Net Profit} + \text{Current liabilities} \\
 &= (4,700,000 + 300,000) + 650,000 \\
 &= 5,650,000
 \end{aligned}$$

6. Circumstances when a trader may use porters to transport goods.**(4mks)**

- When the distance is short.
- Where there are no fixed routes.
- When he wants to reduce cost.
- When other means are not available.
- Where there is poor accessibility to other means.

7. State four reasons why financial ratios are important.**(4mks)**

- They assist the business in making financial decisions concerning the running of the business.
- They enable the business to determine the rate of profitability on cost of goods sold and sales.
- A business is able to determine its level of quality.
- They help a business to determine its level of indebtedness.
- They help the business to determine the rate of return on the capital invested and employed in the business.
- They help the business to determine the total costs incurred in running the business in a given period of time.
- They help the business to compare its performance with that of other business.

8. Highlight four reasons why interest is charged on borrowed capital.**(4mks)**

- To reward capital as a factor of production.
- To take care of loss in money value over time.
- To limit the amount borrowed.
- To shorten the credit period.
- To raise incomes for the lenders.

9. Functions of invoice to the seller.**(4mks)**

- Evidence of goods sold on credit.
- Records credit transaction for future use.
- Demands payment for goods sold on credit.
- Provides information for recording books of account.

10. Give four reasons for import restrictions by the Kenya government.**(4mks)**

- To protect local infant industries.
- To create and protect employment.
- To protect strategic industries in the country.
- To prevent dumping.
- To preserve balance of Trade (Avoid balance of trade deficit).
- To protect the cultural and social values.
- To expand market for local products.

11. Calculate initial capital.

$$FC = IC + I + P - D$$

$$IC = FC + D - I - P$$

$$= 240,000 + (12 \times 10,000) - (100,000 - 76,000)$$

$$= 240,000 + 120,000 - (100,000 - 76,000)$$

$$= 360,000 - 176,000$$

$$= 184,000$$

12. Give four reasons why monopoly is not popular in most economies in Africa.**(4mks)**

- They charge high prices and exploit consumers.
- May produce sub-standard goods/services due to lack of competition.
- They operate at excess capacity leading to unemployment and wastage of resources due to restriction of output.
- They lead to an uneven distribution of income.
- Too much power may be used to influence the government to adopt unfavourable policies.

13. Causes of a swift in metal workshop.**(4mks)**

- Improved methods of production (Technology)
- Decrease in cost of production.
- Favourable government policies e.g incentives, low tax.
- Increased population in the environment.

- Increase in price of related products.
- Fear of future expected fall in prices.

14. Causes of balance of payment deficit (4mks)

- Increased export with declining imports.
- Devaluation of local currency that would result to increased exports and less imports.
- Capital inflow arising from loans or foreign investment from other countries.
- Improved Technology that leads to increased export (quality and quantity)
- Improved economic conditions where there is a boom.

15. Ways in which the stock of a business may change. (4mks)

- Goods being sold.
- Purchasing of new stock.
- Goods being returned to suppliers.
- Goods being returned by customers.

16. Disadvantages of long chains of distribution to buyers. (4mks)

- Increased prices.
- Likelihood of delay of goods.
- chances of damage to goods due to handling.
- Feedback to producer/manufacturer is slow.
- Perishable goods will go bad.

17. Calculate the amount paid.

$$\begin{aligned} \text{Trade discount} &= \frac{20}{100} \times 200,000 \\ &= 40,000 \end{aligned}$$

$$\begin{aligned} \text{Payment after trade discount} \\ &= 200,000 - 40,000 \\ &= 160,000 \end{aligned}$$

$$\begin{aligned} \text{Cash discount} &= \frac{10}{100} \times 160,000 \\ &= 16,000 \end{aligned}$$

$$\begin{aligned} \text{Amount paid by David} &= 160,000 - 16,000 \\ &= 144,000 \end{aligned}$$

18. Features of the economic union as a form of economic integration (4mks)

- No tariff for member countries.
- Common tariff against Non-member countries.
- Free movement of factors of production.
- Common currency.
- Common financial institution (Central Bank)
- Common infrastructure.

19. Benefits associated with operating a Tied shop. (4mks)

- Easy identifiable due to similar appearance by customers.
- Product promotion is done by the manufacturer.
- Can get credit facilities from manufacturer.
- There is assurance of continued supply of goods.
- There is assurance of high quality of goods.

20. Four ways in which the nature of goods would influence the choice of means of transport. (4mks)

- If goods are fragile, a smooth means would be required.
- If perishable fast means would be used.
- If goods are of high value, safe means would be required.
- If goods are of high value, safe means would be required.
- If goods are bulky, and heavy, an appropriate means would be required.
- If goods are liquid or gaseous form, pipe or tanker would be required.

21. Benefits of money transfer service using a mobile phone. (4mks)

- Deposit/withdrawing money can be done anytime (24 hour service)
- Convenient in sending/receiving money transfer money.
- Can pay bills.
- Can be used to carry money safely.
- Can buy airtime conveniently.
- Easy to check bank balances.
- Can check recent transactions.
- Check account balances.

22. Differentiate between the following.**i) Economic growth and economic development. (2mks)**

- **Economic growth** - a quantitative change in level of National Income (GPP)/increase in production of goods and service.
- **Economic development** - Both quantitative and qualitative change in entire economic and social systems.

ii) E - mail and e-commerce (2mks)

- **Electronic mail** - is the sending of written message through the internet using computers.
- **E-commerce** - Trading through the internet using computers.

NB 2 marks each or o.

Two must be correct to award 2mks

23. Circumstances under which verbal communication is preferable (4mks)

- When the manager wants to convince/persuade workers.
- When he needs to make the message accurate.
- When the manager requires immediate feedback.
- When the message is confidential.
- Where the message is urgent and requires quick communication.
- When distance between the manager and worker is very short.

24. Types of ledgers kept by a business dealing with goods. (4mks)

- Cash book.
- Sales ledger (debtors ledger)
- Purchases ledger (creditors ledger)
- Nominal ledger.
- Private ledger.
- General ledger.

25. Duties of a public relations officer in a company. (4mks)

- Initiating and developing appropriate P.R strategies and programmes.
- Building and maintaining a strong and credible institutional image.
- Organising protocol and media events, briefing, conferences and exhibitions.
- Developing and co-ordinating corporate social responsibility activities.
- Initiating and managing linkage with stakeholders.
- Preparing publications material and maintenance of media database.

**WESTSCENT EXAMINATION
FORM FOUR 2018 END OF TERM 2 EXAMS
BUSINESS STUDIES 565/2)**

Paper 2
July 2018

MARKING SCHEME

1. Factors leading to mergers (10mks)

- To eliminate wasteful competition.
- To expand capital base.
- To enable the firm to diversify production activities.
- Enable the firms to pool their resources.
- To establish the monopoly to control the market.

b) Differences between Bonded warehouse and free warehouse. (10mks)

Bonded warehouse Free warehouse

- Normally situated at the entry points, ports, airports - Can be located anywhere within the country.
- Goods stored awaiting payment of customs duty. - Goods stored awaiting customers/consumption
- Closely monitored by the government. - Only checked sometimes to ensure no illegal goods stored in.
- Allows government to inspect goods stored - Goods may not be inspected by the government.
- Used to control the entry of goods entering the country - Used to control/prevent goods from damage/theft (quality and type) theft.

2. (a)

**OTOYO TRADERS
CASHBOOK FOR THE MONTH OF
APRIL 2018**

Date	Detail	F	Dis Allyd	Cash	Bank	Date	Detail	F	Dis Rec	Cash	Bank
1/4/18	Capital				150,000	2/4/8	Machine				8 000
8/4/18	Karis		500	6 500		12/4/18	Cash	C			20 000
12/4/18	Bank	C		20,000		12/4/18	Drawing			5 000	
26/4/18	Sales				15 000	15/4/18	Ochieng		1 000	9 000	
30/4/18	Cash				7 300	25/4/18	Equipment				18 000
						27/4/18	Okongo		300	3 200	
						30/4/18	Bank			7,300	
						30/4/18	Bal c/d			2 000	126 300
			500	26,500	172 300					26, 500	172 300

b) Advantages of M- Banking (10mks)

- Receiving salary deposit alerts.
- Allows airtime top ups directly from bank account.
- Payment of bills directly on mobile phone.
- Accessibility of bank statements any time.
- Withdrawal from bank accounts without having to visit a banking hall.

3a) Benefits of being a member of East African Community (10mks)

- High quality goods due to competition among the countries.
- Leads to improvement of infrastructure e.g SGR.
- It will lead to/will enjoy wider market as it will sell to all member countries.
- May facilitate free movement of factors of production between the members countries.
- There will be increased specialization on goods that it has comparative advantage leading to high quality and quantity of goods.
- Rwanda will import or export her goods to member countries easily since export/import procedures will be simplified.
- May reduce dependence on developed countries since member countries rely on one another.
- Can enjoy good relationship and understanding leading to unity among member countries.
- May lead to reduction of unemployment since labour is mobile.

- Rwanda may carry out joint research for better quality of products.
- There will be free flow/transfer of new technology from one country to another.

b) Types of unemployment (10mks)

- Disguised unemployment - Where withdrawal of some workers may not affect out-put/more workers than they are required to carry out a test.
- Voluntary unemployment - Where people choose not to work due to reasons such as low pay.
- Involuntary unemployment - Whereby people are ready to work but there are no jobs available for them.
- Structural unemployment - Where the supply of a particular category of workers exceed the demand for their service/caused by change in levels of production leading to low demand for the service of workers.
- Friction unemployment - When people lose jobs and go looking for other jobs.
- Seasonal unemployment - It arises when people are engaged in activities that fluctuate with time/vary with time/season e.g Agriculture activities.
- Cyclical unemployment - Caused by fluctuation of economic activities over a period of time in a pattern/alternating from boom to recession to depression e.t.c
- Residual unemployment - Crises due to handicaps such as mental or physical challenges.
- Urban unemployment - Found in town where there are more workers than the jobs.
- Technological unemployment - When new technology is adopted it replaces human labour.
- Casual unemployment -When casual workers lose jobs because their labour is on temporary basis.
- Target worker - Where people work to attain a certain level of income but withdraw their service once they attain given income.
- Keynesian unemployment - When the level of demand in the economy is not sufficient enough to support production activities that generate employment.

b) Procedure for personal selling (10mks)

- Establish contact with a prospective customer
 - Arouse or create interest in the product (displaying product)
 - Creating preference for the product in the prospective buyer citing strong features.
 - Making a proposal to sell the product to receive the order from the prospective buyer.
 - Closing the sale by supplying the product and receiving payment.
- (5 x 2 = 10mks)- order should be followed.

Omari Traders		
General Journal for the month of December 2017		
Account	Debit	Credit
Bank	6000✓	
Debtors	2000✓	
Prepaid Electricity	600✓	
Cash	3000✓	
Equipment	20000✓	
Creditors		1500✓
Outstanding salaries		15,000✓
Capital		15,100✓
Being a record of opening balance as at 31/12/2017	31,600	31,600

(8 x ½ = 4mks)

N/B Narration correctly written, award (2mks)

ii) Ledger Accounts

Bank A/c	
1/1/18 Bal B/d	6000✓
Debtors A/c	
1/1/18 Bal B/d	2000✓
Prepaid Electricity A/c	
1/1/18 Bal B/d	600✓
Cash A/c	
1/1/18	3000✓
Equipment A/c	
1/1/18 Bal B/d	20,000✓
Capital A/c	
	1/1/18 Bal B/d 15,100
Outstanding salaries A/c	

5a) Some taxes are imposed directly on taxpayers income. Explain five of such taxes. (10mks)

- Income tax - Imposed on personal income e.g PAYE
- Capital gains tax - Imposed on gains/increase realized on sale or disposal of real assets.
- Corporate tax - Imposed on profits of companies.
- Estate or death tax/duty - Imposed on the value of property of a deceased person.
- Capital transfer tax - Imposed on transferring ownership of capital from one party to another.
- Graduated tax - tax levied per adult head.

b) Limitations of a Trial balance. (10mks)

- Error of omission - When no record or entry of transaction is made in any ledger accounts.
- Error of commission - a transaction is recorded in wrong account but same class.
- Error of principle - Occurs where a transaction is recorded in wrong Account of a different class.
- Error of compensation - The effect of such that, can cancel out each other.
- Error of complete reversal of entries - Occur when the account to be credited is debited while the one that was to be debited is credited.
- Error of original entry - When both the credit and debit entries are made correctly in correct accounts but using transported or wrong figures.

6a) Ways in which an entrepreneur contributes to the production of goods and services. (10mks)

- Identifies viable business opportunities.
- Provides guidelines on how production should be organized.
- Provides the capital necessary to carry on production.
- Hires/provides all other factors of production.
- Bears all the risks during production.
- Decides how/when/where/what to invest in the business.
- Rewards all the factors of production.

b) i) Gross profit

Margin = Gross Profit

$$\frac{20}{100} = \frac{\text{GP}}{320,000}$$

$$\text{G.P.} = 320,000$$

5

$$\text{G.P} = \underline{64,000}$$

(2mks)

ii) Cost of goods sold

$$\begin{aligned}\text{Cogs} &= \text{Net Sales} - \text{GP} \\ &= 320,000 - 64,000 \\ &= \underline{256,000}\end{aligned}$$

(2mks)

iii) Net profit

$$\begin{aligned}\text{N.P} &= \text{Gross Profit} - \text{Expenses} \\ &= 64,000 - 35,000 \\ &= \underline{29,000}\end{aligned}$$

(2mks)

iv) Average Stock

$$\begin{aligned}\text{Rosto} &= \frac{\text{Cost of goods sold}}{\text{Average Stock}} \\ 6 &= \frac{256,000}{\text{Average Stock}} \\ \text{Average Stock} &= \frac{256,000}{6} \\ &= \underline{42,666.7}\end{aligned}$$

(2mks)

v) Rate of Return on capital

$$\begin{aligned}\text{RRC} &= \frac{\text{Net Profit}}{\text{Capital}} \times 100 \\ &= \frac{29,000}{180,000} \times 100 \\ &= \underline{16.1\%}\end{aligned}$$

(2mks)

SUKELE MOCK PAPER 1
565/1
BUSINESS STUDIES
PAPER 1 JULY 2018
2 HOURS

1. Highlight four ways in which business studies is useful to a community. (4 marks)
2. Outline 4 effects of fixing price above the equilibrium. (4mks)
3. Outline 4 services offered in agency banking as a trend in the banking sector. (4mks)
4. Outline 4 functions of Kenya Bureau of Standards (KEBs). (4mks)
5. A manufacturing firm has been consistently releasing toxic wastes into the neighborhood. Outline four measures you can take to stop the firm from such malpractice. (4mks)
6. The following terms relate to communication: vertical, horizontal, formal and informal. Write the appropriate term of communication associated with each of the following statements. (4mks)

	Statement	Terms
(a)	A manager gives instructions to a supervisor in her division	
(b)	Rumours going around that the most disciplined workers will be rewarded	
(c)	A manager issues a general circular to the Employees	
(d)	Prefects discussing discipline in their school	

7. During the month of July 1995 Kungu made sales worth Kshs.60, 000. His margin on sales was 20%, calculate;
 - a) The gross profit
 - b) The cost of goods sold
8. State whether each of the following transactions will increase, decrease or have no effect on the balance sheet. (4mks)

Transaction	Effect on Balance Totals
Withdrew money from the bank for office use	
Paid Mr. Kimeli, a creditor in cash.	
Purchased a motor car by cheque.	
Sold a private car and deposited the money into the business account	

9. Highlight four ways in which a business owner can positively influence the internal environment of his/ her business. (4mks)
10. Outline four characteristics of land as a factor of production. (4mks)
11. State the document used in home trade for the following functions. (4mks)

Functions	Document
To find out whether the supplier stocks certain goods.	
To request a supplier to provide particular goods to a customer.	
To inform the buyer that his account has been reduced by certain amount of money.	
To describe goods that have been sold to the buyer on credit.	

12. Mutuku wishes to join a savings and credit co-operative (Sacco). Outline four benefits he will enjoy by being a member of the co-operative. (4mks)
13. Outline four circumstances under which a local producer would build his own warehouse.

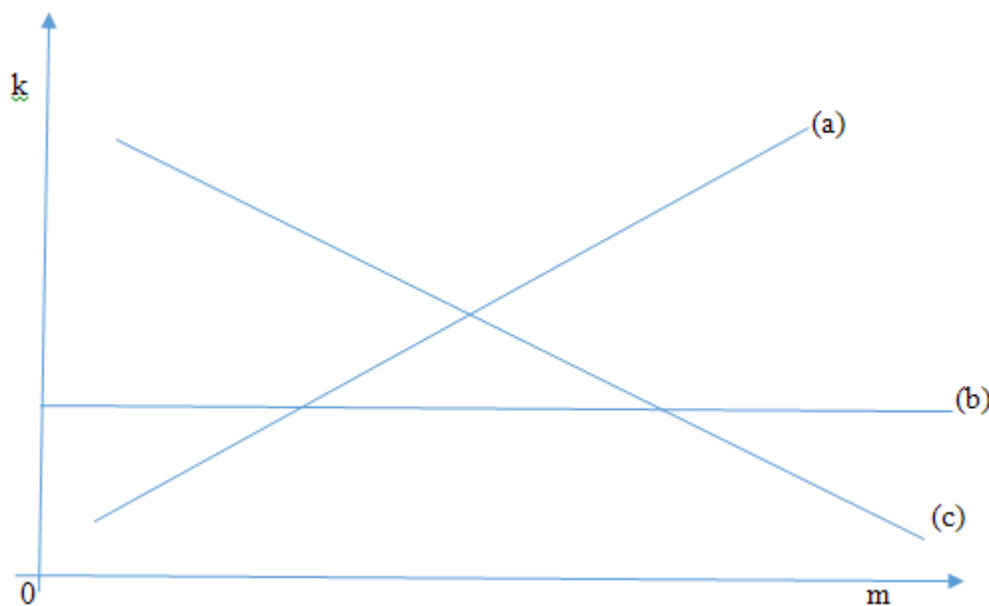
14. The following information relates to the business of Kitamba wholesalers for the year ended 31st December 2017.

	Kenya Shillings
Capital as at 31 st December 2017	1,040,000
Net profit for the year	240,000
Additional investment	380,000
Capital as at 1 st January 2017	720,000

During the year, the proprietor took some goods from the business for family use. Calculate the value of those goods. (3mks.)

15. State 4 reasons why shelter is a basic want. (4mks)

16. The diagram below represents various types of taxes. Proportional tax, regressive tax and progressive tax.



I. State what is represented by the axes labelled 'k' and 'm'. (1mk)

II. Identify the tax curves labelled (a), (b) and (c). (3mks)

17. The following balances relate to Matere enterprises for the year ended 30th September 2017.

	ksh.
Sales	145,000
Purchases	110,000
pre-paid insurance	30,000
outstanding salaries	10,600
debtors	80,000
commission received	20,400
bad debts written off	24,000
capital	68,000

Prepare Matere enterprises trial balance.

(4mks)

18. FOUR benefits Kenya would derive from being a member of the East African Community (EAC)
19. Highlight FOUR measures that have been put in place by the Kenya government to ensure the safety of passengers on Kenyan roads.
(4mks)
20. Kakamega Sugar Company would like to sell its products to Mexico. Identify any four possible channels of distribution the business may use.
(4mks)
21. Outline FOUR measures that can be taken by an organization to ensure security of information and documents in the office.
(4mks)
22. Outline FOUR features of perfect competition market structure.
(4mks)
23. Highlight cost of consumer goods and services for a representative basket of an average family is given below
- | YEAR | 2006 | 2007 |
|--------|----------|----------|
| PRICES | KSH.1200 | KSH.1600 |
- Determine the increase in consumer price index. Using 2006 as the base year.
(4mks)
24. State 4 reasons which may influence a government to implement a policy of delocalization.
(4mks)
25. In the spaces provided, state the source documents used to record information in the subsidiary books listed below.

SUBSIDIARY BOOKS	SOURCE DOCUMENTS
Sales Returns Day Book	
Purchases Day Book	
Sales Day Book	
Purchases Returns Day Book	

SUKELE MOCK EXAMS
The Kenya certificate of secondary education
BUSINESS STUDIES 565/2
PAPER TWO
JULY 2018
TIME: 2HOURS 30 MINUTES

1. (a) Explain five differences between private limited company and partnership forms of Business units. (10marks)
 (b). Explain any five measures that the government may take to reduce the amount of money circulating in the economy. (10marks)
2. (a). Explain five principles of insurance, highlighting the significance of each to the insured. (10marks)
 (b). With the aid of a well labeled diagram, explain the effect of an increase in the supply has on a commodity while its demand remains constant. (10marks)
3. (a). The following transactions relate to Mega Wholesalers for the month of March 2011.
 March 1: Bought goods on credit from Kawe distributors Shs.26, 200, Kamakia Shs.15600, Mambo shs.33360
 March 2: Sold goods on credit to Fuma retailers Shs.37, 200, Tito grocers Shs.25, 500 and Wamba traders Shs.16, 250.
 March 6: Returned goods to Kamakia Shs.2, 400 and Mambo Shs.4, 160.
 March 9: Sold goods on credit to Tamu Shs.5, 500 and Patu Shs.18, 200.
 March 11: Bought goods on credit from Chuma Shs.33, 840.
 March 15: Goods returned by Tamu Shs.1, 500 and Fuma retailers Shs.1, 820 and Patu Shs.2,600
 March 18: Bought goods on credit from Jama Shs.21, 210 and Sama Shs.53, 850.
 March 26: Credit sales to Kamanja Shs.16, 600, Orengo Shs.19, 260 and Wama trade shs. 15200
 REQUIRED: Enter the above transactions in the respective books of original entry. (10 marks)
- (b). Describe five ways a country may use to restrict foreign trade. (10marks)
4. (a). Explain five benefits of prize winning competition in product promotion. (10 marks)
 (b). Explain five challenges associated with overpopulation. (10marks)
5. (a).

BUSSY TRADERS
TRIAL BALANCE
AS AT 30TH JUNE 2018

Details	DR. KES.	CR. KES.
Purchases/sales	698000	1164000
Debtors/Creditors	102000	124000
Stock	80000	
Motor vehicles	1200000	
Drawings	60000	
Returns	44000	38000
Carriage inwards	20000	
Bank loan		760000
Furniture and fittings	1090000	
Discounts	50000	72000
Bad debts	40000	
Rent income		48000
Interest on loan	96000	
Cash	356,000	
Capital		1,630,000
	<u>3836,000</u>	<u>3836,000</u>

Closing stock as at 30/6/2018 sh.160000

Prepare; trading and profit and loss account and the balance sheet as at 30th June 2018.

(12marks)

- (b). Explain any four reasons that account for the increasing popularity of self service system in the exchange of

goods and services.

(8marks)

6. (a). There has been a tremendous increase in establishment of industries in the counties over the past five years. Explain five measures that the Kenya government has used to ensure this.

(10marks)

(b). Explain five reasons why a higher National Income may not necessarily mean better welfare for the citizens of that

country.

(10
marks)

(10
marks)

**BUSINESS STUDIES
MARKING SCHEME
SUKELE MOCK PAPER 1 MARKING SCHEME**

1. Ways in which business studies is useful to a community.
- ✓ Helps the society to understand the role of aids to trade in enhancing business activities.
 - ✓ Promotes cooperation and peace in the society through trade and integration.
 - ✓ Helps the society members to appreciate the role of ICT in trade
 - ✓ Enables the society members to get skills to start and operate business
 - ✓ Enhances trade in the society
 - ✓ Enables the society to develop positive ethical business and environmental practices
 - ✓ The society will appreciate the role of government in business
 - ✓ The society is informed of various commercial activities
 - ✓ The society is informed of various economic issues that affects it.
2. Outline 4 effects of fixing price above the equilibrium. (4mks)
- ✓ Demand decreases
 - ✓ Supply increases
 - ✓ There will be a surplus or excess goods in the market
 - ✓ Excess goods might be destroyed
 - ✓ Excess goods might be sold at throw away prices
 - ✓ Producers will be forced to reduce the price of the equilibrium
 - ✓ Some producers will be thrown out of the market if they don't meet the cost of production
3. Outline 4 services offered in agency banking as a trend in the banking sector. (4mks)
- ✓ Customer deposits
 - ✓ Withdrawal from own account
 - ✓ Transfer of funds
 - ✓ Paying bills
 - ✓ Balance enquiries
 - ✓ Opening new accounts
 - ✓ Filling of loan application forms
4. Functions of KEBs
- ✓ Taste goods to ensure they are safe for consumers use
 - ✓ Destroy contaminated goods or poisonous goods
 - ✓ Destroy poor quality goods
 - ✓ Ensure all producers have met required standards when producing their goods
 - ✓ Check labels and packages to ensure they have correct information
 - ✓ Control and monitor the use of standardization marks
5. A manufacturing firm has been consistently releasing toxic wastes into the neighborhood. Outline four measures you can take to stop the firm from such malpractice
- ✓ Publicizing the malpractice to be known to the public
 - ✓ Take legal action in court
 - ✓ Report to the relevant authority like NEMA
 - ✓ Educate neighbours to fight for their rights
 - ✓ Boycott the firm's products
 - ✓ Carry out demonstration against the firm
 - ✓ Reason out with the firms to educate **them on the importance of conserving the environment.**
6. The following terms relate to communication: vertical, horizontal, formal and informal. Write the appropriate term of communication associated with each of the following statements.

	Statement	Terms
(a)	A manager gives instructions to a supervisor in her division	Vertical
(b)	Rumours going around that the most disciplined workers will be rewarded	Informal
(c)	A manager issues a general circular to the Employees	Formal
(d)	Prefects discussing discipline in their school	horizontal

7. Sales; 60 000 margin 20%

Margin = **Gross Profit/sales**

Gross profit = **20% X 60000**

= 12 000.

Cost of goods sold = gross profit / markup OR COGS = SALES – GROSS PROFIT

= 12000 x 4/1

= 48 000

= 60000-12000

=48000

8. State whether each of the following transactions will increase, decrease or have no effect on the balance sheet. (4mks)

Transaction	Effect on Balance Totals
Withdrew money from the bank for office use	No effect
Paid Mr. Kimeli, a creditor in cash.	No effect
Purchased a motor car by cheque.	No effect
Sold a private car and deposited the money into the business account	Increase

9. Highlight four ways in which a business owner can positively influence the internal environment of his/ her business. (4mks)

- i) Provision of adequate finance to run the business.
- ii) Provision of enough physical resources like machines, and equipment.
- iii) Employing skilled personnel and allocating them the right duties.
- iv) Introducing modern and appropriate technology.
- v) Setting up realistic goals.
- vi) Establish a clear business structure.

10. Outline four characteristics of land as a factor of production. (4mks)

- i) It is limited in supply and thus cannot be created.
- ii) The fertility of land varies from one place to another.
- iii) Its utility can be improved by use of capital and labour.
- iv) It is subject to the law of diminishing returns.
- v) It is a basic factor of production.
- vi) The price/reward for the use of land is in form of rent, rates and lease.

11. State the document used in home trade for the following functions. (4mks)

Functions	Document
To find out whether the supplier stocks certain goods.	<i>Letter of inquiry</i>
To request a supplier to provide particular goods to a customer.	<i>Local purchase order</i>
To inform the buyer that his account has been reduced by certain amount of money.	<i>Credit note</i>
To describe goods that have been sold to the buyer on credit.	<i>Invoice</i>

12. Mutuku wishes to join a savings and credit co-operative (Sacco). Outline four benefits he will enjoy by being a member of the co-operative. (4mks)

- i) He will earn dividends on shares saved.
- ii) He will obtain loans at low interest rates.
- iii) He will be encouraged to save by use of check off system.
- iv) He will obtain loans easily since only a few formalities are required.
- v) He will access different categories of loans such as normal, emergency, medical development etc.
- vi) In case of death, his beneficiaries will be refunded his share contribution.
- vii) In case of death, his loans will be written off/ his beneficiaries will not be asked to pay his loans.
- viii) His savings will be safe since they will be insured.
- ix) He will not require any security to obtain loans.
- x) He may access banking facilities through the SACCOS front office services.

13. Outline four circumstances under which a local producer would build his own warehouse. (4mks)

- i) Where the producer needs to exercise full control of the warehouse.
- ii) Where the producer wishes to save on costs incurred in hiring a public warehouse.
- iii) Where the producer needs to design the warehouse to suit the goods he/she deals with/own specifications.
- iv) Where the producer does not want to be subjected to long procedures that are found in public warehouses.
- v) Where the producer is involved in production of seasonal goods and may need to store them till demand arises.
- vi) Where the producer produces goods continuously on a large scale.

14. The following information relates to the business of Kitamba wholesalers for the year ended 31st December 2017.

	Kenya Shillings
Capital as at 31 st December 2017	1,040,000
Net profit for the year	240,000
Additional investment	380,000
Capital as at 1 st January 2017	720,000

During the year, the proprietor took some goods from the business for family use. Calculate the value of those goods. Value of goods = drawings

$$FC = IC + P + AI - D \quad (1mk)$$

$$D = IC + P + AI - FC$$

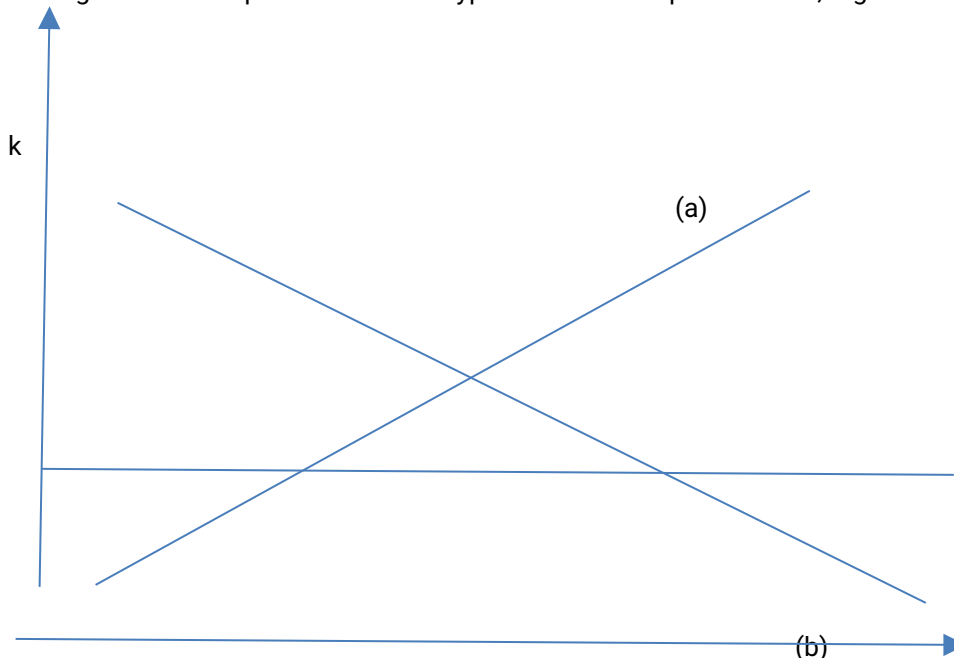
$$D = 720,000 + 240,000 + 380,000 + 104,000 \quad (1mk)$$

$$= 300,000 \quad (1mk)$$

15. State 4 reasons why shelter is a basic want. (4mks)

- Provides warmth to the body
- Prevents diseases
- Prevents man against adverse weather
- For storage of basic items
- For survival
- Provides space for relaxation and sleeping

16. The diagram below represents various types of taxes. Proportional tax, regressive tax and progressive tax.



(c)

0

m

- III. State what is represented by the axes labelled 'k' and 'm'.
(1mk)

k... **tax rate**

m... **tax base**

- IV. Identify the tax curves labelled (a), (b) and (c).

(3mks)

(a) **Progressive tax curve**

(b) **Proportional tax curve**

(c) **Regressive tax curve**

17. The following balances relate to Matere enterprises for the year ended 30th September 2017.

	ksh.
Sales	145,000
Purchases	110,000
pre-paid insurance	30,000
outstanding salaries	10,600
debtors	80,000
commission received	20,400
bad debts written off	24,000
capital	68,000

Prepare Matere enterprises trial balance.

(4mks)

MATERE ENTERPRISES TRIAL BALANCE AS AT 30TH SEPTEMBER 2017

	<i>Dr</i>	<i>Cr</i>
	<i>ksh</i>	<i>ksh</i>
Sales		145,000
Purchases	110,000	
Pre-paid insurance	30,000	
Outstanding Salaries		10,600
Debtors	80,000	
Commission received		20,400
Bad debts written off	24,000	
Capital		68,000

244,000

244,000

10 *1/2 =5marks

18. Measures that have been put in place by the government to ensure the safety of passengers
- **Removal of unroadworthy vehicles which may cause accidents**
 - Installation of bumps to reduce speed
 - heavy penalties on motorist who disobey traffic rules
 - making sure that passengers vehicle have safety belts to minimize casualties
 - ensuring that PSV have speed governments to limit the speed
 - restriction on travelling hours to ensure drivers have ample time to rest
 - all the PSVs are operating under a SACCO
19. Possible channels of distribution that the business may use
- a) local manufacture ----- kakamega ----- foreign consumer
 - b) local manufacturer ----- foreign retailer ----- foreign consumer
 - c) local manufacturer ----- foreign wholesaler ----- foreign consumer
 - d) local manufacturer ----- foreign import agent ----- foreign wholesaler ----- foreign retailer -----
- foreign consumer
20. Measures that can be taken by an organization to ensure security of information and documents in the office
- ii) filing information in time
 - iii) ensuring only authorized persons handle the files
 - iv) ensuring proper recording of files leaving he registry
 - v) training staff on how to handle files
 - vi) using secure files
 - vii) conducting regular physical checking of files in the registry / other offices
21. features of perfect competition market structure
- a large number of buyers and sellers
 - products are uniform that is, homogenous
 - there is freedom of entry and exit
 - there is no government intervention
 - there is perfect, knowledge of the market among buyers and sellers
 - no excess supply or demand
 - perfect mobility of factors of production
 - no transport cost
22. benefits Kenya would derive from being a member of EAC
- the large scale production due to specialists gives the countries the benefits of economies
 - improves co-operation and peace among the member states
 - allows individual states to specialize in production
 - members states are better placed to develop and improve their infrastructure
 - gives members countries greater economic strength and bargaining position in international matters and the international market
23. CP1 $\frac{\text{COST OF BASKET IN CURRENT PERIOD}}{\text{COST OF BASKET IN BASE YEAR}} \times 100$
- $$\frac{1600}{1200} \times 100$$
- 133.3%
- Increase in CPI is 33.3%
24. Reasons which may influence a government to implement a policy of delocalization
- to promote balanced regional development
 - to redistribute incomes
 - to ensure better use of resources in different parts of the country
 - to create employment in different regions of the country
 - to reduce congestion in urban centres where top many forms are local
25. In the spaces provided, state the source documents used to record information in the subsidiary books listed below.

SUBSIDIARY BOOKS	SOURCE DOCUMENTS
Sales Returns Day Book	<i>Credit note issued or Outgoing credit note</i>

Purchases Day Book	<i>Invoice received/ purchase invoice/ incoming invoice</i>
Sales Day Book	<i>Invoice issued/ sales invoice/ outgoing invoice</i>
Purchases Returns Day Book	<i>Credit note received/ incoming credit note</i>

**SUKELE JOINT 2018
BUSINESS STUDIES
MARKING SCHEME:**

562/2

1a) Difference between private limited company and partnership

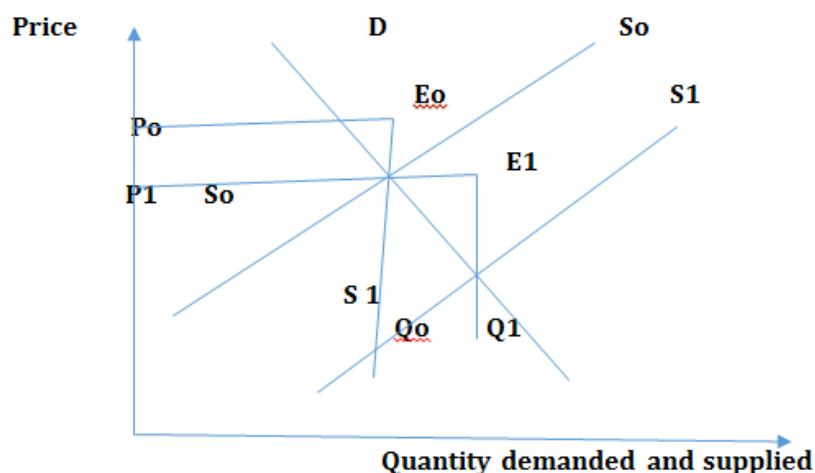
Private limited company	Partnership
Separate legal entity	Not a legal entity
Maximum membership is 50 shareholders	Maximum membership is 20 or 50 partners
All have limited liability	Most have unlimited liability
Formed under Companies Act	Formed under Partnership Act
Has perpetual existence	Its continuity depends of life of a partner
Managed by Board of directors	Managed collectively by partners

b.) Five measures that the government may take to reduce the amount of money in circulation in the economy.

- Raising the bank rate
- selling securities through open market operations.
- Raising cash ratio/liquidity ratio.
- Increase restrictive credit control measures.
- Directives to commercial banks to denial credit to some sectors of the economy.
- Raising the margin ratio on loans /different between the loan granted and value of security.
- Moral persuasion
- Raising compulsory deposits with central bank.

2a) Five principles of insurance and their significance to the insured.

- I. **Subrogation**- After the insured has been compensated, the insured item becomes the property of the insured. The insured is not supposed to benefit from double insurance.
 - II. **b)Proximate Cause**- For the insured to be compensated there must be very close relationship between the loss suffered and the risk insured, the compensation will not be paid if the cause of loss bears no relationships to the insure risk.
 - III. **Indemnity** the insured can only be compensated for actual loss suffered. Indemnity is not aimed at benefiting the insured but returning him to the financial position he was before occurrence of the insured risk.
 - IV. **Insurable interest**: The insured must tend to lose financially in the happening of the risk. One cannot insure property or life for which he will not suffer financial loss in case the insured risk occurs.
 - V. **Utmost good faith**: Obligation to both the insurer to disclose all relevant material facts relating to the insurance contract. Failure to display utmost good faith may lead to the insurance policy becoming null and void.
 - VI. **Contribution**, In case one insures with two or more insurance companies to cover the same risk the different insurance companies will share proportionally when it comes to compensating the insured for the loss arising from the occurrence of the risk.
 - VII. **Incase of life assurances policies**, each insurance company will compensate the insured as per its contract with him or her. The insured is not supposed to benefit from double insurance.
- b) With the aid of a diagram, explain the effect of an increase in the supply of a commodity while its demand remains constant.



16X 1/2 = 8mks

Explanation

- i) With increase in supply/quantity (excess /surplus) quantity is created in the market
- ii) The excess/ surplus quantity pushes the price down from P1 to P0 and quantity from Q0 to Q1

1 Mk each for the explanation

3a) Original Books of Entry

Purchases Journal

Date	Details	Invoice Number	Folio	Amount
March 1	Kawe			26,200
	Kamakia			15,600
	Mambo			33,360
11	Chuma			33,840
18	Jama			21,210
18	Sama			53,850
	Total credit purchases posted to purchases A/c.			184,060

Purchases Returns Journal

Date	Details	Invoice Number	Folio	Amount
March 6	Kamakia			2,400
6	Mambo			4,160
	Total posted to purchases returns A/c.			6,560

Sales Journal

Date	Details	Invoice Number	Folio	Amount
March 2	Fuma Retailers			37,200
2	Tito Grocers			25,500
2	Wamba Traders			16,250
9	Tamu			5,500
9	Patu			18,200
26	Kamanja			16,600
26	Orengo			19,260
26	Wama traders			15,200
	Total credit sales posted to sales A/c.			153,710

Sales Returns Journal

Date	Details	Invoice Number	Folio	Amount
March 15	Tamu			1,500
15	Fuma			1,820
	Patu			2,600
	Total posted to Sales returns.			5,920

b.) Five ways a country may use to restrict foreign trade.

-impose or increase import duty

- impose quotas on imports/set limits on quantity imported
- start import substitute industries to produce goods initially imported.
- subsidise local manufacturers to make locally produced goods cheaper/affordable.
- Ban products that are locally available
- Moral persuasion to Kenyans to buy locally produced goods "buy Kenyan build Kenya".

4a) Explain 5 benefits of prize winning competition in product promotion.(10mks)

- I. It is a cheap method of promoting sales as customers finance it hence many traders can afford to use it
- II. The trader can postpone the date of the draw to allow more sales
- III. It attracts many customers hence more sales
- IV. It helps to retain customers due to organization of competition continuously
- V. A trader can use it to expand his market by use of many competitions
- VI. Customers become loyal to a given product if they have won the prize
- VII. A trader can use it to sell more goods as many customers buy the products hoping to win a prize
- VIII. It helps to improve the image of a firm if it is able to give out prizes as per the competition.

b.)Five challenges associated with over population.

- Insufficient food supply
- Increase in crime rates
- Environmental degradation
- Low quality of services such as education, housing and health because demand is more than what the resources can cope with.
- Decline in standards of living
- May lead to balance of payment deficit as the country may import more than required.
- High dependency level straining those who are employed.
- Encourages rural-urban migration which may lead to social evils and development of slums

5 a) Bussy traders

**trading and profit and loss account
for the year ended 30 th june 2018.**

opening stock	80000	Sales	1164 000
add purchases	698000	less return inward	44 000
add carriage inwards	<u>20000</u>	Net sales	1120 000
	798000		
less return outwards	<u>38000</u>		
GAFS	760000		
less closing stock	<u>160000</u>		
COGS	600000		
Gross profit c/d	<u>520000</u>		
	<u>1120 000</u>		<u>1120 000</u>
other expenses;			
discount allowed	50000	Gross profit b/d	520 000
Bad debts	40000	add discount received	72 000
interest on loan	96000	add rent income	48 000
Net profit	<u>454 000</u>		
	<u>640 000</u>		<u>640 000</u>

Balance sheet as at 30th June 2018

F/asset		Capital	1630 000
motor vehicle	1200 000	Add net profit	454 000
Furniture and fittings	<u>1090 000</u>		2084 000
	2290 000	Less drawings	60 000
C/asset		Net capital c/d	2024 000
stock	160 000	Bank loan	760 000
Debtors	102 000	Creditors	<u>124 000</u>
Cash	<u>356 000</u>		
	<u>2908 000</u>		<u>2908 000</u>

Total marks = 12 marks

b.)Reasons that accounts for the increasing popularity of self service system in the exchange of goods and services.

- more customers are served within a shorter time
- requires fewer sales staffs-hence less over heads costs on workers
- due to less over heads, goods can be offered at cheaper prices
- management of a small number of staffs is less complex
- many shoppers have limited time and wish to do their shopping without interference

6a.) Five measures that the Kenya government has used to ensure establishment of industries in the counties.

- Encourage county governments to offer land at cheaper price by setting aside an area intended for industrial development.
- Tax concessions: the government offers tax holidays and tax rebates to lower cost of production the
- provision of infrastructure; the government may provide facilities like roads, electricity, power, water and sanitation to facilitate the operations of industries in the counties/
- Legal framework; the government may put in place legal systems that would facilitate smooth operations of industries country wide
- Development of training institutions in different counties.
- Facilitating devolution conferences held in different counties yearly where participants exchange ideas on performance of industries in different counties

b). Higher National Incomes may not necessarily mean better welfare for the citizen of that country, Give four reasons:

- I. The Income distribution could be unevenly distributed.
- II. Incorrect statistics might have been used.
- III. Higher incomes might have cost the labour force leisure time or even working in difficult circumstances.
- IV. The income might have realized through activities that were detrimental to workers health.
- V. It is generally difficult to measure welfare.
- VI. The government might impose high taxes which end up eroding purchasing power.
- VII. It does not take into account how that income was made e.g illegally.
- VIII. The effect of inflation may not be shown in the National income statistics which will affect citizens purchasing power hence power.
- IX. The way that income is spent may not necessarily translate into better welfare of individual or society. E.g money spent on drunkenness.

**EMBU NORTH SUB-COUNTY
BUSINESS STUDIES PAPER 1
JULY /AUGUST 2018
FORM 4
TIME: 2HRS**

1. State whether the following represent injection into or leakages from the circular flow of income. (4mks)

	Item	Injection/leakages
a)	Savings	
b)	Taxes	
c)	Government expenditure	
d)	Investment	

2. Outline four macro environmental factors of a business that can lead to its success. (4mks)

3. State four functions of money. (4mks)

4. Name the factor of production that each of the following resource relate to (4mks)

	Resource	Factor of production
a)	Manager	
b)	Equipment	
c)	Farmer	
d)	River	

5. List four essential services provided by the county governments to the public. (4mks)

6. Outline four factors to be considered when choosing a means of reproducing documents in an office. (4mks)

7. Outline four advantages of after sale services as a method of sales promotion to a customer. 4mks

8. Outline four benefits of the newly constructed standard guage railway line.

(4mks)

9. In the spaces provided, indicate the account to be debited and to be credited in the following transactions.

(4mks)

	Transaction	A/C DEBITED	A/C CREDITED
a	Bought machine in cash		
b	Started business with sh.30,000 in cash		
c	Took sh.20,000 cash from business for personal use		
d	Credit sales of old machine to Kamau		

10. The following balances were extracted from the books of kumi kumi traders on 31 dec.2017.

Gross profit	ksh.80,000
Rent	8,000
Discount received	2,000
Salaries	10,000
Discount allowed	5,000
Commission received	3,000
Maintenance expense	9,000
Debtors	10,000
Creditors	12,000

Required: prepare kumi kumi traders profit and loss account for the year ended 31 Dec 2017.

(4mks)

11. Highlight four circumstances under which goods can be delayed in a bonded warehouse.

(4mks)

12. State four causes of cost-push inflation.

(4mks)

13. Highlight four factors that can cause a firm to develop into a monopoly.

(4mks)

14. On 3rd Feb 2016 Jomo bought goods worth ksh.12000. Terms of payment were, trade discount 5% and cash discount 10% if payment is made within 30 days. If Jomo paid on 26th Feb 2016 determine the amount he paid.

(4 mks)

15. In the spaces provided below indicate with a tick whether each of the following statements relates to preference or ordinary shares.

(3mks)

	Statement	Preference	Ordinary
a	Represent real owners of a company		
b	Rate of dividend is fixed.		
c	Has voting rights		
d	Redeemable		
e	May be cumulative		
f	Considered last in liquidation		

16. Highlight four ways in which the government can use to influence the supply of maize in Kenya.

(4mks)

17. Highlight four purposes of public finance

(4mks)

18. State the type of insurance policy described by the following statements.

(4mks)

	Statement	Type of policy
a)	Cover losses caused by employees	

	dishonesty/fraud	
b)	Protects employees against injuries while at work.	
c)	Cover damage on motor vehicle, other people and property caused by the vehicle.	
d)	Cover claims by the members of public against a business	

19. Indicate whether each of the following business transaction will increase, decrease or no effect on balance sheet totals.

	Transaction	Effect
i)	Buying stock in cash	
ii)	Buying stock on credit	
iii)	Withdrawing cash from bank for personal use	
iii)	Received cash from a debtor	

20. Outline four problems Kenya would suffer if she does not participate in foreign trade. 4mks

21. The following balances were extracted from the books of Juma traders for the year ended 31.12.2016.

Capital	800,000
Machines	600,000
Fixtures and fittings	200000
Net profit	100,000
Additional capital	50,000
Drawings	20,000
Debtors	50,000
Cash	100,000
Stock	50,000
Creditors	70,000

Required: prepare Juma traders balance sheet as at 31.12.2016.

(5mks)

22. Highlight four measures taken by the government to encourage entrepreneurial practices in Kenya today. (4mks)

23. Outline four features of the basic human wants. (4mks)

24. Outline four circumstances under which signs and gestures can be used in communication. (4mks)

25. Highlight four factors that determine populations fertility rate in a country. (4mks)

EMBU NORTH SUB-COUNTY
565/2: BUSINESS STUDIES PAPER 2
JULY/AUGUST 2018: FORM FOUR
TIME: 2 ½ HOURS

1. a) Explain five types of wholesalers found in Kenya. (10mks)
 b) Explain five criteria that is used to determine the size of a firm. (10mks)
2. a) Explain five ways through which the central bank of Kenya can control the supply of money in the country. (10mks)
 b) Explain five limitations of using radio as a means of advertising. (10mks)
3. a) Explain five types of unemployment. (10 mks)
 b) Musa traders had the following transactions during the month of April 2016.
 April 2: sold goods on credit to Mary sh.1800
 3: Sold goods worth sh.45,000 to Njau on credit
 5: Bought stock on credit worth sh.7600 from Kima
 6: Sold stock to Magi on credit at sh.3000
 8: sold an old machinery on credit to Heri sh.20,000
 10: Bought goods worth sh.2400 on credit from Ciku.
 15: Bought stock worth sh.180,000 on credit from Meja
 20: Bought a van worth sh.250,000 on credit from Gari motors.
 Required : record the above transactions in the relevant journals. (10mks)
4. a) Explain five differences between public limited company and partnership forms of business units. (10mks)
 b) Sharks and Shujaa are importers of vehicles from Japan. Explain five terms of sale that may be quoted by the exporters of the vehicles. (10mks)
5. a) With an aid of a well labeled diagram explain the effect on the equilibrium price and equilibrium quantity when the supply of vehicles increases in the market. (10mks)
 b) Explain five principles of insurance. (10mks)
6. a) Explain four measures that should be taken to ensure that office machines are in good working condition all the times. (8mks)
- b) The following information relates to Kewa enterprises.
- | | |
|--------------------|-----------|
| Stock (1.1.2016) | 430,000 |
| Stock (31.12.2016) | 470,000 |
| Purchases | 930,000 |
| Sales | 1,155,000 |
| Carriage outwards | 25,000 |
| Carriage inwards | 10,000 |
| Returns outwards | 20,000 |
| Returns inwards | 30,000 |
| General expenses | 100,000 |
| Insurance | 25,000 |
- Required
 Calculate
- a) Net sales (2mks)
 b) Rate of stock turn over (2mks)
 c) Gross profit (2mks)
 d) Mark – up (2mks)
 e) Margin (2mks)
 f) Net profit (2mks)

EMBU NORTH SUB-COUNTY
565/1 BUSINESS STUDIES PAPER 1
MARKING SCHEME

1. Leakages and infections

Savings	Leakages
Taxes	Leakages
Government expenditure	Injections
Investments	Injections

2. Macro environments of a business, that can lead to its success.

- favourable economic climate
- Favourable political climate/peace in the country
- Increase in population
- Progressive cultural values and norms
- Fair competition
- Advancement in technology
- Unbiased publics eg. Media, lobby groups
- Competent distribution
- Effective suppliers
- Faithful/loyal customers

3. Functions of money

- Measure of value
- Medium of exchange
- Store of value
- Unit of account
- Transfer of immovable items
- Standard measure of value

4.

Resource	Factor of production
Manager	Labour
Equipments	Capital
Farmer	Entrepreneurship
River	land

5. Essential services by county government to the public.

- water and sewage
- Communication
- Fire fighting and rescue
- Education
- Health
- Transport
- Housing

6. Factors influencing choice of method for reproduction of documents in an office.

- Impression desired
- Nature of document to be reproduced
- Number of copies required/needed

- The quality required
 - Cost of reproduction
 - Availability of the means
7. Advantages of after sale services to consumers.
- Receives technical advice on usage
 - May be assisted on installation at no cost/subsidised
 - Guarantee/warranty is given for a period
 - Consumer may obtain servicing for some time at a lower cost.
 - Transportation of the product may be offered at subsidized cost.
8. Benefits of SGR to the economy
- More employment opportunities
 - Faster movement of goods/people
 - Generate income to the government
 - Growth of tourism industry
 - Reduction of congestion on roads
 - Reduction of damage on road by trucks
 - Open up areas along the SGR to growth.

9.

Transaction	A/c debited	a/c credited
a)	Machine	Cash
b)	Cash	Capital
c)	Capital/drawing	Cash
d)	Kamau	Machine

10.

KUMI KUMI TRADERS PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 ST DEC. 2017			
Expenses		Gross profit b/d	80,000 ✓
Rent	8,000 ✓	Discount received	2,000 ✓
Salaries	10,000 ✓	Commission received	3,000 ✓
Discount allowed	5,000 ✓		
Maintenance expense	9,000 ✓		
Add net profit c/d	53,000 ✓		
	85,000		85,000
		Net profit c/d	53,000

(8x1/2 = 4mks)

11. Circumstances under which goods can be delayed in a bounded warehouse.

- When duty is not paid
- When the importer is still looking for market
- When the importer is not aware of the arrival of goods

- In case of long procedure involved in release
- In case of intervention from the government.

12. Causes of cost-push inflation

- Rise in wages and salaries
- Increase in taxes
- Increase in profit margins
- Increase in cost of inputs other than labour
- Reduction in subsidies

13. Sources of monopoly power.

- Limited nature of the market best served by the firm
- Control of an important input in production patent right.
- Extensive economies of scale
- High cost to be born by new entrant into the market
- Government policy

14. Determination of the amount to be paid

Invoiced 1200

$$\text{Trade discount } \frac{5 \times 12000}{100} = 600$$

$$12000 - 600 = 11400$$

$$\text{Cash discount } \frac{10 \times 11400}{100} = 1140$$

$$\text{Amount paid by Jomo } 11400 - 1140 = 10260$$

15.

	Statement	Preference	Ordinary
a)	Represents real owners of a company		✓
b)	Rate of dividends is fixed	✓	
c)	Has voting rights		✓
d)	Redeemable	✓	
e)	May be cumulative	✓	
f)	Considered last liquidation		✓

(6 x 1/2 = 3mks)

16. Government policy that influence supply on maize.

- Price control
- Taxation
- Subsidies
- Quotas
- Legislation

17. Purpose of public finance

- To provide essential goods and services
- To control consumption of certain products
- Redistribution of wealth

- To promote balanced regional development
- To raise government revenue
- To control balance of payment deficit
- To encourage consumption of certain products

18.

	Circumstances	Type of policy
i)	Losses by employees negligence	Fidelity guarantee
ii)	Protect employees injuries at work	Workman compensation
iii)	Cover damage on motor vehicle, other people and property caused by the motor vehicle	Comprehensive motor vehicle policy
iv)	Cover claims by public against a business	Public liability

19. Indicate whether each of the following business transaction will 'increase' 'decrease' at no effect in the balance sheet totals.

	Transaction	Effects
i)	Buying stock in cash	No effect
ii)	Buying stock on credit	Increase
iii)	Withdrawing cash from bank for personal use	decrease
iv)	Received cash from a debtor	No effect

20. Outline four problems Kenya would suffer if she does not participate in foreign trade .
(4mks)

- Unable to get goods not produced in Kenya
- Less variety of goods to consumers
- Unable to disposed excess produce in Kenya
- Reduce job opportunities
- Low quality products as a result of lack of foreign competition.
- No foreign exchange earned
- Lack of specialization
- Narrow market for Kenyan produce

21.

JUMA TRADERS BALANCE SHEET AS AT 31.12.2016			
MACHINES	600,000 ✓	CAPITAL	800,000 ✓
FIXTURES	200,000 ✓	NET PROFIT	100,000 ✓
DEBTORS	50,000 ✓	ADDITIONAL CAPITAL	50,000 ✓
CASH	100,000 ✓	DRAWINGS	20,000 ✓
STOCK	50,000 ✓		930,000
		CREDITORS	70,000 ✓
	1,000,000		1,000,000

10x ½ = 5mks

22. Measures to encourage entrepreneurship practices

- provision of cheap loans eg. Uwezo funds
- Short time record in registering a business
- Improvement of infrastructure eg. Roads and power supply
- Provision of security

- Government is a major consumer of local products hence providing a ready market.
- Ensuring that entrepreneurship is taught in schools
- Low taxation
- Increase in subsidies

23. Features of basic human wants

- Cannot be postponed
- Are felt needs
- Satisfied before secondary wants
- One cannot do without them

24. Circumstances for use of signs and gestures in communication.

- Where there is language barrier
- Where giving directions
- Where there is a lot of noise
- If both or one party is dumb/deaf
- Where a point needs to be clarified
- When communicating a secret message

25. Determinants of populations fertility rate in a country.

- cultural beliefs concerning family size
- Age and sex structure of the population
- Incidence of bareness
- Social/cultural attitudes towards child bearing before marriage
- Social significance of children to parents
- Ignorance about dangers of large family size
- Government policies that favor large families

**EMBU NORTH SUB-COUNTY
BUSSINESS STUDIES
565/2
MARKING SCHEME**

1. a) Types of wholesalers found in Kenya.
 - General merchandise
 - These wholesalers stock variety of goods such as foodstuffs, clothes and hardware in one shop.
 - General line wholesalers
 - These deal in many products of goods of one line eg. Food stuffs
 - Specialized wholesalers
 - These wholesalers specialize in selling only one type of a product in a particular line
 - Regional wholesalers
 - They supply goods to traders in a given region only eg. County
 - National wholesalers
 - These are wholesalers who supply their goods to all parts of the economy
 - Mobile wholesalers
 - They use vehicles to move from place to place selling their wares
 - Cash and carry
 - They sell goods on a self-service basis
 - Drop shippers
 - They operate from an office where they make orders for goods from the manufacturer
 - Rack jobbers
 - They deal in special category of goods which they sell to other wholesalers
 - Appointed distributors
 - These are wholesalers who are appointed by manufactures to distribute their products eg cocacola.
- b) **Criteria for determining the size of a firm.**
 - Number of employees. Usually large scale firm have large numbers of employees but small scale firms have few number of employees
 - Volume of output: the larger the volume of output, the larger is the scale of the firm and small scale firm have little volume of output.
 - Floor area covered by premises. This is proportional to the size of a firm where large firms occupy large areas and small firms have smaller premises.
 - Capital invested: this is proportional to the size of the firm usually, large firms have huge capital investments as compared to small firms
 - Production methods: large firm have the tendency to be highly mechanized in production unlike small firms that rely on labour intensive and poor technology
 - Market served: This is proportional to the size of a firm. Large firm have wider markets (geographically and numerically) as opposed to small firms which serve limited areas and clientele.
 - Sales volume: This is proportional to the size of the firm. Large firms usually have large sales volumes while small firms have little sales volumes.
2. a) Five ways in which central bank of Kenya control the supply of money in the economy.
 - Open market operation: The central bank sells security to reduce money supply and buy security to increase money supply.
 - Compulsory deposit requirement : by increasing the compulsory deposit percentage to reduce money supply or reduce compulsory deposit percentage to increase money supply.
 - Setting of liquidity ratios: By increasing the liquidity ratio to reduce money supply or reducing the ratio to increase money supply.
 - Selective credit control : The central banks give instruction to commercial banks on the sector they should give credit.
 - Regulation of bank rates: By either increasing or decreasing their interest rate on loans to commercial banks it induces a similar reaction on lending by commercial banks to either encourage or discourage credit creation.
 - Moral Persuasion: The central bank appeals to commercial bank to either expand a contract credit activities
- b) Limitations of radio as means of advertising.
 - i) Expensive to hire: Radio adverts are expensive as compared to poster.
 - ii) Poor timing may cause the message not to reach the target group.
 - iii) Commercial breaks during certain programmes are nuisance to listeners who may switch over to another station in protest, hence not getting the intended message.
 - iv) Radio broadcast may be interrupted by poor or adverse weather conditions.
 - v) The message cannot be kept for future reference as rarely to listeners record radio adverts where possible.
 - vi) Some listeners are only passive listeners hence not able to get the advert message.

radio messages are not easily understandable since they lack the visualization essence unlike a T.V.

3. a) Types of unemployment

- i) Frictional unemployment: This unemployment which occur when people lose job and go looking for new ones
- ii) Seasonal unemployment: This is caused by seasonal variation ie. Peak (high labour demand) off peak (decline in labour demand)
- iii) Structural unemployment: This occur when demand for labour decline due to change in production method/decrease in supply of good and services.
- iv) Disguised/hidden unemployment : This occurs when the number of people employed exceeds those that are required.
- v) Involuntary/open unemployment: This occurs when people are actively looking for jobs at the existing rate but cannot get them.
- vi) (casual unemployment : This is unemployment that affects certain occupations where the demand for labour is on causal basis eg. Construction industries.
- vii) Cyclical unemployment: This occurs repeatedly at similar times ie. Cycles of economical activities alternatively from boom to recession.
- viii) Real wage/voluntary unemployment: This occurs when business are not ready to employ people at the prevailing rates and workers are not willing to take a lower wage rates.
- ix) Residue unemployment – This is unemployment that affect people who are physically or mentally challenged.

b)

Scales journal				
Date	Details	Invoice No.	L.F	Amount
2016				
April 2	Mary			1800 ✓
3	Njau			45000 ✓
6	Magi			75000 ✓

Purchases journal				
Date	Details	Invoice No.	L.f	Amount
2016				
April 5	Kima			7,600 ✓
10	Ciku			2,400 ✓
15	Meja			180,000 ✓

General Journal				
Date	Details	I.f	Debit	Credit
2016 April 8	Heri		20,000 ✓	
8	Machinery (To record sale of machinery on credit to Heri)			20,000 ✓
20	Van		250,000 ✓	
	Gari motors (to record purchase of van on credit form gali motors			250,000 ✓

10x1-10mks)

4. a) Difference between public limited company and partnership.

	Public limited company	Partnership
i)	Minimum number of members 7 and no maximum.	Minimum is two and a maximum 20 and 50 for professional partnership.
ii)	Liability is limited to number of shares of a share-holder	For limited partnership liability to ones contribution, general partner have no limited liability.
iii)	Raise capital through selling of share	Raise capital through contribution by members
iv)	Managed by the elected	Managed by partners themselves

v)	Enjoy continuous life/not affected by death of a member.	Death/bankruptcy /insanity of a member lead to dissolution.
vi)	Has legal entity separate from members	Partnership and members are seen as one.

b) Terms of sale that may be quoted

- Loco/ex-works/ex-factory/ex-warehouse

The price of goods quoted includes the cost of the goods as they are at the sellers premises/factory/warehouse.

Free on rail

Price quoted includes the expenses of moving the goods up to the exporters nearest railway station.

Delivered dock

Price quoted includes the expenses of taking the goods to the nearest docks at the port of embarkment.

Free alongside ship

Price quoted includes all expenses up to when the goods are loaded to the ship

Cost insurance and freight (C.I.F)

Price include all expenses of transporting the goods up to the importers port plus insurance for goods up to the importers port plus insurance for goods up to the importers port of entry.

Landed

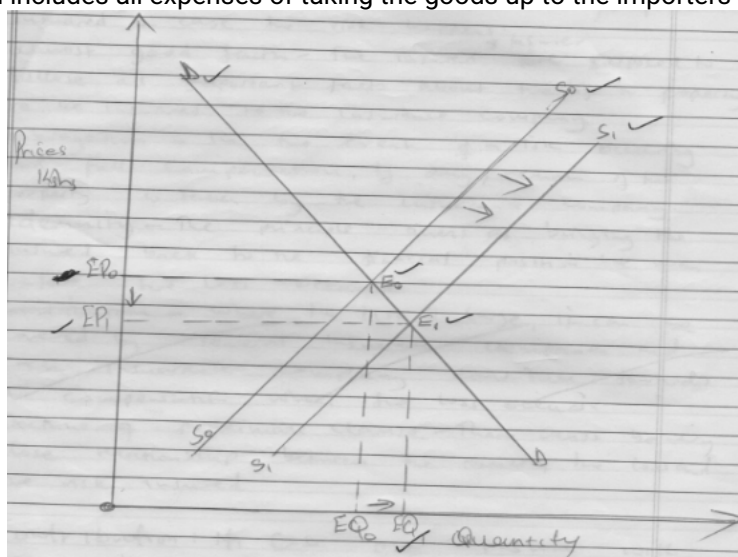
Price quoted includes all the costs up to when the goods are off loaded from the ship at the importers port of entry.

In bond

Price quoted includes all expenses incurred by the exporter up to the bonded warehouse

Franco

Price quoted includes all expenses of taking the goods up to the importers premises.



5. a)

Increase in supply of vehicles causes supply curve to shift to the right from S_0S_0 to S_1S_1 .

New equilibrium point E_1 from E_0 will be realized thus a new equilibrium price EP_1 from EP_0 (decrease in price)

New equilibrium quantity will be realized from EQ_0 to EQ_1 (increase in quantity supplied)

(10x1)

b) Principles of insurance

- Insurable interest – A person can only insure life or property which would result to financial loss of the insured in case the risk happens.
- Utmost good faith – the insured is supposed to disclose all important facts about the life or property to be insured to the insurance company.
- Subrogation – in the event of a risk occurring and full compensation is done, if there is any remain of the property is taken by the insurance company.
- Indemnity – the principle aims at bringing the insured back to the financial position he was before the loss occurred.
- Doctrine of proximate clause – there must be very close relationship between the cause of the loss and the risk insured.
- Contribution: - in case one insure with more than one insurance companies the companies will share proportionately when it comes to compensating the insured for the loss arising from occurrence of the risk. This does not happen to life assurance.

6. a) Measures to put in place so that office machines remain in good working condition.

- Machines should be covered at all times while not in use to prevent accumulation of dust.

- Machine should be wiped regularly to remove any dust.
- Power to the machines should be switched off whenever the machines are not in used
- Machines should be regularly serviced.
- Machines should be repaired by a qualified personnel.
- There should be minimal movements of machines from one place to another.
- Machines should be assigned to a particular person to be in charge.

b) i) Net sales = sales - returns inwards

$$1,155,000 - 30,000 \checkmark$$

$$= \text{sh.}1,125,000 \checkmark$$

ii) Rate of stock turn over = $\frac{\text{cost of sales}}{\text{average stock}}$

$$= \frac{O.\text{stock} + \text{purchases} + \text{carriage in returns out} - c.\text{stock}}{\frac{1}{2}(O.\text{stock} + c.\text{stock})}$$

$$\frac{430,000 + 930,000 + 10000 - 20,000 - 470,000}{\frac{1}{2}(430,000 + 470,000)}$$

$$= \frac{880,000}{450,000}$$

$$= 1.955 \text{ times}$$

2 (times) accept

i) Gross profit = sales - cost of sales

$$1,125,000 - 880,000$$

$$= \text{Ksh.}245,000$$

ii) Mark-up $\frac{G.\text{profit}}{\text{cost of sales}} = \frac{245,000}{880,000} \times 100\%$

$$= \frac{245}{880}$$

$$= \frac{49}{176}$$

$$\text{or } 27.84\% = 28\% \checkmark$$

iii) Margin = $\frac{g.\text{profit}}{\text{Sales}} = \frac{245,000}{1,125,000} \times 100\% \checkmark$

$$= \frac{49}{225} \text{ or } 21.77 \text{ or } 22\% \checkmark$$

iv) Net profit = g.profit - all expenses

$$245,000 - (100,000 + 25,000 + 25,000) \checkmark$$

$$245,000 - 150,000 = 95,000 \checkmark$$

**NYERI CENTRAL SUB-COUNTY
BUSINESS STUDIES FORM 4
PAPER 1
TIME 2 HOURS
ANSWER ANY FIVE QUESTIONS**

1. List four items common in partnership agreement. (4mks)
2. State four benefits that may accrue to a business from political stability in country. (4mks)
3. Duka traders had good worth Ksh.150,000 which was insured for Ksh.1,000,000 against the risk of fire. Fire occurred and the goods were partially destroyed, the loss being Ksh.90,000. Calculate how much compensation was paid by the insurance company to Duka trader. (4mks)
4. Highlight four benefits Kenyan is likely to get from exploitation of oil recently discovered in Turkana area.
5. Give four differences between a bill of exchange and a promissory note. (4mks)
6. Highlight four measures a consumer may take to satisfy unlimited wants. (4mks)

7. The following information relates to Bahati Nzuri traders for the year ended 31/12/2010.

Details	Ksh.
Capital 31/12/2010	450,000
Additional investment	70,000
Cash drawings	30,000
Drawings of stock	15,000
Net loss	100,000

Required

Calculate the capital of Bahati Nzuri traders as at 1/1/2010.

- (4mks)
8. Highlight four ways in which goods are prepared for sale in a warehouse. (4mks)
9. State four functions of advertising agencies in our country. (4mks)
10. State the type of error committed in each of the following entries. (4mks)

Entry	Types of error
(i) Credit purchase of sh.2600 from Toto Trader was recorded as sh.6,200 in both the purchase and Toto Traders account	
(ii) Sale of furniture on credit to Wanjru for sh. 6,000 was debited to Wanjikus account	
(iii) Sales book was undercast by sh. 210 while purchase book was also undercast by sh.210	
Iv Repairs on machinery for sh. 3,400 was debited in machinery account as sh.3,400	

11. Highlight four reasons why a country would like to know the structure of its population. (4mks)
12. The information below was extracted from the books of Lemayian Traders for the year ended 31/12/2015.

	Shs.
Opening stock	45,000
Closing stock	15,000
Turnover	340,000
Margin	25%

Required:

- (i) Gross profit (2mks)
- (ii) Purchases (2mks)
13. State four reasons that make it difficult to attain perfectly competitive conditions in the market. (4mks)
14. State whether each of the following transactions will increase, decrease or have no effect on the balance sheet totals. (4mks)
 - (a) Deposited private savings into business
 - (b) Paid a creditor in cash
 - (c) Withdrew money from bank for business use

- (d) Purchased a motor van by cheque
15. Outline four factors that determine the supply of money in an economy. (4mks)
16. Outline four reasons why the government imposes taxes on Kenyan citizens. (4mks)
17. For each of the following source documents, name the relevant day book. (4mks)

SOURCE DOCUMENT	DAY BOOK
Invoice issued	
Credit not received	
Cheque received	
Invoice received	

18. State four limitations of the consumer price index method of measuring the rate of inflation. (4mks)
19. State four types of information that a manager may communicate to the juniors. (4mks)
20. Give four disadvantages of a long chain of distribution of goods to a buyer. (4mks)
21. Outline four circumstances in which the government may be involved in business. (4mks)
22. The cash book below was incorrectly prepared

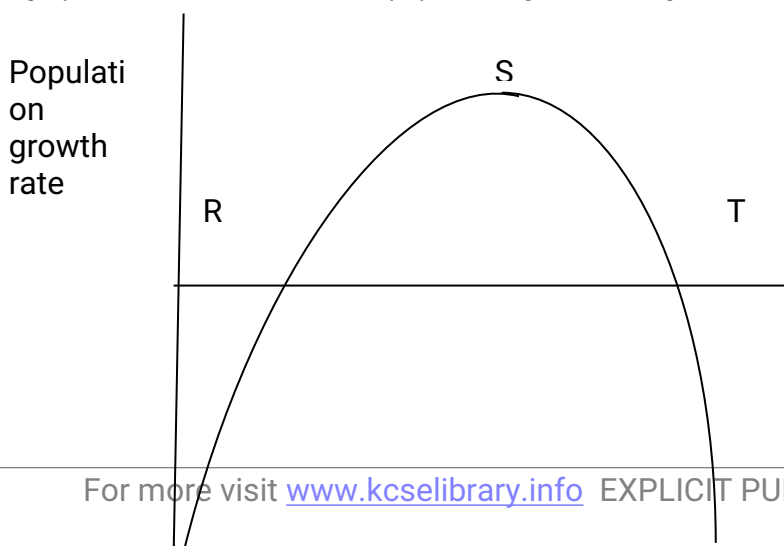
Date	Particulars	Cash	Bank	Date	Particulars	Cash	Bank
2017				2017			
June 1	Bal b/d	800	1,880	June 2	Sales	2640	
June 3	Purchases		2520	June 5	Wages		620
June 4	Electricity	500		June 9	Kiprono (creditor)	250	
June 7	Maitho (debtor)		400	June 12	Rents received		1,830
June 12	Bal c/d	1,590		June 12	Bal c/d		2,350
		2890	4,800			2,890	4,800
June 13	Bal b/d		2,350	June 13	Bal bld	1590	

23. Identify transactions that were wrongly entered in the cash book. (4mks)
23. Explain the following terms as used in business. (4mks)
- (a) Cartel
 - (b) Amalgamation
 - (c) Privatization

24. Identify the type of goods described by the following statements given in the table.

STATEMENT	TYPE OF GOOD
(i)Used to crate other goods	
(ii)Required further processing in order to have utility	
(iii)government is obligated to provide them to her citizen	
(iv)Goods that are bought more frequently by consumers to satisfy common wants.	

- 25.The graph below shows the rate of population growth of a given country.



Mention four effects of the trend of population growth bet **Time** (4mks)
(years)

**NYERI CENTRAL SUB-COUNTY
BUSINESS STUDIES FORM 4
PAPER 2
TIME 2 HOURS
ANSWER ANY FIVE QUESTIONS**

- 1(a) Explain five factors that insurance companies consider in determining the amount of premium to charge in a life assurance policy. (10mks)
- (b) The following information relates to Bahati enterprises. (10mks)
- | Details | Kshs. |
|--------------------------------------|----------|
| Stock 1 st January 2012 | 430,000 |
| Purchases | 930,000 |
| Sales | 1,155,00 |
| Carriage outwards | 25,000 |
| Carriage inwards | 10,000 |
| Returns outwards | 20,000 |
| Returns inwards | 30,000 |
| General expenses | 100,000 |
| Insurance | 25,000 |
| Stock 31 st December 2012 | 470,000 |
- Calculate
- (i) Turnover - (1mk)
- (ii) Rate of stock turn over - (3mks)
- (iii) Mark up (2mks)
- (iv) Margin - (2mks)
- (v) Net profit - (2mks)
- 2.(a) Highlight five circumstances under which a newly established firm may find it necessary to locate itself near where well established firms are located. (10mks)
- (b) Explain five services offered by the central bank to the government. (10mks)
- 3(a) Abdullah a manufacturer exhibited his goods in a local traders show. However his sales did not increase significantly thereafter. Outline five reasons that have led to lack of significant sales increase. (10mks)
- (b) Describe five means of payment that a trader may use to settle business debts. (10mks)
- 4(a) Discuss five circumstances under which monopolies are created. (10mks)
- (b) Explain five ways in which government expenditure stabilize the economy of a country. (10mks)
- 5(a) Discuss five advantages of trade restrictions to a country. (10mks)
- (b) The economy of a country X has grown at the rate of 10% per annum for the last two years. However, the standard of living among the citizen has not changed. Outline five reasons that may have contributed to this trend.
- 6(a) Explain five factors that influence the choice of a method of reproducing documents in an office. (10mks)
- (b) The following transactions relate to Pumua Wholesalers for the month of March 2011.
- March 1: Bought goods on credit from Kawe distributors shs.26,200, Kamakia sh.15,600, mambo shs.33,360
- March 2: Sold goods on credit to Fuma retailers shs37,200, Tito grocers shs. 25,500 and Wamba traders shs.16,250.
- March 6: Returned goods to Kamakia shs.2,400 and Mambo 4,160.
- March 9 Sold goods on credit to Tamu shs.5,500 and Patu shs 18,200.
- March 11: Bought goods on credit from Chuma shs.33,840.

March 15: Goods returned by Tamu sh.1,500 and Fuma retailers shs.1820 ad Patu sh.2600.
March 18: Bough goods on credit from Jama shs.21,210 and Sama shs.53,850
March 26: Credit sales to Kamanja shs.16,600 Orengo shs.19,260 and Wama traders shs.15,200

Required

Enter the above transaction in the respective journal.

(10mks)

**NYERI CENTRAL SUB-COUNTY
BUSINESS STUDIES FORM 4
PAPER 1
MARKING SCHEME**

1. List four items common in partnership agreement.

- Name of the partnership
- Address of the head office
- Location and area of the operation of the business
- The term of the partnership
- Objectives of the business
- Capital contributed by each partner
- Rate of interest on capital
- Drawings of partner's e.g. to the business
- Procedures of dissolving the partnerships

2. State 4 benefits that may accrue to a business from political stability in country.

- Easy to obtain capital for expansion
- Continuous production of activities
- Availability of raw materials
- Easy to invest anywhere in their country
- Low cost of business operation

3. Duka traders had goods worth Ksh.150,000 which were insured for Ksh.1,000,000 against the risk of fire. Fire occurred and the goods were partially destroyed, the loss being Ksh.90,000. Calculate how much compensation was paid by the insurance company to Duka trader.

$$\text{Compensation} = \frac{\text{loss}}{\text{insured value}} \times \text{insured value} = \frac{90,000}{1,000,000} \times 1,000,000 = 90,000$$

4. Benefits Kenya is likely to get from exploitation of oil recently discovered in Turkana area.

- The country will earn and conserve foreign exchange
- Employment opportunities will be created
- The supply of oil in the country may be stable
- The people will enjoy low fuel prices
- The government will earn revenue the infrastructure of surrounding areas is likely to improve
- The exploitation will accelerate economic activities in the surrounding areas/multiplier effect

5. Differences between a bill of exchange and a promissory note.

Bill of exchange	Promissory note
(i) drawn by the creditor	Drawn by debtor
(ii) Demands for payment	Promises payment
(iii) must be accepted by debtor	Doesn't need to be accepted
(iv) has 3 parties i.e. drawer, drawee and payee	Has 2 parties i.e. drawer and payee
(v) can be used both in local and foreign trade	Used only in home trade
(vi) are various types of bill e.g. order and bearer	Only one type of promissory note
(vii) drawer is creditor, drawee is debtor	Drawer and drawee are one person

6. Measures a consumer may take to satisfy unlimited wants.

- Consumer should conserve resources
- A consumer should have opportunity cost
- A consumer should have a scale of reference
- A consumer should make a choice

7. The following information relates to Bahati Nzuri traders for the year ended 31/12/2010.

Opening capital + investment – loss – drawing = closing capital

OP + 70,000 – 100,000 – (30,000 + 15,000) = 450

OP + 70,000 – 145,000 = 450,000

OP – 75,000 = 450,000

Opening capital = 450,000 + 75,000 = 525,000

8. Ways in which goods are prepared for sale in a warehouse.

- By branding which is giving a product a name by which it will be sold
- By packaging which is packing goods in packages ready for selling
- Through sorting which is selecting goods according to sizes, weights colours and qualities
- By blending which involves mixing different grades to achieve desired tastes, colours or other qualities
- Breaking bulk which is dividing a commodity into smaller quantities for convenience of the buyer
- By grading which is putting goods into groups of similar qualities to make it easier to price them.

9. Functions of advertising agencies in our country.

- Rapid population growth
- Use of inappropriate technology
- Rural urban migration
- Inappropriate education system
- Inadequate co-operant factor inputs
- Seasonality in production
- Lack of product market.

Any 4 x 1 = 4 mks

10. State the type of error committed in each of the following entries.

Entry	Types of error
(i) Credit purchase of sh.2600 from Toto Trader was recorded as sh.6,200 in both the purchase and Toto Traders account.	Error of original entry
(ii) Sale of furniture on credit to Wanjru for sh.6,000 was debited to Wanjikus account.	Error of commission
(iii) Sales book was undercast by sh. 210 while purchase book was also undercast by sh.210.	Compensating error
(iv) Repairs on machinery for sh.3,400 was debited in machinery account as sh.3,400.	Error of principle

11. Highlight 4 reasons why a country would like to know the structure of its population.

- In order to know the size of economically active portion of the population
- To enable the government plan for social amenities requires e.g. schools, hospitals
- To enable the government provide basic infrastructure to its people

- To enable the government plan for security by decongesting congested areas which are prone to insecurity.

12. The information below was extracted from the books of Lemayian Traders for the year ended 31/12/2015

(i) Margin = $\frac{\text{Gross profit}}{\text{sales}} \times 100$
 $25 = \frac{\text{Gp}}{100} \times 240,00$
 $\text{Gp} = 25 \times \frac{240,00}{100}$
 Gross profit = shs. 85,000

(ii) Purchases
 $\text{Gp} = \text{sales} - \text{CoGs}$
 $\text{CoGs} = \text{sales} - \text{Gp}$
 $= 340,000 - 85,000$
 $= 255,000$
 $\text{CoGs} = \text{Opening stock} + \text{purchases} - \text{closing stock}$

13. Reasons that make it difficult to attain perfectly competitive conditions in the market.

- Factors of production cannot be perfectly mobile
- It is difficult to produce homogenous products
- Buyers and seller attaining perfect knowledge is difficult because information does not freely flow in real market
- No business can exist without incurring transport costs.
- It is difficult to have either no excess demand in the market at anytime.

14. State whether each of the following transactions will increase, decrease or have no effect on the balance sheet totals.

(a) Deposited private savings into business	increase
(b) Paid a creditor in cash	decrease
(c) Withdrew money from bank for business use	no effect
(d) Purchased a motor van by cheque	no effect

15. Factors that determine the supply of money in an economy.

- The central bank's monetary ability.
- The commercial banks' ability to create credit
- The central bank's ability to control credit
- The level of balance of payments
- The interest rates in the economy. The higher the interest, the lower the money supply and vice versa.
- The national budget, when the government expenditure increases, the money supply increases as well and vice versa.

16. Reasons why the government imposes taxes on Kenyan citizens.

- To raise government revenue
- Redistribution of income
- Promote economic development
- Rectify/influence prices
- Restrict import trade/correct balance of payment disequilibrium

17. For each of the following source documents, name the relevant day book.

SOURCE DOCUMENT	DAY BOOK
Invoice issued	Day book
Credit not received	Purchases returns
Cheque received	Cash receipt journal
Invoice received	Purchases journal

18. Limitations of the consumer price index method of measuring the rate of inflation.

- Consumers tastes change overtime and this may not be the reflected in the baskets
 - It is difficult to get a period when the prices are all stable hence at one time some prices will be changeling
 - The basket of commodities selected is only assumed to be representative
 - The prices collected may not represent the general price levels as prices differ.
19. Types of information that a manager may communicate to the juniors.
- Giving instruction/direction/explain policies of the organ
 - Giving procedures to be followed in carrying out activities
 - Information on performance of juniors evaluation
 - Allocation/delegation of duties
 - Motivating/inspiring juniors
 - Giving solution to juniors
 - Information on discipline
 - Communicating any change in the organization
 - Induction/orientation and training
20. Give 4 disadvantages of a long chain of distribution of goods to a buyer.
- Increased price
 - Chances of damage to goods due to handling
 - Feedback to the manufacturer/producer is slow
 - Perishable goods will go bad
 - Likelihood of delay of good.
21. Outline 4 circumstances in which the government may be involved in business.
- When business venture requires investment of large sums of money which individual entrepreneurs may not provide.
 - When the goods or services to be provided are essential to the welfare of the citizens
 - When there is need to protect citizens form exploitation by private entrepreneurs
 - When the government desires to create employment for the citizens
 - When the government needs to generate income through revenue collection
 - Where there is need to safeguard national security
 - When the venture is strategic but provides low profits hence unattractive to private investors.
 - Where there are monopolies in the economy, the government gets involved in business to increase competition.
 - Where there is need to have balance regional development
 - If the government wants to reduce foreign dominance in the economy
23. Explain the following terms as used in business.
- Cartel: Group of related companies that agree to work together in order to control output, prices and market of their goods and services.
 - Amalgamation: Amalgamation where two or more business organization combine and form one new business organization

- Privatization

- Holding company: Company that acquires 51% or more shares in one or more other companies.

24. Identify the type of goods described by the following statements given in the table.

STATEMENT	TYPE OF GOODS
(i) Used to create other goods	Producer good/capital
(ii) Required further processing in order to have utility	Intermediate goods
(iii) Government is obligated to provide them to her citizen	Public goods/social/goods
(iv) Goods that are bought more frequently by consumers to satisfy common wants.	Convenience good

25. Mention four effects of the trend of population growth between S and T.

- Reduction of government expenditure on social services such as education and health
- Attainment of optimum population
- Proper utilization of land and other natural resources
- Reduced dependency ratio
- Reduction of labour supply
- Surplus government revenue
- Increased job opportunities/reduced unemployment
- Increased savings, hence more investment
- Increased per capital income and Better living standards

**NYERI SUB-COUNTY
BUSINESS STUDIES FORM 4
PAPER 2
MARKING SCHEME**

- 1(a) Factors that insurance company consider in determining the amount of premium to charge in a life assurance policy.
- Health status of the assured: The healthier the person the lower the premium and vice versa
 - occupation of the assured: The more risky the occupation, higher the premiums and vice versa
 - The income of the assured: The higher the income of the assured, the higher the premium payable and vice versa.
 - Residential place of the insured: If the residential place of the insured is prone to crime/others risks the premium payable is high.
 - Frequency of the occurrence of the previous losses: The most recurring losses attract higher premiums.
- (b)(i) Turn over = sales – Returns Inwards = 1,155,000 – 30,000 = Ksh.1, 125,000
- (ii) Rate of stock turnover (ROSTO)
- $$\text{ROSTO} = \frac{\text{Cost of goods sold}}{\text{Average stock}}$$
- $$\text{Cost of goods sold} = \text{OS} + \text{purch} + \text{C. Inw} - \text{R. Outw} - \text{closing stock}$$
- $$\text{ROSTO} = \frac{430,000 + 930,000 + 10,000 - 20,000 - 470,000}{430,000 + 470,000) \div 2}$$
- $$= \frac{880,000}{450,000}$$
- $$= 1.96/1,955/ 2 \text{ times}$$
- (iii) M.UP = GP = $\frac{1,125,000 - 880,000}{880,000}$
- $$\text{Cogs} = \frac{245,000}{880,000}$$
- $$= 49 = 27.84\%/28\%$$
- (iv) Margin = GP = 245,000 = 49 21.77% / 21.8% / 22%
- $$\text{Alt. 1}$$
- (v) Net profit = G.P – Express = 245,000 – (25,000 + 100,000 + 25,000)
- $$= 95,000$$
- $$\text{Alt 2}$$
- $$\text{N.P} = 245,000 - 150,000 = 95,000$$
- 2.(a) Circumstances under which a newly established firm may find it necessary to locate itself near where well established firms are located.
- When there is need to take the advantages of already experienced labour force in the area.
 - When there is need to enjoy the existing service industries in order to enhance production.
 - When there is need to carry out a joint research with their firms
 - When there is need to enjoy the use of goods provided by complimentary firms located in the area.
 - When there is need to enjoy the services already existing in the area which have been availed by well established firms.
- (b) Services offered by the central bank to the government.
- Receiving deposits: Central Banks receives money of the government from various sources.
 - Lending money: Central Bank advances money to the government when need arises.
 - Advisory services: Central Bank advises the government on financial Matters.
 - Collection of revenue: Central Bank collects revenue due to the government from different sources.
 - Making payments: Central Bank pays salaries and loans on behalf of the Government.
 - It borrows money on behalf of the government.
- 3(a) Reasons that have led to lack of significant sales increases.

- Attendance of the exhibition might have been low.
- People attending exhibition may have been impressive.
- Pricing of goods might have been beyond the reach of potential customers.
- Product might have not been culturally acceptable
- Might have been other similar goods
- Terms of sale were not attractive
- People attending the exhibition were not convinced.

(b) Means of payment a trader uses to settle his debts.

- **Cash:** Where a trader accepts or uses currency notes and coins for payment
- **Bills of exchange:** Where a trader discounts or uses an acceptance bill of exchange to pay.
- **Debit cards:** That allows traders to make payment without carrying money.
- **Money order:** Means of payment provided by the postal corporation on request
- **Cheque:** Order to the bank to pay the person named the amount indicated in the cheque
- **Postal order:** Means of payment sold by the postal corporation in fixed denominations.
- **Credit transfer:** Means of paying a large group of people using a single cheque
- **Standing order:** An order by an account holder to his bank to pay a fixed sum of money to a named person/institution until the order is revoked
- **Credit cards:** Allow traders to make payment without carrying money.
Any 5 x 2 = 10mks

4(a) Circumstances under which monopolies are created.

- Government legislation e.g. KPLC
- Cutthroat competition/price wars, where price war is so intense for new firms to survive.
- Exclusive ownership of natural raw materials or inputs
- Ownership of copyright/patent right of production
- Heavy capital investment required
- Cartels (collusive monopoly)
- Ability to operate at such low costs that other firm cannot service
- To small market to allow more than one firms to operate economically

(b) Ways government expenditure stabilizes the economy of country.

- Provision of security: creates an enabling environment for economic activities
- Creation and maintenance of administrative departments: created for effective operation of country is economy.
- Social services: enhance welfare of the population for effective participation in economic activities
- Spending on infrastructure: improves efficiency in production and distribution of goods and services in the economy
- Advancement of non interest earning capital to entrepreneurs during economic recession
- Provision of basic growth and services through subsidies
- Promoting local industries.

5(a) Advantages of trade restrictions to a country.

- Protection of infant or new industries
- Expansion of domestic markets
- Correction of a balance of payment deficit

- Discourages dumping
- Creation of employment opportunities
- Reduces dependency of a country on another and therefore the country becomes safe in case of misunderstanding
- A country exploits fully its resources
- The government earns revenue which it can use to finance projects in the country.

(b) Reasons may have contributed to this trend.

- Inequitable distribution of income
- High population growth
- Unequal regional development
- Unchanged high standard of living
- High economic growth
- Project undertaken by government could be a long term nature
- Income earned could have been used in ways that do not benefit the people directly
- Political goodwill could be lacking e.g. corruption
- High cost of living may have gone up hence eroding additional income.

6(a) Factors that influence the choice of a method of reproducing documents in an office

- Cost involved: The method chosen should be affordable to firm.
- Number of copies required/amount of work; the appropriate method should serve the firm with the required copies cheaply and early.
- Skills required/training required: Skilled staff to operate and work with available machines should be adequately available.
- Speed and urgency desired. Some methods are slow while others are faster, the method chosen should meet the speed desired in producing documents
- Availability of equipment for use: the method should be one whose required equipment is available in the firm.
- Availability of power: some equipment needs power in order to function. This should be put into consideration.
- Image and prestige: method chosen should not compromise the image of the firm.
- Quality of output: output should be pleasant and presentable.
- Business policy: method selected should be the one preferred by the firm management.

(b) **ORIGINAL BOOKS OF ENTRY (JOURNALS)**

Date	Details	Invoice no	Folio	Amount
March 1	Kawa			26,200
11	Kamakia			15,600
18	Mambo			33,360
18	Chuma			33,840
	Juma			21,210
	Sama			53,850
	Total posted to purchase A/C			184,060

PURCHASE RETURNS JOURNAL

Date	Details	Invoice no	Folio	Amount
March 6	Kamakia			2,400
6	Mambo			4,100
	Total posted to purchase Returns A/C			6,500

SALES JOURNAL

Date	Details	Invoice no	Folio	Amount
March 2	Fuma retailers			37,200
2	Tito groceries			25,500
2	Wamab Traders			16,250
9	Tamu			5,500
9	Patu			18,200
26	Kamanja			16,600
26	Orengo			19,260
26	Wama traders			15,200
	Total posted to sales A/C			153,710

SALES RETURNS JOURNAL

Date	Details	Invoice no	Amount
March 15	Tamu		1,500
15	Fuma		1,820
	Patu		2,600
	Total Posted to sales Returns A/c		5,920

BUURI EAST SUB-COUNTY
565/1
BUSINESS STUDIES
PAPER 1
JULY/AUGUST 2018
2 HOURS

1. Outline four factors that hinder entrepreneurship in Kenya. (4mks)
2. State four factors considered before offering credit facilities to customers. (4mks)
3. Mention four circumstances under which a manager of a company may use downward communication. (4mks)
4. Highlight four factors that a producer considers before choosing a channel of distribution. (4mks)
5. State four characteristics of goods. (4mks)
6. Identify four types of advertising. (4mks)
7. A house with a value of ksh. 2,000,000 is insured for Ksh.1200, 000 against fire. The value of the house destroyed by five ksh. 1,000.0000. calculate the amount the insured was compensated after the loss. (4mks)
8. Outline four features of a savings account. (4mks)
9. Outline four reasons for differences in terms of trade between Kenya and United States of America. (4mks)
10. State the best types of machine one would use to perform the following tasks. (4mks)

Function	Types of machine
a) To trim papers to the required sizes	
b) To destroy sensitive but unwanted documents.	
c) To fold documents, put them in envelope and seal them.	
d) To create postage impression on the envelope.	

11. Mention four challenges that Kenya may encounter in developing planning at the formulation stage. (4mks)
12. List four problems of using expenditure approach in the calculation of national income. (4mks)
13. State the effects of the following transactions on the balance sheet totals. (4mks)

TRANSACTION	EFFECT
e) Paid creditors by cheque	
f) Sold goods on credit.	
g) Converted personal car for business use.	
h) Deposited cash into bank.	

14. Outline four benefits that Mr. Kamau will get by being a member of capital SACCO. (4mks)
15. The following information relates to meru traders for the year ended 31 December 2017. (4mks)

Sales	1000,000.
Opening stock	100,000.
Closing stock	200,000.
Gross profits.	200,000

Calculate rates of stock turnover. (4mks)

16. Mention four methods that determine the prices of commodities in the market apart from price mechanism. (4mks)
 17. State four principles of public expenditure. (4mks)
 18. Highlight four reasons why the Kenyan consumer organizations have been ineffective in protecting consumer. (4mks)
 19. Use the following information for Ngugi Wholesalers to prepare sales return day book. (4mks)
- 2017**
- | | |
|--------------|---|
| November 1 | Emily returned goods worth. Ksh. 1000. |
| November 10. | Nathan returned goods valued at ksh. 900. |
| November 15. | Returned goods to Chris worth. Ksh.500. |

- November 30. Muthinja returned goods worth ksh. 800.
20. Identify five steps taken in procuring an Insurance cover. (5mks)
 21. State three factors within a business that may affect its performance. (3mks)
 22. Record the following transaction in the relevant ledger accounts. 2018.
Jan. 1 started a business with Ksh. 100,000 at the bank.
10. Bought goods valued at ksh. 2000 by cheque.
 23. State four ways through which a firm may acquire a monopoly position. (4mks)
 24. Kenya is one of the countries in the world that is experiencing unemployment problem. Identify four causes of this problem. (4mks)
 25. State four differences between shares and debentures (4mks)

<i>Shares</i>	<i>Debentures</i>

**BUURI
-COUNTY
BUSINESS STUDIES
PAPER 2
JULY/AUGUST 2018
2¹/₂ HOURS**

EAST SUB

1. a) Explain five shortcomings of direct production. (10mks)
b) Outline five differences between a co-operatives society and a private limited company. (10mks)
2. a) Explain five measures to undertake in order to increase efficiency of a warehouse. (10mks)
b) Explain five benefits that would accrue to a business that expands its scale of operation. (10mks)
3. a) Explain four features of a monopoly. (8mks)
b) The following trial balance belongs to wakili traders as at 30th June 2016.

**Wakili Tradres
Trial balance
As at 30th June 2016**

	Dr.	Cr.
Stock 30/06/15	4000	
Capital		162,300
Purchase and sales	35,000	70,000
Drawings	6,000	_____
Furniture and fittings	20,000
Motor Vehicle	150,000
Debtors and creditors	8,000	12,000
Returns	2,000	4,800
Discount	800	700
Wages and salaries	15,000
Rent	3,500
Insurance	2,100
Commision	400
Bank	3,000
Cash	6000	
	<u>52,800</u>	<u>252,800</u>

Required

- i) Prepare a trading profit and loss account and a balance sheet as at 30th June 2016. (12mks)
- 4.a) On 1st Jan 2017 Dona traders had, sh. 110, 000 in hand and 50,000(cr) Bank. During the month, the following transactions took place
- Jan. 2 Cash sales 40,000.
 - " 3 Paid postage expenses 4100 in cash.
 - " 5 Received the following cheques from debtors after they had deducted a cash discount of 2% in each case.
Kamau Ksh. 2450, Laban Ksh. 9604 and Tugi Ksh 2774.
 - 9 Paid the following creditors in cash and in each case deducted 2% cash discount, Willy Ksh. 2000 and Yala Ksh. 6000.
 - 13 Cash sales directly banked Ksh 10,000.
 - 16 Took Ksh. 11,000 from the office and deposited in the business bank account.
 - 19 Sold goods worth Ksh. 18000 on credit to Kiyoma.
 - 21 Received Ksh.18000 cash from Oman in settlement of his account of Ksh. 20,000.
 - 26 Took oil cash to the bank leaving Ksh.4000 only.
- Required: Prepare a duly balanced three column cashbook. (10mks)
- b) Explain five characteristics of a life assurance policy. (10mks)
5. a) State and explain five emerging trends in the Banking industry. (10mks)
b) Explain five negative effects of rapid population growth. (10mks)
6. a) Explain five reasons why a country would carry out development planning before undertaking its projects. (10mks)
b) Explain five benefits of adopting the use of an open office layout. (10mks)

**BUURI EAST SUB-COUNTY
565/1 BUSINESS MARKING
SCHEME PAPER ONE**

1. Outline four factors that hinder entrepreneurship in Kenya.

(4mks)

- (i) Licensing system, etc.
- (ii) Poor infrastructure
- (iii) Lack of inadequate resources.
- (iv) Lack of product market.
- (v) Inadequate /inappropriate education and skills.
- (vi) Political instability.
- (vii) stiff/unfair competition practices.
- (viii) Lack of business culture.

2. State four factors considered before offering credit facilities to customers.

(4mks)

- (i) Availability of adequate stock.
- (ii) Repayment period.
- (iii) Credit worthiness of the customer.
- (iv) Quantity of goods to be given on credit.
- (v) Frequency at which the customer buys from the seller.
- (vi) Sellers intention of attracting and retaining customers.
- (viii) Honesty /reliability of the customer.

3. Mention four circumstances under which a manager of a company may use downward communication.
(4mks)

- (i) When delegating duties.
- (ii) When training juniors.
- (iii) When solving any problems facing workers.
- (iv) When evaluating performance.
- (v) When inspiring and motivating junior.

4. Highlight four factors that a producer considers before choosing a channel of distribution.

(4mks)

- (i) Nature /types of the product.
- (ii) Resources and size of the firm.
- (iii) Government policy.
- (iv) Nature of the market.
- (v) Channels used by competitors.
- (vi) Marketing risks.
- (vii) The role of intermediaries

5. State four characteristics of goods.

(4mks)

- (i) Are tangible /can be touched.

- (ii) Are visible /can be seen.
- (iii) Can change ownership/possession.
- (iv) Can be stored.
- (vi) Quality can be standardized.
- (vii) Can change in quality over time.

6. Identify four types of advertising.

(4mks)

- (i) Primary demand advertising (information)
- (ii) Competitive advertising (persuasive)
- (iii) Institutional advertising.
- (iv) Product advertising.
- (v) Celebrity advertising
- (iv) Reminder advertising.

7. A house with a value of ksh. 2,000,000 is insured for Ksh.1200, 000 against fire. The value of the house destroyed by fire ksh. 1,000.0000. calculate the amount the insured was compensated after the loss.

(4mks)

$$\begin{aligned} \text{Compensation} &= \frac{\text{value of policy}}{\text{Value of property}} \times \text{loss} \\ &= \frac{1200,000\checkmark \times 1000,000\checkmark}{2000,000\checkmark} \\ &= \underline{600,000\checkmark} \end{aligned}$$

1x4= 4mks

8. Outline four features of a savings account.

(4mks)

- (i) Overdraft are not allowed.
- (ii) A minimum balance must be maintained in the account.
- (iii) Withdrawals are done across the bank counter by the account holder.
- (iv) No cheque books are issued to the account holder.
- (v) Deposits in this account earn interest.
- (iv) Withdraws exceeding certain maximum amount might require a notice to be given by the customers.

9. Outline four reasons for differences in terms of trade between Kenya and United States of America. (4mks)

- (i) Nature of commodities being exported.
- (ii) Change in demand for a country's export.
- (iii) Existing world economic order favoring product from more development countries.
- (iv) Nature of commodities being imported.
- (v) Total quantity supplied.
- (iv) Trade restrictions by trading partners.

10. State the best types of machine one would use to perform the following tasks.

(4mks)

- (i) Guillotine
- (ii) Paper shredder.

(iii) Composite

(iv) Franking machine

11. Mention four challenges that Kenya may encounter in developing planning at the formulation stage. (4mks)

(i) Lack of quality personnel.

(ii) Existence of the large subsistence sector.

(iii) Transfer of inappropriate development plan.

(iv) Lack of accurate or detailed data.

(v) Problem where private sector pursues different objectives from those of the planners.

12. List four problems of using expenditure approach in the calculation of national income. (4mks)

(4mks)

(i) Lack of accurate records of expenditure in the private sector.

(ii) Problem of double counting.

(iii) Expenditures for the subsistence sector are more approximations.

(iv) Fluctuating exchange rates in valuation of imports / exports.

(v) Difficulties in differentiating final and intermediate expenditure.

13. State the effects of the following transaction on the balance sheet totals. (4mks)

(4mks)

(i) Decrease

(ii) No effect

(iii) increase

(iv) No effect

14. Outline four benefits that Mr. Kamau will get by being a member of capital SACCO. (4mks)

(4mks)

(i) Obtaining loans at low interest rates.

(ii) It's easier to get loans /fewer formalities on compound to bank.

(iii) One would enjoy dividends from the profits of the SACCO.

(iv) Loans is written off incase of death.

(v) In case of death the beneficiaries receive double the savings one had in the SACCO.

(vi) He can obtain a variety of loans e.g emergency ,school fees, normal loans while still serving the outstanding loans.

(vii) Benefiting from education days organized by the SACCO.

(viii) Members savings are secured through cooperative insurance agency.

(ix) Enables members to save/easy to save since deductions may be on check-off systems.

(x) Loans repayment plan is determined by the borrowers ability.

(xi) May benefit from banking facilities through their FOSA services

15. Calculate rates of stock turnover. (4mks)

(4mks)

$$\begin{aligned} \text{Rate of stock turnover} &= \frac{\text{cost of goods sold}}{\text{Average stock}} \\ \text{Cost of goods sold} &= \text{sales} - \text{Gross profit} \\ &= 1,000,000 - 200,000 \\ &= \underline{800,000} \end{aligned}$$

$$\text{Average stock} = \frac{\text{Opening stock} + \text{Closing stock}}{2}$$

$$\begin{aligned}
 &= \frac{100000 + 200000}{2} \\
 &= \frac{150,000\checkmark}{2} \\
 \text{Rate of stock turn over} &= \frac{150,000\checkmark}{800,000} \\
 &= 5.33 \text{ times}\checkmark
 \end{aligned}$$

16. Mention four methods that determine the prices of commodities in the market apart from price mechanism. (4mks)

- (i) Haggling /Bargaining.
- (ii) Private treaty- sale of property at a price agreed on by the seller and buyer without /an intervening agency.
- (v) Auction
- (vi) Tendering
- (vii) Government intervention(Jubsidies price control taxation.
- (viii) Price collusion – where different market players conspire to fix the price.
- (ix) Retail price maintenance/ of recommended retail price /producers fixing price /price fixing – when producers /manufactures agree on the price of a commodity.

17. State four principles of public expenditure. (4mks)

- (i) Maximum social benefits.
- (ii) Flexibility to meet prevailing economic situations.
- (iii) Economy – should be incurred in the most economical way to avoid wastage.
- (iv) Sanctions – should be approved by relevant authority.
- (v) Proper financial management.

18. Highlight four reasons why the Kenyan consumer organization have been ineffective in protecting consumer. (4mks)

- (i) Lack of funds /inadequate funds t sustain lengthy court cases.
- (ii) Lack of /inadequate support from the government (financial and logistical)
- (iii) Ignorance of consumers regarding their rights.
- (iv) Reluctance of consumers to forward their complaints to the organization.
- (v) Reluctance of consumers to join these organizations so that they may forward their complaints as a group.
- (iv) Lack of initiative from consumers (apathy) to check on traders performance and reports cases of non compliance to quality and price.

19. Sales return day book. (4mks)

Sales returns day book

<i>Date</i>	<i>Details</i>	<i>Credit note No.</i>	<i>LF.</i>	<i>Amount.</i>
1/11/17✓	Emily✓		S.L	1000✓
10/11/17✓	Nathan✓		SL	900✓
30/11/17✓	Muthinja✓		S.L	800✓
30/11/17✓	Totals posted to the returns inwards a/c(dr) ✓	12x ¹ / ₃ = 4mks)		<u>2700✓</u>

20. Identify five steps taken in procuring an Insurance cover. (5mks)

- (i) Filling a proposal form.
- (ii) Determination of premiums to be paid.
- (iii) Payment of the first premium.
- (iv) Issuing of a cover note (Binder)
- (v) Issuing of policy.

21. State three factors within a business that may affect performance. (3mks)

- (i) Resources
- (ii) Owners
- (iii) Business structure
- (iv) Business /organizational culture.
- (viii) Business objectives.

22. Record the following transaction in the relevant ledger account.

	Bank a/c	
Capital a/c	Dr.	cr.
	1/1/18 ✓ capital ✓ 100,000 ✓	10/1/18 ✓ purchase ✓ 20,000 ✓
Dr.	cr.	
	1/1/18 ✓ bank ✓ 100,000 ✓	
Purchase a/c	Dr.	cr.
	10/1/18 ✓ bank ✓ 20,000 ✓	

12x 1/3 = 4mks

23. State four ways through which a farm may acquire a monopoly position. (4mks)

- (i) Ownership of production rights /patterns /copyrights
- (ii) Control of an important input in production(natural monopoly)
- (iii) Restrictive practices that force other firms out of business.
- (iv) Financial factors- where initial capital is very high hence making it difficult for other firms to enter the market.
- (v) Through combinations /Amalgamations.
- (iv) Internal economies of scale.
- (vii) The market served is small.
- (viii) Additional costs incurred by other firms in order to sell /produce in the area.

24. Kenya is one of the countries in the world that is experiencing unemployment problems. Identify four causes of this problem. (4mks)

- (i) Rapid population growth resulting to an increase in the number of people without gainful employment.
- (ii) Inadequate resources required for production to be earned out.
- (iii) Charges in seasons (seasonality in production)
- (iv) In appropriate education system.
- (v) Use of capital intensive / choosy in terms of jobs they wants and which may be unavailable.
- (v) Mismanagement of resources corruption and poor planning by the government.
- (vii) Rural-urban migration that leaves rural areas undeveloped while increasing pressure on urban resources hence inability to absorb the expanding workforce.
- (x) Lack of product market / decline in demand for goods& services)

25. State four differences between shares and debentures (4mks)

Shares	Debentures
i) Shareholders are the real owners of the company.	i) Debentures holders are creditors to the company.
ii) Have voting rights.	ii) Have no voting rights since they do not participate in management.
iii) Are paid dividends when profits are earned.	iii) interest on debentures must be paid whether profits are earned or not.
iv) Are the last to be paid back their capital contributions incase of dissolution.	iv) Have the first claim to the proceed from the company dissolution.
v) Have no fixed rate of return or divided payments.	v) Have a fixed rate of return (interest) on the debentures.
vi) Cannot be redeemed /bought back by the company.	vii) Can be redeemed /bought back.

**BUURI EAST SUB-COUNTY
565/2 BUSINESS
MARKING SCHEME
PAPER TWO**

1. a) Explain five shortcomings of direct production. (10mks)

- Low quality /substandard /low quantity goods and services since no market orientation /drive to better the quality /increase quantity of goods /services.
- Hinder /Bar invention and innovations there lacks creativity since no desire to easen work or increase scale of production.
- Time wastage due to movement from one job to another / lack of specialization.
- Tiresome/ tedious/ stranaous as one tries to provide all for himself /by himself /jumps from one activity to another.
- Encourages all by my self /individualism hence lacks improvement in the products /modification/unskillful/low-quality outputs.
- No self satisfaction /inability for self provision since no one can create all he/she needs /provides all by and for himself.
- Low living standards due to lack of profit orientation there lacks income to better ones life /provide quality and quantity outfit for him/herself or others.

b) Outline five differences between a co-operatives society and a private limited company. (10mks)

Co-operatives	Private company
<ul style="list-style-type: none"> - Formed by a minimum 10 members and no maximum. - Aim of formation is to provide serves to members. - Established under co-operatives acts. - Managed by a management committee. - Start operating once issued with certificate of registration. - Registered by commissioner of co-operatives. - Governed by co- operative by-laws. 	<ul style="list-style-type: none"> - Formed by a minimum of 2 shareholders and a maximum 50 shareholders. - Aim of formation is to make profit. - Established under company act. - Manage by one or two directors. - Start operating once issued with certificate of incorporation. - Registered by registrar of companies. - Government by articles of association.

2. a) Explain five measures to undertake in order to increase efficiency of a warehouse. (10mks)

- Ensure proper /adequate /good handling equipment to handle goods well/safety / easily.
- Install safety equipment/ personnel to take care of pests, fire, water leaks etc. to safeguard goods from damages. NB /accept relevant examples.
- Ensure proper inventory system control to monitor stock/ goods movements and avoid theft / pilferages.
- Proper space utilization/use by arranging goods well/orderly to save on floor space.
- Hiring qualified /high level skill /trained /skilled personnel to assist in goods handling /care of the goods . accept training staff motivating staff as a mention
- Enhance security /install cctv cameras to avoid theft of the goods /ensure safety of workers.
- Ensure law compliance /meet legal requirement to avoid conflicts with the authorities/govt/law enforcers who may stop/halt its activities for smooth running.
- Provide sufficient loading and offloading areas to minimize congestion/delays/ breakages due to collision.
- Ensure adequate communication facilities for effective communication within to warehouse.
- Ensure public health requirements are met for smooth operations/public health safety.
- Ensure proper / appropriate buildings to suit or match the type of goods to be stored.
- Ensure linkage to goods/ appropriate /efficient/ reliable transport network system to facilitate movement of goods in and out of the warehouse.

b) Explain five benefits that would accrue to a business that expands its scale of operation. (10mks)

- Research economies – it can afford to research for future development and progress.

- Technological economies – it can hire/purchase modern technology to improve its output/ increase output.
- Staff welfare economies – it can offer welfare services to its own staff / motivates its workers to increase their efficiency.
- Managerial economies – it can get professionals in managerial/ high level skilled workers to improve on production.
- Financial advantages /economies- It can access large sums of money / capital /credit from money leading institutions / wide capital base.
- Risk spreading economies – it can invest in ventures considered nonproductive in short run but productive in long run. It can wait from better prices in comparison with small firms.
- Advertising economies – it can finance sales activities /advertising campaign / convoys to capture wider markets.
- Reduced operation cost - as average cost of production lowers /decreases with increase in output.
- Personnel /labour economies – it can attract personnel who are professional/ qualified for better operation.
- Marketing economies – it can cater for large volumes of sales at cheap rates.
- Purchasing economies where – it can buy bulk and get large trade & cash discount on stocks/raw materials.

3. a) Explain four features of a monopoly. (8mks)

- Single /sole /only /one seller of the products who has no competition/ acts independently.
- No close substitute goods /no rival supplies of the product since the firm is the sole industry /producer /which would create competition.
- There is price discrimination, based on income, geographical or time basis.
- Firm is the price maker/prices fixed by supplier who has control over amount and price to sell the product.
- Barriers to entry are present / market is restricted to the sole producer/ difficulty in entry of other suppliers /sellers due to restrictive practices .
- May produce low quality products due to absence of competition.
- Single firm has control over production factors either by locking others out of production.
- Firm has a highly inelastic demand curve – since it influences prices and also output.
- Firm may earn supernormal profits in the long run as a results of sole market exploitation/ lack of competition which may lower prices.

b) The following trial balance belongs to wakili traders as at 30th June 2016.

Wakili Tradres
Trial balance
As at 30th June 2016

	Opening Stock	4000✓	Sales	7000✓
	Purchases	35,000✓	Less return Inwards	2000)✓
	Less. Return Outwards	(4800)	Net sales	68,000
✓	G.A.F.S			
34200	Cost of Sales (C.O.S)	34200✓		<u>68000</u>
	Gross profit c/d	<u>33,800✓</u>		
		<u>68,0000</u>		
	Expenses		Gross profit b/d	33,800 ✓
	Discount allowed 800✓		Discount received	700✓
	Sales & Wages 15,000✓			<u>34,500</u>
	Rent 3,500✓			
	Insurance 2100✓			
	Commision 400✓			
	Net profit	<u>12,700✓</u>		
		<u>34,500</u>		

Wakili Tradres
Balance sheet
As at 30th June 2016

Fixed Asset		Capital 162,300✓
Motor vehicle	150,000✓	Add Net Profit 12,700✓
Furniture and Fittings	20,000✓	Less: Drawings (6,000)✓
Current Assets		Net capital 169,000
Debtors	<u>80,000✓</u>	Current assets
Cash at hand	6000✓	Creditors 12,000✓
		Bank overdraft 3000✓
	<u>184,000</u>	<u>184,000</u>
		24X ¹ / ₂ = 12Mks

**Dora traders' three column cash book
For the Month of January 2017**

5. Dr						Cr.					
Date	Details	If	Dis.	cash	Bank	Date	Details	LF	Dis.	cash	Bank
						1/1/17	Balance✓	b/d			50,000✓
1/1/2017	Balance										
2/1/17	Sales✓	b/d		110,000✓		3/1/17	Postage✓			4100✓	
5/1/17	Kamau✓			40,000✓	2450✓		Willy✓		40✓	1960✓	
5/1/17	Laban✓				9604✓		Yala ✓		120✓	5880✓	
5/1/17	Tugi✓		50✓		2774✓	9/1/17					
13/1/17	Sales ✓		196 ✓		10,000✓	16/1/17	Bank✓			11000✓	
16/1/17	Cash✓		56✓	18,000✓	11,000✓	26/1/17	bank ✓			141,060✓	
21/1/17	Oman✓		2000✓			26/1/17	balance c/d✓			4000✓	126 888✓
26/1/17	Cash✓				141,060✓						
		b/d		<u>168,000</u>	<u>176,8888</u>						
			<u>302</u>	4000	126,888✓				<u>160</u>	<u>168,000</u>	<u>176,888</u>
30/1/17	Balance										

b) Explain five characteristics of a life assurance policy. (10mks)

- It has a surrender value – in the event of a insured terminating an assurance contract his entitled to a refund of a proportion of the total premium he/she had paid to the insurance company.
- It has a maturity date – the sum assured is paid to the assured upon the expiring of the agreed period of occurrence of the stated risk e.g death.
- It may be a savings plan where the sum assured is payable either on maturity or to the assured beneficiaries upon his/her death.
- The policy can be assigned to the beneficiaries claims in a life assurance policy can be transferred to a new policy holder.
- Life assurance policy can be used as security for a loan. An assured can obtain a loan against his/ her life assured policy.
- Its value depends on assured's ability to pay premiums. The assured can take a policy of any sum assured

provided he/she has to pay the premiums.

- It deals with life – life assurance policy covers the assured life only.
- It's a cover against death – life assurance policy covers ones life until death or for an agreed period of time.
- It's a long term contract- life assurance policy covers along period /duration and may not require annual renewal.

5. a) **State and explain five emerging trends in the Banking industry. (10mks)**

- Customer care departments to offer personalized services / advise to bank clients.
- Use of ATMS/ATM/cards that enables banks to offer services 24 hrs / round the clock / simplify banking activities
- Networking of branches/ interconnecting banks/ branches to offer fast/ convenient /reliable transacting platforms.
- Mobile banks /tents in form of bank branches to avail bank branches in remote areas in specific events /days of the week.
- E – Banking /M-banking enables clients carry out transactions using phones/ remotes computers / internets / online for fast easy and convenient banking services.
- Relaxation on banking condition / Easier credit facilities where requirements for loans have been eased / longer operating hours for banks.
- Account types Bank are offering variety of A/c replacing the older three account types to suit specific clients needs.
- New marketing strategies where they do sales marketing to persuade clients to open accounts.
- Restructuring /Mergers – small banks have been encouraged to join and become one more efficient.
- Adoption of technology to beaf security /reduce operation costs/ lay off unnecessary labour force /adopting use of computers to replace manual systems.
- Tele banking for non cash related banking /solve simple queries and transactions.
- Electronic data interchange for business documents like invoice purchase orders etc.
- Points of sale terminal to carry out transactions instantly such that as a debit is made, a corresponding debit is also made.
- Emergence of microfinance institutions to provide banking services e.g Faulu, Fosa KWFT etc. **NB: accept examples of micro finance institutions as expansion.**

b) **Explain five negative effects of rapid population growth. (10mks)**

- High-level of unemployment because the number of people in the labour force may exceed the number of jobs available.
- High dependency ratio- since many people are unemployed they will be dependent on the few people who are employed.
- Decrease in per capita income- due to decrease in income and population increasing leading to low standards of living.
- Reduction in savings and investments- this is because a large proportion of an individual income is consumed leaving very little or no savings hence no investment.
- Strain on social amenities – As a results of growing population the government may find it difficult to provide adequate social services e.g health, education and housing.
- Uneven/ unequal distribution of income- Majority of the people are very poor and few people are very rich.
- Environmental degradation.- Over population leads to an environmental degradation e.g extensive cutting of trees to get building materials or expands their farmhand.
- High population leads to a vicious circle of poverty because most of incomes generated so into consumption hence low saving and investment.
- High rates of rural –urban migration to seek for employment.
- Increase in the rates of inflation.- Avery high population leads to increase in the demand for goods and services which does not match with supply. The prices of goods and services will continuously go up resulting in demand pull-inflation.

6. a) **Explain five reasons why a country would carry out development planning before undertaking its projects. (10mks)**

- To prioritize projects/Accord important project first by ensuring crucial projects are carried out first /need based projects are under taken first.
- Proper/appropriate /efficient allocation of resources are put where output is highest /avoid misuse /underutilization of resources /prevent minimal returns by inappropriate allocation.
- Ensure balanced /even regional development to ensure that no region lags behind economically.
- Corrects imperfection in the market/prevent monopolies/oligopolies which contribute to mis allocation of resources.
- To attracts foreign aid/investment from attractive /productive /appealing projects planned for.
- Complementally nature of projects/cater for projects carried out together since they have to be matched to succeed. **NB. Accept relevant examples e.g plant tea and put up a tea factory.**
- Motivational tool when awareness is created it earns support from people / people own the projects and hence

work hard for it to achieve goals /surred.

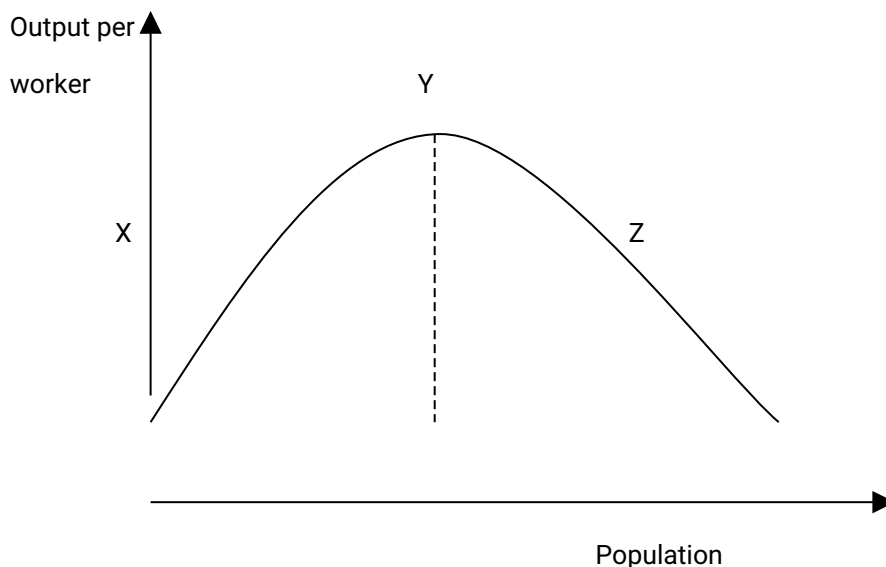
- To – coordinate different bodies and ministries of the govt. so as to achieve reasonable target/allocate funds appropriately /in the most economical way/ help in administration /unity of govt organs.
- To safeguard social interests which would not be catered for by private sectors.
- Sourcing funds- Attract donor funding /aids – A good development plan draws attention / interest of donor funding.
- Enable /help in project evaluation – with proper planning goals are well known from the onset and hence comparison of achieved target via set target is easily.
- To acquire relevant resources – to prevent shortage of manpower /which need long-term planning.
- To influence external trading relations to achieve desirable effects on the economy.

b) Explain five benefits of adopting the use of an open office layout. (10mks)

- Enhance sharing equipment's/facilities/machines this saves on costs/ of purchasing many equipment's.
- Easy supervision/control/management of workers as they can all be seen /are all visible /in a common room.
- Cheap to decorate maintain /less costly /not expenses since less floor space is used /sharing of equipment/furniture.
- Easy location /identification of workers as truly are all found in some room.
- Discourages absconding duties /absenteeism due to close supervision/enhanced supervision by management.
- Floor space is saved as no many offices need to be constructed .
- Easy to consult colleagues as they are next/in a common room hence improving working efficiency/preciseness.
- Saves on time since there is less staff movements/ minimal movements.
- Prevents misuse of office equipment/machinery due to the close supervision of workers.
- Boosts/promote/enhance teamwork among employees through consultations and sharing of office equipment.

TETU SUB-COUNTY
Form FOUR Business Studies
Paper 565/ 1 2018
Time: 2 Hours
PAPER 1

- List four sources of funds that would be at a Sole proprietor's disposal. (4mks)
- Give four circumstances under which a monopoly would come into existence. (4mks)
- Mention four measures that the government would take to prevent entry of contraband sugar in the country. (4mks)
- Study the following diagram and answer the question that follows.



- Give two merits of the section labeled X (2mks)
- Identify the part labeled Y in the diagram. (1mk)
- Give two demerits of section labeled Z in the diagram. (2mks)

5. The following information was extracted from the books of Karimi Enterprises on 28th Feb 2018.

Fixed assets	400,000
Creditors	120,000
Debtors	150,000
Accrued rent	30,000
Stock	145,000
Prepaid Rent	5,000
Capital	550,000

Required:

- Determine the working capital of the business. (3mks)
 - Calculate the current ratio: (1mk)
- List four benefits of observing business ethics in the course of doing business. (4mks)
 - In each of the following case a communication line is explained. Study it and identify the line of communication described. (4mks)

- a) The principal addresses the assembly.....
- b) All class secretaries hold a meeting in the hall to discuss indiscipline in their classes.....
- c) Cabinet secretary of education passed by the school and gave an address as he proceeded to a national rally in a nearby stadium.....
- d) End of year party held in the school attended by BOM members, teachers, students and support staff.....

8. State the book of original entry used in recording each of the following transactions of KOMU traders. (4mks)

	Transaction	Book of original entry
(i)	Komu returned goods worth sh. 9,500 to Tetu traders	
(ii)	Nanzara returned goods worth sh. 2900	
(iii)	Purchased goods on credit from Sanaipei for sh. 5,000	
(iv)	Sold goods on credit to Wanjala for sh. 20,000	

9. Using a well labelled diagram illustrate the circular flow of income in a two sector economy. (5mks)

10. Give four circumstances when a consumer may enjoy the services given by a warehouse. (4mks)

11. Identify the elements of transport to which each of the following items relate. (4mks)

- a) Human effort.....
- b) Bodaboda shed.....
- c) School bus
- d) Lake Victoria.....

12. Suggest four benefits to a trader who operates a supermarket instead of a kiosk. (4mks)

13. Highlight four limitations of barter trade to an economy. (4mks)

14. The following statements refer to different office layouts. Identify the type of office layout explained in each of the following statements. (3mks)

- a) Senior managers are assigned separate rooms from where they coordinate business activities
- b) High class office designed to enhance the image of the institution
- c) All staff members operate from the same room

15. State four uses of a balance sheet. (4mks)

16. Identify three levels of inflation. (3mks)

17. Basing your knowledge on financial ratios, complete the following table. (4mks)

Opening stock	Closing stock	Net purchases	Costs of goods sold	Net sales	Gross profit	Average stock	Rate of stock turn over
(a)	50,000	170,000	240,000	(b)	30,000	(c)	(d)

18. The following trial balance was prepared by an incompetent accounts clerk. Prepare a correct one. (4mks).

Nguyo
Trial balance

As at 30th June 2015

	DR	CR
Creditors	10,000	
Debtors		14,000
Returns inwards	7,500	
Drawings	31,000	
Land		60,000
Returns outwards	15,000	
General expenses		10,000
Capital	100,000	
Furniture		8,000
Accrued rent		5,500
	<u>163,500</u>	<u>97,500</u>

19. For each of the following day books state the relevant source document. (5mks)

	Day book	Source document
(i)	Sales Journal	
(ii)	Sales returns journal	
(iii)	Purchases journal	
(iv)	Purchases returns journal	
(v)	Cash receipts journal	

20. Identify each of the following categories of Government expenditure. (3mks)

- (i) Government spends funds on regular basis.....
(ii) Government finances specific projects aimed at facilitating economic growth
(iii) Government give bursaries to student.....

21. State four reasons that may make a firm to use competitive advertising. (4mks)

22. Identify the type of resource described in each of the following cases. (4mks)

- (a) Can be restored after use.....
(b) Created by man to assist him in production of goods.....
(c) Availed by nature
(d) Physical effort put by man to produce goods and services.....

23. Highlight four circumstances under a firm may be located near the source of raw materials. (4mks)

24. Identify four types of unemployment and mention a major cause in of each. (4mks)

25. The following information relates to Mimi Traders for the year ended 30th June 2018. (5mks)

Opening stock	25,000
Closing stock	35,000
Purchases	190,000
Returns outwards	5,000
Margin	20%

Required a trading account for the year ended 30th June 2018.

TETU SUB-COUNTY
TERM 2 EXAMS 2018
Form FOUR Business Studies
Paper 565/ 2 2018
Time: 2 ½ Hours

1. (a) Explain five factors that lead to decline in the level of national Income of a County. (10mks)
 (b) Explain five factors considered when selecting a channel of distribution to use. (10mks)

2. (a) Explain four circumstances when a risk would not qualify to be covered by an insurer. (8mks)

- (b) The following balances were extracted from the books of Unity Enterprises as at 30th June, 2016.

	Shs			
Sales	400,000		Stock (1 st July, 2015)	5,000
Stock (30 th June, 2016)	8,000		Discount received	4,000
Discount allowed	6,000		Insurance premium	4,000
Premises	300,000		Fixtures and fittings	200,000
Carriage inwards	7,000		Carriage outwards	3,000
Bank loan	23,000		Bank overdraft	50,000
Creditors	40,000		Cash in hand	10,000
Debtors	12,000		Drawings	14,000
Capital	340,000		Gross profit margin	25%

Prepare;

- i) Unity Enterprises Profit and loss Accounts for the year ended 30th June 2016. (4 marks)

- ii) Unity Enterprises Balance sheet as at that date. (8 marks)

- 3(a) Explain five problems faced by a county with a big percentage of a youthful population. (10mks)

- (b) Explain five external factors that an entrepreneur need to consider when evaluating a business opportunity. (10mks)

- 4(a) Using a diagram, explain the effects of a positive shift of a demand curve on the equilibrium point, price and quantity. (10mks)

- (b) On 1st April 2016, Twiga Enterprises had sh. 150,000 cash in hand and a bank credit balance of sh. 54,000. During the month the following transactions took place.

April 3 Cash sales shs. 114,900

4 A debtor settled his account of Kshs. 400,000 by cheque less 5% each discount.

10 Paid salaries kshs. 35,400 in cash

15 Settled a creditor's account of Ksh. 150,000 by a cheque less 3% cash discount.

22 Received cash Kshs. 84,600 from Pengo traders after deduction 6% cash discount

24 Withdrew ksh. 120,000 from business bank for office use.

26 Cash sales kshs. 90, 000 banked directly

30 Deposited all cash except ksh. 10,800

REQUIRED: Prepare a duly balanced three column cash book. (10mks)

- 5(a) Highlight five benefits of delocalization of firms in an economy. (10mks)

- (b) Outline five differences between a cooperative society and a private limited company. (10mks)

- 6(a) Explain five ways of controlling cost push inflation. (10mks)

- (b) Explain five characteristics of economic resources. (10mks)

**TETU SUB-COUNTY
FORM FOUR
MOCK BUSINESS STUDIES
PAPER 565/ 1 2018**

1. List four sources of funds that would be at a Sole proprietor's disposal. (4mks)

- (a) Personal savings / the owner
- (b) Inheritance from the family property
- (c) Donations from relatives and friends
- (d) Loans / borrowing from banks, SACCOS, NGOS, government, self help groups, etc
- (e) Retained Profits
- (f) Trade credit and hire purchase
- (g) Leasing and renting property

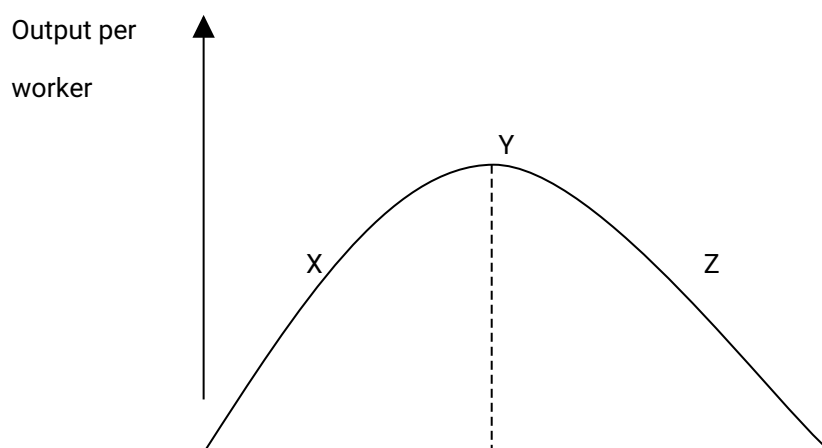
2. Give four circumstances under which a monopoly would come into existence. (4mks)

- (a) Where the government creates a monopoly in areas of interest
- (b) Incase of patent and copy rights
- (c) Where a firm controls the source of an important raw material
- (d) Incase of mergers / amalgamations
- (e) Where a firm has exclusive technical knowledge if the production of a product
- (f) If the firm enjoys economies of scale
- (g) Where a firm employs restrictive measures blocking other firms from entry

3. Mention four measures that the government would take to prevent entry of contraband sugar in the country. (4mks)

- a) Regular inspection of sugar imports in the country.
- b) Ensuring that sugar sample are adequately tested by Kebs.
- c) Punishing officer contravening sugar import laws e.g Jail sentences.
- d) Coming up with more legislation to enforce law against illegal sugar imports.
- e) More vigilant investigations by relevant bodies on sugar imports eg Parliament, Eacc, Dpp
- f) Promoting consumer education on contraband sugar. E.g through mass media, social media.

4. Study the following diagram and answer the question that follows.



Population

(i) Give two merits of the section labeled X (2mks)

- a) Higher standards of living
- b) Low cost of living
- c) Adequate availability of resources

(ii) Identify the part labeled Y in the diagram. (1mk)

Optimum population

(iii) Give two demerits of section labeled Z in the diagram. (2mks)

- a) Poor standards of living
- b) High levels of unemployment
- c) Strain on social amenities
- d) High dependency ratios
- e) Rural urban migration
- f) Congestion on social amenities
- g) Food shortages
- h) Inflationary tendencies

5. (a) Determine the working capital of the business.

$$WC = CA - CL = (150,000\sqrt{v} + 145,000\sqrt{v} + 5,000\sqrt{v}) - (120,000\sqrt{v} + 30,000\sqrt{v})$$

$$= 300,000 - 150,000 = \text{shs. } 150,000\sqrt{v}$$

$$6 \times \frac{1}{2} = 3\text{mks}$$

(1mk)

(b) Calculate the current ratio:

$$CR = \frac{CA}{CL} = \frac{300,000\sqrt{v}}{150,000} = 2:1 \quad 2 \times \frac{1}{2} = 1\text{mk}$$

6. List four benefits of observing business ethics in the course of doing business.

(4mks)

- a) Avoids consumer exploitation
- b) Ensures that the environment is protected.
- c) Ensures fair play for all competitors
- d) Quality products are offered to citizens
- e) Ensures no discrimination in business
- f) Ensures rights of the employees are upheld
- g) Eliminates use of unfair means of achieving business objectives

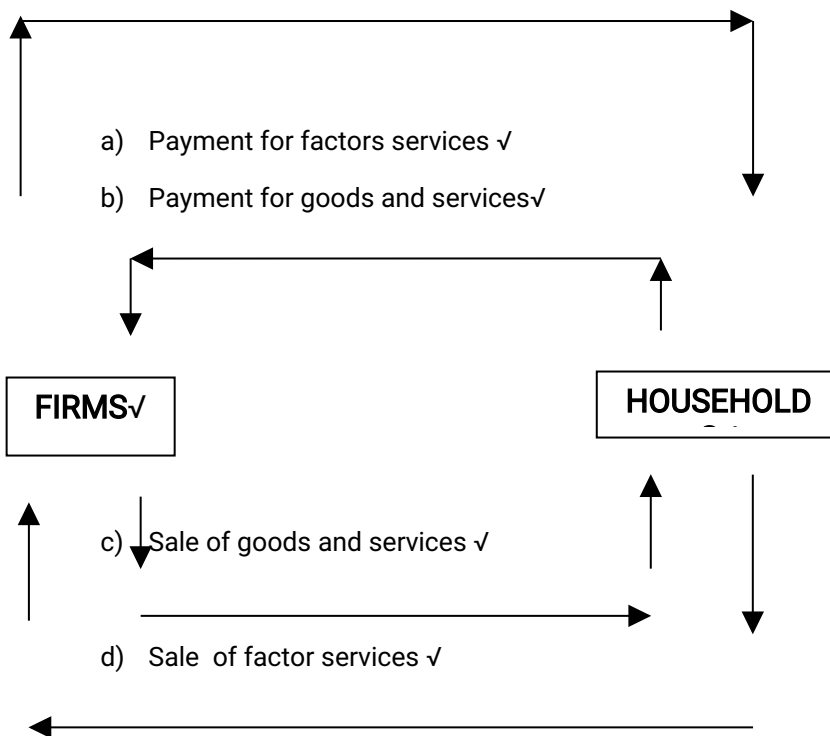
7. In each of the following case a communication line is explained. Study it and identify the line of communication described. (4mks)

- a. The principal addresses the assembly.....Vertical
- b. All class secretaries hold a meeting in the hall to discuss indiscipline in their classes.....Horizontal.
- c. Cabinet secretary of education passed by the school and gave an address as he proceeded to a national rally in a nearby stadium.....Vertical
- d. End of year party held in the school attended by BOM members, teachers, students and support staff.....Diagonal / Lateral.....

8. State the book of original entry used in recording each of the following transactions of KOMU traders. (4mks)

	Transaction	Book of original entry
(i)	Komu returned goods worth sh. 9,500 to Tetu traders	Purchases Returns / Returns Outwards journal
(ii)	Nanzara returned goods worth sh. 2900 to Komu	Sales Returns / Returns Inwards journal
(iii)	Purchased goods on credit from Sanaipei for sh. 5,000	Purchases journal
(iv)	Sold goods on credit to Wanjala for sh. 20,000	Sales journal

9. Using a well labelled diagram illustrate the circular flow of income in a two sector economy. (5mks)



10. Give four circumstances when a consumer may enjoy the services given by a warehouse. (4mks)

- a) When consumer can inspect goods before buying
- b) When the flow of goods is smooth
- c) When prices of good remain stable
- d) When goods improve in quality
- e) When goods are released without delays/ quickly

11. Identify the elements of transport to which each of the following items relate. (4mks)

- a) Human effort.....Method of propulsion...
- b) Bodaboda shed.....Terminal
- c) School busUnit of Carriage
- d) Lake Victoria.....Way

12. Suggest four benefits to a trader who operates a supermarket instead of a kiosk. (4mks)

- a) Attracts for buyers/ makes quick sales
- b) He stocks a wide variety of goods
- c) Able to access more funds
- d) Bulk purchases from manufacturers enjoy discounts
- e) Can afford to sell at cheaper prices

- f) Can employ skilled labour
- g) Impulse buying by customers helps to make more profits

13. Highlight four limitations of barter trade to an economy. (4mks)

- i. Lack of double coincidence of wants
- ii. Indivisibility of some goods
- iii. Perishability of some goods
- iv. Difficulty to measure value
- v. Problems of portability of some goods(bulky, heavy, fixed/ immovable , etc)
- vi. Lack of a standard measure for making deferred payments
- vii. Lack unit of account.

14. The following statements refer to different office layouts. Identify the type of office layout explained in each of the following statements. (3mks)

- a) Senior managers are assigned separate rooms from where they coordinate business activities
.....Enclosed / Partitioned office layout.....
- b) High class office designed to enhance the image of the institution ...Landscaped layout
- c) All staff members operate from the same roomOpen office layout

15. State four uses of a balance sheet. (4mks)

- a) Shows the financial position of a business as at a given date
- b) Used by financiers to determine credit worthiness of a business
- c) Required for decision making by management
- d) Shows the assets, liabilities and capital of a business
- e) Shareholders sue tit to know whether their funds are used wisely
- f) Used by the government for tax purposes
- g) Potential investors use it to make decisions whether tot invest in the business

16. Basing your knowledge on financial ratios, complete the following table. (4mks)

Opening stock	Closing stock	Net purchases	Costs of goods sold	Net sales	Gross profit	Average stock	Rate of stock turn over
(b) _____	50,000	170,000	240,000	(b) _____	30,000	(c) _____	(d) _____

a) $Opening\ stock = COGS - P + CS = 240,000 - 170,000 + 50,000 = 120,000\checkmark$

b) $Net\ Sales = COGS + GP = 240,000 + 30,000 = 270,000\checkmark$

c) $Average\ stock = (OS + CS) \times \frac{1}{2} = (120,000 + 50,000) \times \frac{1}{2} = 85,000\checkmark$

d) $Rate\ of\ stock\ turn\ over = \frac{COGS}{Ave\ Stock} = \frac{240,000}{85,000} = 2.8\ times\checkmark$

17. Identify three levels of inflation. (3mks)

- (i) Moderate / Creeping / Mild / Gradual
- (ii) Rapid / Galloping
- (iii) Hyper / Runaway
- (iv) Stagflation

18. The following trial balance was prepared by an incompetent accounts clerk. Prepare a correct one. (4mks).

Nguyo
Trial balance
As at 30th June 2015

	DR	CR
Creditors		10,000
Debtors	14,000	
Returns inwards	7,500	
Drawings	31,000	
Land	60,000	
Returns outwards		15,000
General expenses	10,000	
Capital		100,000
Furniture	8,000	
Accrued rent		5,500
	130,500	130,500

19. For each of the following day books state the relevant source document. (5mks)

	Day book	Source document
(i)	Sales Journal	Sales invoice/ outgoing / issued
(ii)	Sales returns journal	Issued Credit Note
(iii)	Purchases returns journal	Received Credit Note
(iv)	Cash receipts journal	Outgoing Receipts

20. Identify each of the following categories of Government expenditure. (3mks)

- Government spends funds on regular basis.....Recurrent Expenditure ..
- Government finances specific projects aimed at facilitating economic growthDevelopment / Capital Expenditure
- Government give bursaries to student.....Transfer Payments.

21. State four reasons that may make a firm to use competitive advertising. (4mks)

- When a firm wants to attract more customers.
- When firm want to retain already existing customers.
- When the firms want to counter/fight off stiff competition.
- When the firm is launching a new product.
- When a firm wants to correct incorrect information about the product.
- When the firm wants to build the company's overall image.

22. Identify the type of resource described in each of the following cases. (4mks)

- Can be restored after use..... Renewable resource
- Created by man to assist him in production of goods... Man made resources/Capital
- Availed by nature Natural resources
- Physical effort put by man to produce goods and services Human resource/Man power

23. Highlight four circumstances under a firm may be located near the source of raw materials. (4mks)

- If the raw material is heavy and bulky.
- If the raw material is highly perishable
- If the trader wants to save on the cost of transport
- Where the firm has total control of the source of the raw material.
- Where the government policy requires the firm to be located near the source of raw material
- Where the firm wants to have constant supply of the raw material
- Where the raw material used by the firm is fragile/delicate/brittle
- Where there is stiff competition for the raw material.

24. Identify four types of unemployment and mention a major cause in of each. (4mks)

- Cyclical employment due to relatively low general demand for goods and service
- Structural unemployment due to technological unemployment

- c. Seasonal unemployment-due to relatively low demand for labour at certain times of the year
- d. Frictional unemployment due to time lags i.e time taken in changing jobs
- e. Involuntary unemployment – wanting jobs at prevailing wages and cannot get them.

25. The following information relates to Mimi Traders for the year ended 30th June 2018. (5mks)

Opening stock	25,000	Closing stock	35,000
Purchases	190,000	Returns outwards	5,000
Margin	20%		

Required a trading account for the year ended 30th June 2018.

Margin = 20% = $\frac{1}{5}$ Markup = $\frac{1}{4}$ = 25%

GP 25% x COGS = .25 x 175,000 = 43,750

Confirm 20% x 218750 =

Mimi Traders Trading account For the year ended 30 th June 2018			
Opening stock	25,000	Sales	218,750
Purchases	190,000		
Less: Returns Outwards	<u>5,000</u>		
Net Purchases	185,000		
Cost of Goods Available	210,000		
Less: Closing Stock	<u>35,000</u>		
Cost of Goods Sold	175,000		
Gross Profit	<u>43,750</u>		
	<u>18,750</u>		<u>218,750</u>

**TETU SUB-COUNTY
FORM FOUR BUSINESS STUDIES
PAPER 565/ 2 MOCK 2018**

- 1(a) Explain five factors that lead to decline in the level of national income of a County. (10mks)**
- Inadequate human resources / labour / working population / manpower: a country with low supply of labour will not be productive / low quantities of goods / services can generate low income
 - High illiteracy levels of the citizens in general; a country with unskilled / or untrained / small manpower can produce low quality goods / services can generate low income.
 - Inadequate natural resources / land ./ gifts of nature / accept gift of nature: a country not well endowed with natural resources may produce less goods /services / can generate less income.
 - Deteriorating level of technology; low level of technology may produce low quality / quantity goods / services / generate low income.
 - Inadequate capital (equipment) / man-made resources / accept if manmade resources e.g. infrastructure buildings: lack of capital / or makes production different / reduces production / may generate low income.
 - Low level of Foreign investment; reduction of foreign investment may reduce production of goods / services / income.
 - Poor governance / political instability reduce savings / investment / damages / investment / reduce incomes / production of goods / services.
 - Poor entrepreneurial culture; a culture that discourages hard / work / entrepreneurship reduces production of goods / services / may generate low income / Low levels of county's industrialization may generate low income
 - High dependency ratio on the economically active portion of the population: this lowers investments thus low productivity generating low incomes
 - Poor state of the infrastructure: prevents movement of people and goods in and out of the factories, homes, markets, may reduce incomes.
 - High levels of insecurity: business people may fear to invest and this reduces incomes
 - Declining foreign trade/ non involvement in international trade; country with no exports earns no foreign exchange hence low national income

Naming 1mk Justification 1mk otherwise
10 mks)

(5 x 2 =

- (b) Explain five factors considered when selecting a channel of distribution to use. (10mks)**
- Nature of the product. If the products are perishable and therefore need a short / direct channel (in order to be distributed quickly)/to safeguard them from damage they need a short /direct channel.
 - Cost /profit maximization / cost of different channels of distribution should be considered and the cheaper channel used /affordable /cost effective channel is used.
 - Extend /coverage /distance /proximity of the market. If consumers are widespread /far then urgent /long channels may be necessary to reach them
 - Nature /taste /preferences of consumers specifications which may require the personal attention of the producer hence use of a shorter channel
 - Competition /where competition is high /stiff the producer(will have to be close to the consumers and will therefore)use a short / direct channel of distribution
 - Quantity /output /volume /scale of production. if the quantity of goods to be sold is large the more middlemen / intermediaries may be required /where volume is small choose a short /direct channel
 - Availability of technical personnel /distribution resources .if the producer does not have the required technical personnel /distribution resources then he may have to use a long channel /middlemen /agents /if available short / direct channel is used
- NB accept examples of distribution resources as a naming
Naming 1mk justification 1mk otherwise

(5 x 2 = 10 mks)

- 2(a) Explain four circumstances when a risk would not qualify to be covered by an insurer. (8mks)**
- When there is a large number of people who are exposed to the risk. This enables the insurance company to create a pool of funds from which it is able to compensate those who suffer loss
 - If the loss arising from the risk can be quantified in monetary terms.
 - If it is a pure risk and not speculative. The insured must stand a chance to suffer financial loss if the risk occurs and no gain if it does not occur
 - If the likelihood of occurrence of the risk is predictable. This helps the insurer to calculate the premiums
 - Where the risk is not catastrophic. A risk should not be likely to affect a large number of people all at once.

- f) When the risk is accidental but not deliberate. When the risk to be covered is not under the influence of the insured.
- g) If the person wishing to insure the subject matter of insurance has insurable interest in that subject matter, so that he can suffer financial loss
- h) In case the value of the property to be insured is significant enough to warrant insurance. This helps to calculate the sum insured and premiums
- i) Where the risk is legally valid. The risk insured against should not violate the laws of the country.

Naming 1mk justification 1mk otherwise (5 x 2 = 10 mks)

(b) The following balances were extracted from the books of Unity Enterprises as at 30th June, 2016. Margin = GP/Sales = 25% of 400,000 = 100,000

Unity Enterprises

Profit and Loss Account

For the year ended 30th June, 2016✓

	Shs		Shs
Discount allowed	6,000✓	Gross profit b/d	100,000✓
Carriage outward	3,000✓	Discount received	4,000✓
Insurance premiums	4,000✓		
Net profit	91,000✓✓		
	<u>104,000</u>		<u>104,000</u>

8 ticks @ ½ mark = 4 marks

Unity Enterprises

Balance Sheet

As at 30th June, 2016✓

Fixed assets	Shs	Capital	Shs 340,000✓
Premises	300,000✓	Add: Net profit	<u>91,000</u> ✓
Fixtures and fittings	<u>200,000</u> ✓		431,000
Total Fixed assets	500,000✓	Less: Drawings	<u>14,000</u> ✓
		Owner's equity	417,000✓✓
Current Assets		Long-term liabilities	
Stock	8,000✓	Bank loan	23,000✓
Debtors	12,000✓	Current liabilities	
Cash in Hand	<u>10,000</u> ✓	Creditors	40,000✓
Current assets	<u>30,000</u> ✓	Bank overdraft	<u>50,000</u> ✓
	<u>520,000</u>		<u>520,000</u>

16 ticks @ ½ mark = 8 marks

3(a) Explain five problems faced by a county with a big percentage of a youthful population.**(10mks)**

- Less expenditure on social security and pension: young people are healthy thus do not require a lot of attention and a lot of medical care
- Wider market for goods meant for the youth like clothing: this encourages more investments in textile industries
- Guaranteed continuous supply of labour: many youths have the skills required in the industries
- Flexibility and adaptability to technological changes which improve production: more progressive economy.
- Faster growth of some sectors like music, entertainment, fashion design, etc and fast food industries hence more economic growth.
- Increased innovation due to their adventurous nature: young people are more dynamic hence more advancement

Naming 1mk justification 1mk otherwise
10 mks)

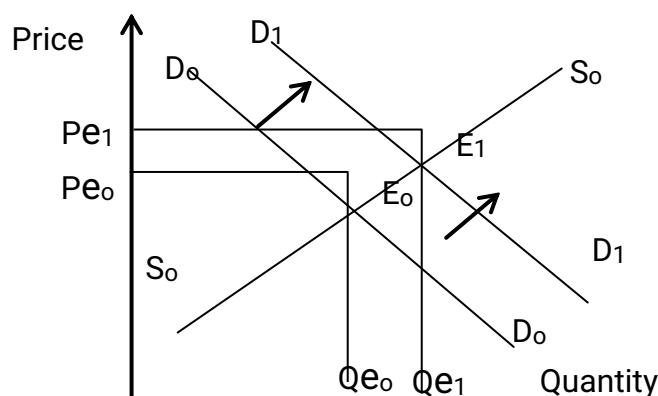
(5 x 2 =

(b) Explain five external factors that an entrepreneur need to consider when evaluating a business opportunity.**(10mks)**

- Profit to be earned/return from investment:** There should be a reasonable profit from the investment/in order to cover all the operation expenses.
- Existing attitudes/practices/beliefs of the target market:** The new product/service/business idea must be in line with the people's attitudes/practices/beliefs of it has to be accepted/hence marketed.
- Technology:** The technology to be used in producing the product/offering the service should be efficient/cost-effective/available/to produce denied quantity/quality.
- Size/availability of the market/demand:** Should be adequate/sustain the end of output/ensure/sale of products.
- Government policy/legal requirements:** Should be favourable/easy to be met/to operate smoothly
- Channel of distribution:** This will ensure that product is available in the market/so that consumers buy it when they decide to/should be available/effective/affordable
- Competition:** It should be fair/healthy/capable to cope with
- Capital:** Should be adequate to start/operate/run/easy to source/raise
- Input/supplies:** Should be readily available/affordable for continuous operations accept examples of inputs as mentioned.
- Risks involved:** should be minimal/manageable/bearable
- Management skills:** Whether the owner has them/ can hire.
- Pay-back period:** Duration of getting back the amount invested should be considered

Naming 1mk justification 1mk otherwise
10 mks)

(5 x 2 =

4(a) using a diagram explain the effects of a positive shift of a demand curve on the equilibrium point, price and quantity.

16 ticks x ½ = 8mks

Explanation:

The increase in demand shifts the demand from D_0D_0 to D_1D_1

This causes the equilibrium point to move higher from E_0 to E_1

Equilibrium price to increase from Pe_0 to Pe_1

Equilibrium quantity to increase from Qe_0 to Qe_1 (4 x ½ = 2 mks) Total (10 marks)

(b REQUIRED: Prepare a duly balanced three column cash book. (10mks)

Twiga Enterprises

THREE COLUMN CASH BOOK

Dr. For the month ended 30th April 2016

Cr.

Date	Details	LF	Disc Alld	Cash	Bank	Date	Details	LF	Disc recd	Cash	Bank
2014						2014					
April						April					
1	Bal	b/d		150,000 ✓		1	Bal	b/d			54,000 ✓
3	Sales			114,900 ✓		10	Salaries			35,400 ✓	
4	Debtor		20,000 ✓		380,000 ✓	15	Creditors		4,500 ✓		145,500 ✓
22	Pengo		5,400 ✓	84,600 ✓		24	Cash	C ₁			120,000 ✓
24	Bank	C		120,000 ✓		30	Bank	C ₂		423,300 ✓	
26	Sales				90,000 ✓	30	Bal	c/d		10,800 ✓	573,800 ✓
30	Cash	C ₂			423,300 ✓						
			25,400 ✓	469,500 ✓	893,300				4,500 ✓	469,500	893,300

20 X ½ = 10mks

5(a) Highlight five benefit of delocalization of firms in an economy. (10mks)

(10mks)

- Creates employment in rural areas: job opportunities are created for the rural masses that would have otherwise remained without work
- Brings development to rural areas: areas without infrastructure will be developed in order to attract investors
- Creates market for goods in rural areas: agricultural output would be disposed to the industries as raw materials for the factories and as food for workers
- Reduction in rural urban migration: more people will find jobs in rural areas other than going to work in towns
- Achievement of balanced regional growth: rural areas are development in terms of infrastructure, factories, ensuring growth in those areas
- Maximum utilization of resources: resources that would have remained idle are exploited to provide the required raw materials to the upcoming industries in rural areas.
- Eliminates pollution in urban centers: factories that would be producing noise, smoke, and other wastes in towns will be far away from towns.
- Security will be improved in rural areas: government will be required to enhance security for the benefit of citizens
- Not prone to terrorist attacks as is common in urban areas

Naming 1mk justification 1mk otherwise

(5 x 2 =

10 mks)

(b) Outline five differences between a cooperative society and a private limited company. (10mks)

(10mks)

Cooperative society	Private limited company
a) Minimum of ten members and no	(a) Minimum of two shareholders and a maximum

maximum	of fifty
b) Managed by an elected Management Committee	(b) Managed by an elected Board of Directors
c) All members have a common interest/ bond	(c) Shareholders have diverse interests/ no bond
d) Registered with the commissioner for cooperatives / operate under a ministry	(d) Registered with the registrar of companies/ operate independently
e) Non profit making body	(e) Aims at profit making
f) Offer education to their members	(f) Do not offer any education to shareholders
g) No members can own more than 5% of the total share capital	(g) A shareholder can be majority shareholder
h) Governed by a Constitution / By - laws	(h) Governed by a memorandum of association
i) Many credit facilities to their members	(i) Do not offer credit facilities to the shareholders

Points must match properly to attract a tick for 2 marks each

6(a) Explain five ways of controlling cost push inflation. (10mks)

- Reducing tax on inputs in production** e.g. raw materials which had the effects of increasing the cost of production so as to lower the end product prices.
- Use of price controls** – where the government sets price limit beyond which various commodities should not sell at so as to have low/fair prices of goods and services.
- Restricting imports on factors** that their prices may have increased due to imported inflation or looking or alternative sources of supply to reduce the factor cost.
- Controlling wages and salaries/cost of labour-** which may have led to increased cost of production hence low prices for goods and services
- Subsidizing the cost of production-** by the government meeting part of the production cost and the producer will extend to consumers through reduced prices.
- Improving efficiency of production** – to avoid wastage in production and improving the rate at which goods are produced.

Naming 1mk justification 1mk otherwise
10 mks)

(5 x 2 =

(b) Explain five characteristics of economic resources. (10mks)

- Scarcity/limited in supply, they are found in small quantities compared to the many uses into which they have to be put /hence not sufficient to satisfy all human wants
- Monetary value. They have a price /reward attached to them / which have to be paid for their use /transfer / for recording
- Uneven /unequal distribution. they are not distributed uniformly in the society /hence some people /regions /countries have more other resources than others
- Combinability / complimentality .they ca be used in different proportions to produce goods /services /they can be used jointly
- Usefulness /have utility . They are used to satisfy human wants /to produce goods /services
- Transferability / they may be transferred / from one person to another in terms of ownership /possession
- Multipurpose. have alternative uses
- Mobility /some can be moved from one region /place to another geographically
- Exhaustibility /Renewability some resources get depleted/ finished /restored /recycled / regenerated.

Naming 1mk justification 1mk otherwise
10 mks)

(5 x 2 =

KANGEMA
565/1
BUSINESS STUDIES
 Paper 1
July 2018
 Time 2 hours

1. Highlight four ways in which a firm can improve productivity of its human resources. (4 marks)
2. Outline four possible consequences of poor arrangement of goods in a warehouse. (4 marks)
3. There are missing figures in the table below. (4 marks)

	FA	CA	C	L
a)	275,500	W	315,000	115,500
b)	182,000	108,700	X	217,100
c)	Y	76,400	123,100	91,900
d)	313,450	211,340	189,170	Z

Calculate :

- i. W =
 - ii. X =
 - iii. Y =
 - iv. Z =
4. State four reasons why consumers have to make a choice when satisfying competing wants. (4 marks)
 5. State four factors that would influence the amount of money that an individual may hold for transaction purposes. (4 marks)
 6. Outline four circumstances under which an insurance company may refuse to compensate the insured in times of loss. (4 marks)
 7. State four errors that may not affect the balancing of a trial balance. (4 marks)
 8. Outline four functions of the Kenya Bureau Of Standards (KEBS). (4 marks)
 9. The information given below was extracted from the books of Kambo Traders on 31st May 2016.

	Kshs
Purchases	260, 000
Opening stock	75, 000
Carriage on purchases	12, 500
Closing Stock	27, 500

Goods were sold at a margin of 25%.

Using the information provided above, prepare Kambo trading account for the period ended 31st May 2016.

- (5 marks)
10. Outline four differences between a monopoly and a monopolistic competition. (4 marks)
 11. Name any three equipment that are used in document reproduction in an office. (3 marks)
 12. Outline four reasons why savings and credit Co-operative Societies are becoming very popular in Kenya today. (4 marks)
 13. Name the documents described by the statements given below as used in International trade. (4 marks)
 - a. Requests for payment before goods are delivered.
 - b. Shows ownership or title of imported goods.....
 - c. Show the country of manufacture of goods.....
 - d. Show the transport charges for goods.....
 14. The following balances of assets and liabilities were provided by Njogu Enterprises on 31st December 2017.

	Shs.
Bank overdraft	160, 000

Land	400,000
Accrued Electricity bill	100,000
Stock	20,000
Debtors	40,000

Drawing of Shs 4,000 were made every month during the year. Prepare a balance sheet as at 31st December

2017. (4 marks)
15. Mention four non- tax internal sources of revenue to the government. (4 marks)
16. A business opportunity may exist where there are certain gaps in the market.. Highlight four such gaps. (4 marks)
17. Outline four circumstances under which a trader may choose to transport his goods by air. (4 marks)
18. State four uses of National income statistics. (4 marks)
19. Highlight four features of mail order shops in home trade. (4 marks)
20. Outline four reasons why a firm may choose to remain small. (4 marks)
21. State four limitations of using internet as a means of communication despite its popularity in the world today. (4 marks)
22. Distinguish between the following terms as used in population.
 a. Immigration and emigration. (2 marks)
 b. Declining population and under population. (2 marks)
23. Outline four reasons why ethical practices are necessary in product promotion. (4 marks)
24. Highlight four problems that Kenya may experience in implementing its development plans. (4 marks)
25. List four factors that can cause demand pull inflation. (4 marks)

KANGEMA
565/2
BUSINESS STUDIES
 Paper 2
July/August 2018
 Time 2½ hours

Answer any **FIVE** questions.

1. a. Describe any five features of economic resources. (10 marks)
- b. Explain five disadvantages that a country may experience from imposing trade restrictions on trading partners. (10 marks)
2. a. Explain five differences between a public cooperation and a private limited company. (10 marks)
- b. The following information was extracted from the books of Kema traders as at 31st Dec 2009
- | | |
|---------------------------|-----------|
| Bank Loan | 567 000 |
| Bank Loan interest | 1 440 |
| Capital | 1 680 000 |
| Closing stock | 87 000 |
| Creditors | 272 400 |
| Debtors | 140 280 |
| Discount allowed | 170 400 |
| Electricity | 30 240 |
| Furniture | 489 804 |
| Furniture repairs | 86 436 |
| Gross profit | 624 720 |
| Maintenance on premises | 72 000 |
| Motor vehicle | 1 080 000 |
| Motor vehicle maintenance | 360 000 |
| Premises | 648 000 |
| Rent received | 144 000 |
| Sundry expenses | 122 520 |
- Prepare:
- i. Profit and loss account for Kema traders for the year ended 31st Dec 2009.
- ii. Balance sheet as at 31st Dec 2009. (10 marks)
3. a. Highlight five problems encountered when measuring the national income of a country. (10 marks)
- b. Explain five limitations a business that relies on the use of motor cycle transport is likely to encounter. (10 marks)
4. a. Explain five qualities of a successful salesperson. (10 marks)
- b. With the aid of a well labelled diagram, explain the effects on the equilibrium of an increase in the supply of carrots while the demand remains constant (10 marks)
5. a. On 1st June 2014, Kinyua had Shs. 110, 000 cash and Shs. 500, 000 at bank. During the month the following transactions took place;
- | | |
|----------|---|
| June 2 | : Cash sales banked sh. 70, 520 |
| June 5 | : Bought furniture in cash sh 9000 |
| June 10 | : Paid Joshua, a creditor sh. 188 000 by cheque in full settlement of his account after deducting 6% cash discount. |
| June 12 | : Received a cheque of sh117, 600 from Juma after allowing him a cash discount of sh. 2,400. |
| June 15 | : Paid salaries sh. 68 000 cash. |
| June 20 | : Withdrew sh. 100, 000 from bank for office use. |
| June 29 | : Awino, a debtor paid her account of sh. 150 000 by cheque less 10% cash discount |
| June 30: | Deposited all the cash in to the bank except sh. 27 400. |
- Required: a. Prepare a three column cash book and balance it off. (10 marks)
- b. Explain five benefits that would accrue to a country that encourages entrepreneurship. (10 marks)

marks)

6. a. using a suitable diagram, explain the habits of sellers in an oligopoly market.

(10

marks)

b. Outline five features of an efficient tax system.

(10 marks)

KANGEMA
FORM FOUR END OF SECOND TERM EXAM
 Kenya Certificate of Secondary Education
BUSINESS STUDIES

Paper - 565/1

July - 2018

MARKING SCHEME

-
1. **Ways in which a firm can increase productivity of its human resources.** (4 marks)
 a. Giving job security.
 b. Giving job descriptions as per ones' qualification.
 c. Organizing staff parties.
 d. Respecting workers' rights such as trade union membership
 e. According workers good working conditions.
 f. Giving workers good remuneration.
 g. Giving workers relevant tools and equipment.
 h. Providing appropriate training.
 (4×1 = 4 marks)
2. **Possible consequences of poor arrangement of goods in a warehouse.** (4 marks)
 a. Wastage of space.
 b. Time wasting when goods are to be released.
 c. Possible damage and breakages of goods.
 d. Hard to detect loss of goods through theft.
 e. Hinder free movement of labour.
3. W = 155,000
 X = 73, 600
 Y = 138, 600
 Z = 335, 620 (1 mark each max 4)
4. **Reasons why consumers have to make a choice when satisfying competing wants.** (4 marks)
 a. Scarcity of resources / Limited resources.
 b. Differences in prices of products.
 c. Consumers have different tastes / preferences / fashions.
 d. Government policy on consumption of goods.
 e. Human wants are unlimited.
 (4×1 = 4 marks)
5. **Factors influencing amount of money individual may hold for transaction.** (4 marks)
 a. Individual level of income.
 b. Individual spending habits.
 c. Product prices.
 d. Credit availability.
 e. Interval between receiving of incomes.
 (4×1 = 4 marks)
6. **Circumstance in which insurance may refuse to compensate.** (4 marks)
 a. When loss arise due to acts of nature e.g earthquakes.
 b. When insured did not have insurable interest.
 c. Where there was no utmost good faithy.
 d. Incase of late claim not done within stipulated time.
 e. Where loss occur by deliberate action of insured.
 f. Where loss did not arise directly from insured risks thus no proximate cause.
 (4×1 = 4 marks)
7. **Errors not affecting balancing of trial balance.** (4 marks)
 a. Error of total omission.
 b. Error of commission.
 c. Error of original entry.
 d. Error of principle.
 e. Error of complete reversal of entries.
 f. Compensating errors.
 (4×1 = 4 marks)
8. **Functions of KEBS.** (4 marks)
 a. Set national quality standards and ensure commodities sold meet the standards through regular

inspections.

b. Prosecute / take to court traders who violate standards.

c. Carry out testing of measuring and weighing equipment to ensure they are accurate.

d. Put stamps of approval on products that meet set standards.

9. **Kambo Traders**

Trading account

for the year ended 31 may 2016

	Sh	Sales	✓ 400,000
Opening stock	✓ 75,000		
+ purchases	✓ 260,000		
	335,000		
+ carriage on purchases	✓ 12,500		
Cost of goods available for sale	347,500		
- closing stock	✓ 27,500		
Cost of sales	✓ 320,000		
Gross profit c/d	✓ 80,000		
	400,000	400,000	
		Gross profit b/d	80,000

½ × 10 = 5 marks

10. **Differences of monopoly and monopolistic competition.**

	Monopoly		Monopolistic competition
a)	Single seller/supplier	a)	Many sellers
b)	Price discrimination possible	b)	Price discrimination not possible
c)	Has barriers to entry of new firms	c)	Free entry and exit of firms in the industry
d)	Products do not have close substitutes	d)	products are differentiated and close substitutes
e)	Firms earn supernormal profits in the long run	e)	firms earn normal profits in the long run
f)	Does not engage in competition and only do informative adverts	f)	Engage in price competition and spend highly on persuasive adverts.

4 × 1 = 4 marks

11. **Equipments used to reproduce documents.**

(3 marks)

a. Photocopier / photocopying machine.

b. Stencil duplicator.

c. Printer. *3 × 1 = 3 marks*

12. **Why Saccos are becoming popular .**

(4 marks)

a. Encourage members to save.

b. Provide loans to members and at a low interest rates.

c. Provide dividends to members.

d. Loans written off incase a member dies.

e. Members' savings doubled and paid to beneficiaries incase a member dies.

f. Some Saccos have front office service where they provide banking facilities to members.

g. Advice / educate members on the rights and cooperative activities.

4 × 1 = 4 marks

13. **Documents described.**

(4 marks)

a. Proforma invoice

b. Bill of lading.

c. Certificate of origin

d. freight note

4 × 1 = 4 marks

14. **Njogu Enterprises**
Balance sheet
as at 31st Dec. 2017

Assets	sh	Capital and liabilities	sh
Fixed assets		Initial capital	248,000
Land	400,000	- drawings	48,000
Current assets		Final capital	200,000
Stock	20,000	Liabilities	
Debtors	40,000	Short term liabilities	
		Bank overdraft	160,000
		Accrues electricity bill	100,000
	460,000		460,000

$\frac{1}{2} \times 8 = 4$ marks

15. **Non tax internal sources of revenue to government.** (4 marks)
- Fines imposed by court on offenders.
 - Rent and rates paid for use of government property.
 - License fee paid by businesses.
 - Profits and dividends from government investments.
 - interests earned on loans advanced by government.
 - Proceeds from sale of government property.
- 4 × 1 = 4 marks**
16. **Market gaps resulting to business opportunity.** (4 marks)
- Product gap when needed products are not available at all.
 - Quantity gap when needed products are not enough.
 - Price gap when consumers are overcharged.
 - Poor quality gap when poor quality products are being sold.
 - Poor service gap where poor services are being rendered.
- 4 × 1 = 4 marks**
17. **Circumstances of using air transport.**
- Where goods are urgently required.
 - Where goods are perishable.
 - If goods are fragile.
 - If the distance is long.
 - If air transport is affordable.
 - Where goods are expensive/ highly valued.
 - Where safety is crucial.
 - Where there are no other means of transport.
- 4 × 1 = 4 marks**
18. **Uses of national income statistics.**
- Measure standard of living.
 - Compare standard of living in different years and in different countries.
 - Influence investment decisions.
 - Help to plan the economy.
 - Attract foreign aid
- 4 × 1 = 4 marks**
19. **Features of mail order shops.**
- Operate from a designated office with a warehouse.
 - Receive orders from customers through mail.
 - Pack goods and deliver them to customers through mails.
 - Customers make payments through cash with order.
 - Usually no contact between seller and buyer

- f. Advertise their goods through distributing catalogues to public and through mass media.
g. Customers are spread in and outside the country.

4 × 1 = 4 marks

20. Reasons why a firm may choose to remain small.

- a. Owners decision to remain small.
b. If target market is limited or small.
c. Inadequate appropriate technology.
d. Small firm is flexible.
e. Depending on nature of product offered.
f. Due to limited production capacity.

4 × 1 = 4 marks

21. Limitations of using internet as means of communication.

- a. Expensive to operate / access
b. Requires constant charging of gadgets used.
c. Affected by lack of network link.
d. Prone to attacks by fraudsters / hackers.
e. Requires knowledge and skills to operate.
f. Most hardwares used are expensive to acquire.

4 × 1 = 4 marks

22. Distinguishing between:

- a. Immigration and emigration.

Immigration is moving in to an area while emigration is moving away from an area. (2 marks)

- b. Declining population and under population.

Declining population is a population that is continuously reducing while under population is (2 marks)
a population that is below optimum population.

23. Outlining why ethical practices are necessary in product promotion.

- a. Improves business image.
b. Maintain morality of society.
c. Ensure fair competition among business.
d. Protect the environment from degradation.
e. Ensure business comply with the law.
f. Ensure that consumers' interests are protected.

(4 × 1 = 4 marks)

24. Problems that Kenya may experience in implementing development plans.

- a. Over ambitious plans
b. Lack of political good will.
c. Lack of adequate and skilled personnel.
d. Inflation
e. Lack of cooperation among the executing parties.
f. Reliance on donor funding.
g. Failure to involve local people in planning.
h. Natural calamities e.g. floods, droughts, epidemics e.t.c.
i. Lack / Inadequate skilled personnel.
j. Insufficient / Lack of enough funds.

(4 × 1 = 4 marks)

25. Factors that can cause demand pull inflation.

- a. Increase in money supply due to credit creation.
b. Increase in disposable income due to less taxes or high wages.
c. Increase in exports at the expense of domestic supply.
d. Increase in population.
e. Shortage caused by bad weather conditions or hoarding.
f. Decrease in imports due to restrictions.
g. Prolonged industrial unrest leading to low output.
h. Increase in government spending.
i. Increased community spending due to high speculations or advertising.

(4 × 1 = 4 marks)

KANGEMA
FORM FOUR END OF SECOND TERM EXAM
 Kenya Certificate of Secondary Education
BUSINESS STUDIES
 Paper - 565/2
 July - 2018

MARKING SCHEME

1. **a. Features of economic resources.**
- Are limited in supply / scarce - Not enough or readily available.
 - Have money value - Can be exposed in money terms
 - Quality can be improved - Can be made better.
 - Can be combined with others in various proportions for production of goods and services - not necessarily used alone.
 - Are unevenly distributed from region to region , country to country or community to community - Some have more, others less others none.
 - Have ability to create utility when combined - Can become useful in satisfying human wants when combined.
 - Can be transferred from one person to another - Can change ownership.
 - Most have various uses - Can be used for more than one purpose. Max 10 marks
- b. Disadvantages of trade restrictions.**
- Reduced competition - Leads to low quality goods / services.
 - Reduced economic growth - Investments are greatly reduced.
 - Loss / reduced government revenue - Import and export duties not earned due to restrictions in trade.
 - Increased unemployment / leads to low standards of living. This is created by the reduced trading activities
 - Reduced / limited market - Leads to wastage of goods produced / under exploitation of available resources / reduced production.
 - Encourages smuggling / black marketing / leads to loss of revenue.
 - Poor relations among nations - may lead to conflicts / frictions among nations.
 - Reduced variety / limited supply of goods limits consumer choice.
 2 marks for each well explained point
 Mention 1, qualification 1
 Otherwise 2 marks
2. **a. Differences between public co-operation and private limited company.**

Public corporation	Private limited company
- Owned by the state / government	a) owned share holders
- Formed under the Act of parliament	b) Formed under companies Act
- Financed by the government (initial capital)	c) contributions from share holder financing
- Profits enjoyed by the government	d) profits enjoyed by share holders
- Losses suffered by the government	e) losses suffered by the shareholders
- managed by directors appointed by the president	f) managed by directors appointed by shareholders
- Main objective to offer essential services	main objective to maximize profits

NB i. Differences must match
 ii. No splitting of marks.
 (10 × ½ = 5 marks)

**b. Kema Traders
Profit and loss account
for the period ended 31st Dec 2010**

Expenses	Sh		Sh
Bank loan interest	✓ 1,440	Gross profit b/d	✓ 624,720
Discount allowed	✓ 170,400	Rent received	✓ 144,000
Electricity	✓ 30,240	Net loss c/d	✓ 74,316
Furniture repairs	✓ 86,436		
Maintenance on premise	✓ 72,000		
Motor vehicles maintenance	✓ 360,000		
Sundry expenses	✓ 122,520		
	<u>843,036</u>		<u>843,036</u>

**Kema traders
balance sheet
as at 31st Dec. 2010**

<u>Fixed assets</u>			<u>Capital & liabilities</u>	
Premises	✓ 648,000		Capital	✓ 1,680,000
Motor vehicles	✓ 1,080,000		Less net loss	✓ 74,316 1,605,684
Furniture	✓ 489,804	2,217,804	Bank loans	✓ 567,000
			creditors	✓ 272,400 839,400
<u>Current assets</u>				
Stock	✓ 87,000			
Debtors	✓ 140,280	227,280		
		<u>✓ 2,445,084</u>		<u>2,445,084</u>

- Time must be 'as at' for a candidate to score.
- Wrong net loss / profit correctly brought down in the balance sheet award.
- Penalize for foreign items in the balance sheet (ü) per item

3. a. Problems encountered when measuring the national income of a country.

- i. Its not easy to estimate the amount of depreciation hence wrong figures are used since prices of goods may vary time to time.
- ii. It's not easy to estimate the value of subsistence output since they are not exchanged / priced.
- iii. Double counting may occur when using either income or output approach / difficult in distinguishing primary and intermediate input.
- iv. Individuals / firms may not give complete / accurate data / poor record keeping / unavailability of data will therefore create difficulties in valuation.
- v. There arises problem of what to include and not to include in the national income statistics therefore important items may be left out or less important items included.
- vi. Problems of valuing government output since it is not sold in the market e.g bursaries awarded.
- vii. Inadequate finance / capital to be used in compiling data may hamper the process of collecting / gathering statistical information.
- viii. Inadequate qualified personnel thus process of collecting statistical information affected / wrong information provided.

Mention 1 mark Explanation 1 mark max 10 marks

3. b. Limitations of a business that relies on the use of motor cycle transport.

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- i. Limited carrying capacity of a business producing bulky goods and those with a lot of mass.
- ii. This means of transport is prone to bad weather conditions especially heavy rains limit its use on muddy roads. There is loss of time as one shelters quite often during rains to avoid goods spoilage.
- iii. It is not convenient over long distances as this is likely to make it more expensive in terms of fuel used and tiresome.
- iv. The wear and tear on a motorbike is higher especially where it has to lift heavy loads. This increases the cost of maintenance.
- v. Traffic reports and studies on our roads reveal that this form of transport is prone to accidents as compared to other means of transport. This would imply losses to the businessmen.

Mention 1 mark

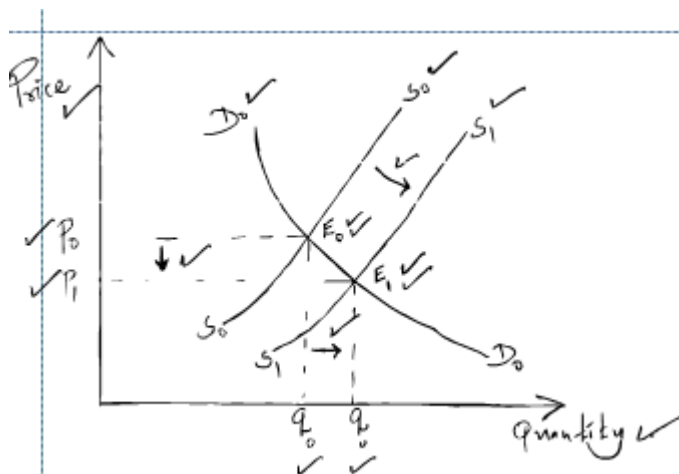
Explanation 1 mark max 2 marks for each point

4. a. Qualities of a successful salesperson.

- i. Attractive personality - Should be well dressed and smart.
- ii. Honest and sincere - Should be truthful.
- iii. Ability to study customer's psychology so as to establish their feelings and expectations.
- iv. Fair level of education - to avoid intimidation by more educated prospects.
- v. Have good communication skills - be able to use various forms of communication.
- vi. Have good language command - Good choice of the appropriate language to use in different circumstances.
- vii. Be persuasive and tactful - be able to convince and attract customers.
- viii. Polite and cautious - Should have respect to others.
- ix. Clear knowledge about the product being promoted - be able to answer questions from prospective customers exhaustively.

(Mention 1 mark, otherwise 2 marks)

b. Effects of an increase in supply of carrots while demand remains constant.



When supply increases more than before, there is a shift to the right from S₀S₀ to S₁S₁. This lowers the price from P₀ to P₁ and quantity increases from q₀ to q₁.

20 × ½ = 20 marks

Without labeling P₀P₁, Q₀Q₁ don't award

Intersection without labeling E₀, E₁ give.

5. a. Kinyua

Three column cash book

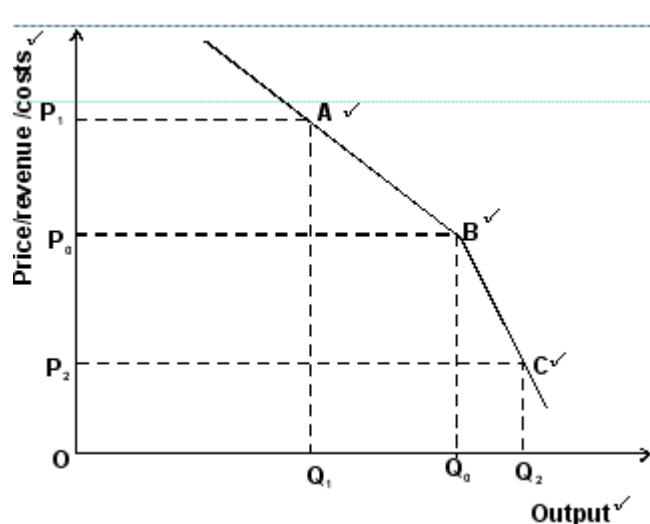
For the month of June 2014

Date	Details	Folio	Discount allowed	Cash	Bank	Date	Details	Folio	Discount received	Cash	Bank
2014						2014					
June 1	Bal b/d			110,000	500,000	June 5	Furniture			9,000	
June 2	Sales				70,520	June 10	Joshua	12,000			188,000
June 12	Juma		2,400		117,600	June 15	Salaries			68,000	
June 20	Bank	c		100,000		June 20	Cash	c			100,000
June 29	Awino		15,000		135,000	June 30	Bank	c		105,600	
June 30		c			105,600	June 30	Bal c/d			27,400	640,720
			17,400	210,000	928,720				12,000	210,000	928,700
July 1	Bal b/d			27,400	640,720						

20 × ½ = 10 marks

- Details must be right in the given entry.
 - Attempt to balance the discount column, deny the tick for the totals both sides
 - if there are no dates at all, mark and deduct to a maximum of 2 marks.
 - If cash and bank columns are not labeled, award no marks in the respective columns.
 - If the candidate comes up with two single column cash books, mark the first one. The second one is rubric
- b. Benefits that would accrue to a country that encourages entrepreneurship.**
- i. Employment creation - More jobs created reducing problems of unemployment as upcoming entrepreneurs employ self and absorb other incoming job seekers.
 - ii. Use of local resources - Resources like scrap metals and waste papers which would have remained unused will be economically used by entrepreneurs.
 - iii. Promote growth of technology - being creative entrepreneurs come up with new and better production methods remitting to improved products.
 - iv. Reduce rural - urban migration - As entrepreneurs set up business enterprises in rural areas and remit local people, movement to urban areas like Nairobi reduces addressing problems like high crime rate and poor housing in the towns.
 - v. Reduce importation hence reducing foreign domination - the entrepreneurs may produce goods which were previously imported thus a country import less.
 - vi. Capital formation enhanced - Entrepreneurs are able to immerse a lot of funds from their income which is used to start many other development projects.
 - vii. Promote entrepreneurial culture - entrepreneurs are able to act as role models when they become Successful business men / women in the society where other people will tend to emulate them.
 - viii. Improved living standards - The earning that people gets from the production activities improves their ways of life.

6. a. Habits of sellers in an oligopoly market.



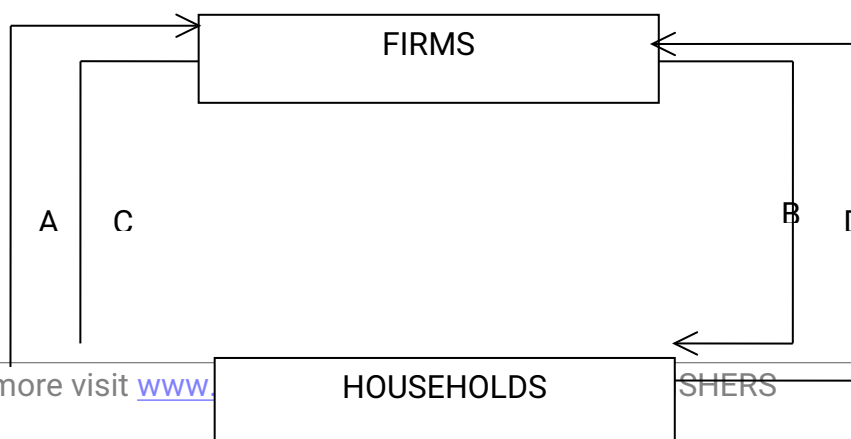
- i. Kinked demand curve illustrates the rigidity price behaviors of oligopolists.
 - ii. The curve has two parts; AB slopes gently while BC slopes steeply.
 - iii. Sellers cannot increase price from OP_0 to OP_1 because the quantity bought will decrease greatly from Q_0 to Q_1 .
 - iv. Sellers cannot reduce from OP_1 to OP_2 because very little amount will increase in demand.
 - v. Sellers will stick to price OP_0 because it is the most profitable and most convenient to both sellers and buyers.
- (10 × 1 = 10 marks)

b. Characteristics /features of an efficient tax system.

- i. Equity / fairness - tax must be just / people should pay tax as per their income.
- ii. Certainty - Government should be sure of the amount, time and manner of payment.
- iv. Economy - the collection cost should not outweigh the revenue collected.
- v. Flexibility - Should be easily adjustable to fit arising issues.
- vi. Elasticity - Should be responsive to changes in income.
- vii. Productivity / diversity - Should be a variety range to net many tax payers.
- viii. Simplicity - easy to understand.

KANDARA
565/1- BUSINESS STUDIES – Paper 1
FORM 4
END OF TERM 2 2018
TIME 2 HOURS

1. Outline four business activities
[4mks]
 2. State four elements of economic environment that may influence the operation of a business
[4mks]
 3. Highlight four factors that determine efficiency of a transport system
[4mks]
 4. Outline four factors that can lead to the success of a business [4mks]
 5. Highlight four factors to consider before buying office equipment
[4mks]
 6. State four circumstance under which a credit note can be issued
[4mks]
 7. Indicate the best document to use in each of the following circumstances
[4mks]
- | | Circumstance | Document |
|----|--|-----------------|
| a. | To update a catalogue | |
| b. | To reply to a specific letter of inquiry | |
| c. | To show the content in a container | |
| d. | To correct an undercharge in the invoice | |
8. Highlight four features of a private limited company [4mks]
 9. Outline four reasons for government involvement in business [4mks]
 10. Outline four elements of communication
[4mks]
 11. Highlight four factors which may limit the effectiveness of a warehouse
[4mks]
 12. Highlight four contents of an insurance policy
[4mks]
 13. Highlight four circumstances under which a trader may offer after sales services .
[4mks]
 14. Indicate the type of supply represented by each of the following statement
[3mks]
 - a. Supply of two or more commodities that are supplied together.....
 - b. Supply of a product that can be supplied from more than one source.....
 - c. Supply of one commodity leads to a reduction in supply of another because they use similar factors of production.....
 15. Highlight four reasons why a producer may prefer to establish his business near source of raw material.
(4mks)
 16. State four conditions necessary for price discrimination in monopoly market
(4mks)
 17. Outline four factors that may make a producer to bypass the wholesaler when distributing goods.
(4mks)
 18. The diagram below shows the circular flow of income in a two sector economy. Explain the meaning of arrows A, B, C, and D
[4mks]



19. Outline four negative implications of overpopulation to an economy.

[4mks]

20. Calculate the missing figures

[4mks]

Assests	Liabilities	Capital
200,000	130,000	
	50,000	80,000
350,000		210,000
	20,000	40,000

21. The following transactions were extracted from the books of Juma Wholesalers Limited (2008)

Jan 1 : Sold goods on credit worth kshs. 400,000 to Shah Traders

Jan 10 : Purchased goods worth Ksh. 600,000 in cash

[4mks]

Required; record the above transactions into the relevant 'T' accounts

22. Outline four ways that the government can use to promote exports

[4mks]

23. Outline four goals of development in Kenya.

[4mks]

24. Highlight five principles of government expenditure.

[5mks]

25. Outline four circumstances under which cash with order may be used

[4mks]

KANDARA
565/2
BUSINESS STUDIES
FORM 4 TERM TWO EXAMINATION 2018
PAPER 2
TIME 2HRS 30 MIN

ANSWER ANY FIVE QUESTIONS

- 1 a) Explain five factors that may contribute to efficiency in the operations of a warehouse (10 marks)
- b) Explain five factors that may cause business success. (10 marks)
- 2 a) Explain five reasons that may influence a business man to team up with others to form a partnership. (10marks)
- b) Explain five ways which Kenya may use to control inflation. (10marks)
3. a) Explain five benefits of transport to a business (10 marks)
- b) Explain five methods that may be used by a country to control imports from other countries (10 marks)
4. a) Explain five features of perfect competition market structure (10marks)
- b) The following balances were extracted from the books of Jubilee Flour mills on 1st July, 2013.

	Shs
Equipment	300,000
Motor van	450,000
Debtors	140,000
Creditors	180,000
Stock	120,000
Cash	70,000
Capital	900,000

The following transactions took place during the year ended 30th June 2014.

- (i) Bought goods worth shs.40,000 and paid shs28,000 cash. The balance was still owing by the end of the year.
- (ii) Sold equipment worth shs80,000 and received shs50,000 cash. The balance had not been received by the end of the year.
- (iii) Took cash shs12,000 from the businesses to pay school fees for a needy child.

REQUIRED

Prepare Jubilee's balance sheet as at 30th June, 2014 showing all items in the relevant classes (10 marks)

5. a) Outline five circumstances under which the supply curve would shift outwards to the right. (10marks)
- b) Explain five services offered by commercial banks (10marks)
6. a) Explain five benefits to a person who buys goods from a supermarket rather than from a kiosk. (10 marks)
- b) The following Trial balance was extracted from the books of Murang'a Traders on 31st December 2013.

	Dr. Shs	Cr. Shs

Stock 1/1/2013	22,500	
Sales		145,000
Purchases	80,000	
Carriage outwards	14,000	
Debtors	20,500	
Creditors		18,500
Fixed assets	92,000	
Bank overdraft		17,500
Salaries	24,000	
Returns outwards		22,400
Cash in hand	52,500	
General expenses	25,200	
Returns inwards	11,500	
Capital		128,800
	<u>332,200</u>	<u>332,200</u>

Stock on 31/12/2013 was shs 16,500

Prepare

- i) The trading and profit and loss account for the business for the year ended 31st December 2013
(7mark)
- ii) Calculate
 - a) Margin (1mark)
 - b) Rate of stock turnover (1 mark)
 - c) Return on capital (1 mark)

**KANDARA
FORM 4
END OF TERM TWO 2018
BUSINESS STUDIES PAPER I
MAKING SCHEME**

-
1. Business activities [4mks]
 - Extraction
 - Manufacturing
 - Processing
 - Construction
 - Provision of services
 - Trading
2. Elements of economic environment that may influence the operation of a business [4mks]
 - Level of consumers income and distribution
 - Level of prices and trends
 - Structure and level of savings
 - Debt patterns and repayment abilities
 - Credit availability
 - Structure of taxation and levels
3. Factors that determine efficiency of a transport system [4mks]
 - Speed
 - Flexibility
 - Safety
 - Cost
 - Reliability
4. Factors that can lead to the success of a business [4mks]
 - Adequate capital
 - Availability of adequate labour
 - Proper marketing plans
 - Use of modern and appropriate technology
 - Fair competition
 - Favorable government policies
 - Political stability and security
 - Availability of market
 - Good customer relations
 - Availability of good infrastructure
 - Efficient use of resources
5. Factors to consider before buying office equipment [4mks]
 - Cost
 - Durability
 - Available space
 - Adaptability
 - Availability of complementary resources
 - Effect on staff morale
 - Possibility of hiring instead of buying
6. Circumstance under which a credit note can be issued [4mks]
 - Where the buyer has been overcharged due to over pricing or due to calculation error in the invoice
 - Where some goods have been returned due to damage.
 - where the buyer was charged for goods not supplied
 - where goods not ordered for are returned
 - Where the buyer returns empty packing containers for which he had paid.
7.
 a) Price list
 b) Quotation
 c) Package note
 d) Debit note
8. Features of a private limited company
 - Minimum membership is two
 - Maximum membership is 50

- It does not invite members of the public to buy its shares
 - It starts operating after receiving a certificate of incorporation.
 - It's shares are freely transferable
 - It's not required by law to publish its trading results to the public.
 - It's shares cannot be quoted on the stock exchange.
9. Reasons for government involvement in business [4mks]
- To ensure provision of essential goods and services
 - To provide goods and services that the private sector is unable to provide due to huge capital required.
 - To provide goods and services that the private sector is unwilling to provide due to low profit.
 - To control unfair competition
 - To generate employment opportunities in the public sector
 - To raise government revenue
 - To promote more equitable distribution of national resources.
 - To safeguard public interest in the utilization of national resources.
10. Elements of communication [4mks]
- Source /sender
 - Message
 - Medium
 - Receiver
 - Response /feedback
11. Factors which may limit the effectiveness of a warehouse [4mks]
- Unsuitable location
 - Inadequate handling equipment and machines
 - Limited space
 - Lack of special facilities to cater for special goods.
 - Untrained unqualified staff
 - Inadequate security
 - Failure to comply with legal requirements
 - Lack of proper recording system.
12. Contents of an insurance policy
- The type of the insurance taken.
 - The sum insured or sum assured
 - The risk covered
 - The duration of the contract
 - The amount of premium to be paid
 - Intervals at which the premiums will be paid
 - The compensation the insured is entitled in case he /she suffers a loss.
 - Other terms and conditions deemed necessary and relevant to the particular contract.
13. Circumstances under which a trader may offer after sales services .
- If the goods being sold are technical in nature.
 - In case the product is new in the market
 - If the competition is very stiff
 - When expertise in the installation of the product is required.
 - Where the maintenance of the product requires expertise
 - If the product requires specialized means of transport.
 - If it's the business policy
 - If the government policy requires that the trader give after sales services
14. Type of supply [3mks]
- Joint
 - Composite
 - Competitive
15. Reasons why a producer may prefer to establish his business near source of raw material.
- If the raw material is bulky /heavy
 - If he wants to reduce the cost of transporting the raw material
 - If it's a government policy
 - If the raw material is fragile
 - If the raw material is perishable
 - If there's stiff competition for the raw material.
16. Conditions necessary for price discrimination in monopoly market

- Consumers must be in different markets
- Its difficult to buy the product from a market where the price is low and sell in a market where the price is high.
- Production of the product is in the hands of a monopolist or cartel.
- Cost of maintaining the separate markets should not be too high.
- The product should not have a close substitute
- No communication between the two markets.

17. Factors that may make a producer to bypass the wholesaler when distributing goods.

- When the producer has his own retail outlets.
- When the producer has the financial ability to distribute products
- When the producer is able to break the bulk
- When the producer is able to promote the product adequately.
- When the producer is in a position to conduct market research.
- When the producer is in a position to store goods.
- When the infrastructure in the region is properly developed.

18.

- a. Factors of production
- b. Goods and services
- c. Payment for the factors of production
- d. Payment for the goods and services.

19. Negative implications of overpopulation to an economy.

[4mks]

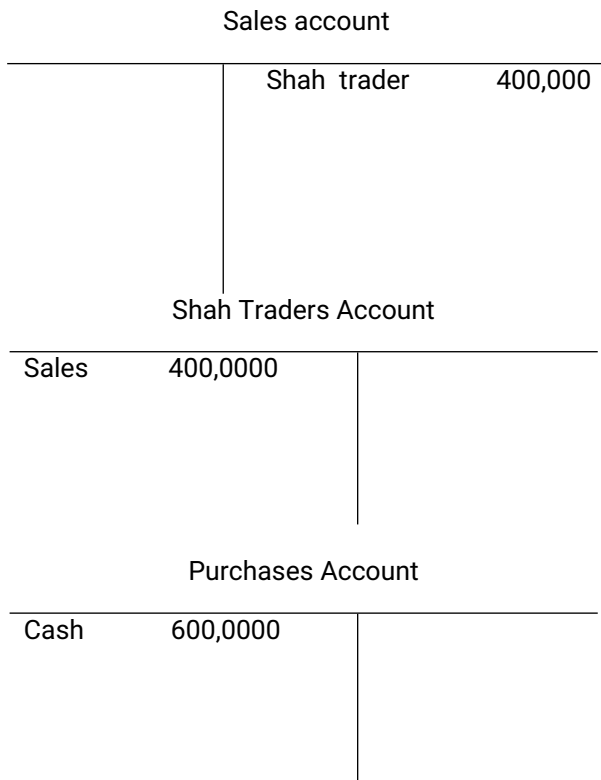
- Shortage of social amenities
- Unemployment
- Inflation tendencies
- Shortage of food
- Unfavorable B.O.P
- Low savings
- Low investment

20.

[4mks]

- a. 70,000
- b. 130,000
- c. 140,000
- d. 60,000

21.[4mks]



Cash Account

	Purchase 600,000
--	---------------------

22. Ways that the government can use to promote exports [4mks]

- Export compensation schemes
- Entering into bilateral and multilateral trade agreement
- Customs drawback
- Encouraging foreign investment
- Devaluation of the local currency.
- Creation of export processing zones
- Export credit guarantee schemes
- Taking part in international trade fairs and exhibitions.
- Use of commercial attaches
- Provide loans and credit facilities to exporters
- Diversification of export products.

23. Goals of development in Kenya. [4mks]

- Alleviate poverty
- Conserve the environment
- Reduce illiteracy level.
- Diversify the economy
- Reduce income inequalities
- Reduce unemployment
- Provide food security
- Provide health facilities

24. Principles of government expenditure [5mks]

- Optimum benefit
- Economy
- Sanction
- Equity
- Elasticity /flexibility

25. Circumstances under which cash with order may be used [4mks]

- When the business is being conducted through post / mail order business
- When the buyer is new to the seller
- When the buyer's credit worthiness is in doubt.
- When it's the seller's policy
- When the seller needs working capital
- When the seller does not want to incur debt.

**KARANDA
MARKING SCHEME
BUSINESS STUDIES FORM 4 TERM TWO 2018
Paper 2 (565/2)**

1. a) Factors that contribute to efficient operations of as warehouse.
- i) Proper/adequate handling equipment allows for easy and safe handling of goods
 - ii) Sufficient and properly trained staff improving the performance /management.
 - iii) Adequate security – ensure goods are safe/not stolen.
 - iv) Proper recording system – Ensures monitoring of movement of goods/To avoid fraud/losses.
 - v) Proper location-for easy access/facilitate movement of goods/workers in and out of warehouse.
 - vi) Proper building design/suitable to type of goods stored/accommodate more goods.
 - viii) Compliance with the law – No conflict with the authorities /ensures continuous operation 5x2=10 mks
- b) Factors that may cause business success
- 1) Adequate capital to expand and run the business.
 - ii) Appropriate skills in both the owner and employees for efficient running of the enterprise.
 - iii) Proper marketing plans in order to increase sales.
 - iv) Use of modern and appropriate technology for the production of right quality and quantity of goods and or services.
 - vi) Fair competition to enable the business access markets and supplies for the goods and services.
 - vi) Favourite government policies to encourage growth and investors.
 - viii) Appropriate pricing policies to attract and encourage buying of firms products.
 - viii) Good time management to take advantage of available opportunities.
 - ix) Proper planning so that appropriate strategies can be developed to accommodate unexpected changes.
 - X Availability of good infrastructure for the
 - Vii Production of goods in shortage to keep pace with rising demand.
 - Viii (Restricting export of good in shortage by banning export of such commodities.
 - Business to access markets and inputs
2. a) Benefits of forming a partnership
- I) can raise more capital since it is contributed by partners.
 - ii) Make better decisions due to consultations.
 - iii) Variety of talents/experience leading to better management/business performance.
 - iv) Partners share losses/liabilities thus reducing burden on each of the partners.
 - v) Easy formation as it requires less legal formalities/registration is not complicated.
 - vi) Encourages specialization as a partner is assigned duties according to his talent/where he is best suited.
 - Vii (Partners share responsibilities of running the business thus no single partner is overworked.
 - Viii) Enjoys minimal government interference thus allows smooth running of the business.
- b) Ways of controlling inflation
- i) Use of monetary policies to reduce the amount of money available to customers/in circulation.
 - ii) Use of fiscal policies by increasing income taxes to reduce amount available for customers to use.
 - iii) Restriction of import of overpriced products.
 - iv) Use of wage polices to check increase of wages that could lead to spiral inflation.
 - v) Price control by setting price ceilings beyond which the goods/services should not be charged.
 - vi) Use of buffer stock to sustain goods during times of shortages.
 - vii) Total ban of importation of some products.
3. a) Benefits of transport to a business
- i) Creating a wide market for production by enabling producers to access many different geographical areas/customers in different geographical areas.
 - ii) Encourages mass production due to the wide market created.
 - iii) Disposing off surplus/avoiding wastage surplus goods are disposed by taking them to areas where they are required.
 - iv) Increasing utility of products – by moving goods from production points to consumption points (place utility).
 - v) Promotes specialization – producers concentrate in producing activities while other traders assist in distributing goods.
 - Vi) Created employment – people are employed in the transport sector thus helping to reduce unemployment rate.
 - vii) Improving standards of living – by enabling consumers to get a wide variety of products.
- b) Measures that may be taken to reduce the volume of imports**
- i) Imposing or increasing import duty.

Through imposing or increasing import duty, imported goods became more expensive relative to the locally produced goods thus reducing demand for imported goods.

- ii) Imposing quotes if lowered reduces the amount of goods imported.
- iii) Foreign exchange control.

The government may restrict the amount of imports by limiting foreign exchange that is allocated to the importation of goods.

- iv) Administrative bottlenecks

The government may put in place cumbersome and complicated products to be followed by those who wish to import and in this way some importers may get tired and hence give up.

- v) Setting of the standards of products to be imported.

Subsidies on locally produced goods to discourage imports.

4. a) Features of perfect competition

- i) Similar commodities/homogeneous/identical products and therefore buyers have no preferences.
- ii) No government interference/restrictions and thus prices charged for products are same.
- iii) Perfect mobility of factors of production and therefore not controlled by any sellers.
- iv) Perfect knowledge of market condition such no one can take advantage of the other ignorance.
- v) No transport costs and hence charged the same price.
- vi) No excess demand/excess supply such that there is no influence on prices of the commodities.
- vii) Identical buyers/sellers so that there are no preferences/discrimination.
- viii) There exist many sellers and buyers such that no single firm can on its own be able to control the market output.

b)

JUBILEE FLOUR MILLS Balance sheet As at 30th June 2014

<p>FIXED ASSETS (SH)</p> <p>Equipment 220,000</p> <p>Motor van 450,000</p> <p style="text-align: right;">670,000</p> <p>CURRENT ASSETS</p> <p>Stock 160,000</p> <p>Debtors 170,000</p> <p>Cash 80,000</p> <p style="text-align: right;">410,000</p> <p style="text-align: right;">1,080,000</p> <p>20x1/2 =10mks</p>	<p style="text-align: right;">SHS</p> <p>Capital 900,000</p> <p>Less drawings 12,000</p> <p>Net capital 888,000</p> <p>CURRENT LIABILITIES</p> <p>Creditors 192,000</p> <p style="text-align: right;">1,080,000</p>
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5. a) Reasons for supply curve shifting to the right.

- i) Improved technology which increases the quantity/speed of production.
- ii) Future expectation of decrease in price encouraging sellers to dispose off their products at the current price in order to avoid making loss in future.
- iii) Low cost of production making it cheap to produce the product thus encouraging mass production.
- iv) Favorable government policies thus encouraging production of the products.
- v) Availability of factors of production making it possible to produce more products.
- vi) Entry of new firms in the industry thus increasing the total output of the commodity.
- vii) (Favourably natural factors – which encourages production and distribution of products

b) Services offered by commercial bank

-Safekeeping of valuable items. Commercial banks act as custodian of valuable items for clients such as title deeds, will etc.

-The lend money to their clients inform of loans, overdraft or discounting bills of exchange and promissory notes.

-Receive money deposits from their clients/operate three type of accounts for this purpose namely savings, current and fixed accounts.

-Facilitate transfer of money through cheques, credit transfers and standing order.

-they act as referees for their clients during credit status inquiring.

Act as management trustees of property of business of deceased clients.

They advise their clients on financial and investment matters.

They facilitate international payments through letter of credit.

6. a(Benefits of buying from a supermarket.

- i) Goods are relatively cheaper – therefore savings money.
- ii) Variety of goods under one roof- saving time moving from one shop to another.
- iii) Self service facilities are provided customers select the goods they want.
- iv) Goods have price tags – Helps customers to budget for their purchases.
- v) Extend credit/accept credit/debit card making it convenient to consumers since they do not have to carry liquid cash.
- vi) Benefits from promotional methods e.g. Free gifts, prize competitors.

Any 5 x 2 =10mks

**MURANG'A TRADERS
TRADING PROFIT AND LOSS A/C
FOR THE YEAR ENDED ON 31ST DECEMBER 2013**

	Sh		Sh
Opening stock	22,500		
Add purchases 80,000		Sales	145,000
Less Returns out 22,400		Less returns in	11,500
Net purchases	57,600	Net sales	133,500
COGAFS	80,100		
Less closing stock	<u>16,500</u>		
COGS	63,600		
Gross profit c/d	<u>69,900</u>		
	<u>133,500</u>		
Carriage outwards	14,000	Gross profit b/d	69,900
Salaries	24,000		
General expenses	25,200		
Net profit	<u>6,700</u>		
	<u>69,900</u>		<u>69,900</u>

ii) a) Margin = $\frac{GP}{Net\ sales} \times 100 = \frac{69900}{133,500} \times 100 = 52.35\%$ 14x ½ =7mks

b) ROSTO = $\frac{COGS}{Average\ stock} = \frac{63,600}{19500} = 3.26\ times$ 2x1/2 = 1mk

c) Rate of return = $\frac{N.P \times 100}{Capital\ invested}$
 $= \frac{6700 \times 100}{128,800} = 5.2\%$
 $2 \times \frac{1}{2} = 1mk$ 2x ½ = 1mk

GATANGA
KENYA CERTIFICATE OF SECONDARY EDUCATION
565/1
PAPER 1
JULY 2018 EXAMINATION.
TIME: 2 HOURS
FORM FOUR

1. Identify the level of production for each of the following activities.
 (4marks)

Activity	Level of production
a) Painting a house	
b) Constructing a road	
c) Insuring a car	
d) Dress making	

2. State four current trends in communication. (4marks)
3. Highlight four circumstances under which the stock of a business may change.
 (4marks)
4. List four negative effect that inflation may have on the economy.
 (4marks)
5. Outline four ways in which business studies may be of benefit to an individual. (4marks)
6. A manufacturing industry is planning to construct a warehouse advice the manufacturer on any four features that a good warehouse should have for it to function effectively.
 (4marks)
7. Highlight four circumstances that may influence a firm to locate its operations near source of raw materials.
 (4marks)
8. State the challenges encountered in using the expenditure approach while compiling the National Income of a country.
9. Highlight four ways which can minimize violation of consumer rights by unscrupulous traders.
 (4marks)
10. The following information relates Tumaini Enterprises for the years ended 31st Sep 2015
 Mark up 25%
 sales 250,000
 Determine:-
- Gross profit. (2marks)
 - Margin (1mark)
 - Cost of goods sold. (1mark)
11. Outline four negative effects of an ageing population to the economy.
 (4marks)
12. Nyakio has been advertising her goods in the newspapers for the last two years. During this period her business has not been doing well. Outline four limitations of advertising in Newspaper.
 (4marks)
13. The following balances were extracted from the books of Lulu traders on 31st Dec. 2017.
- | | |
|----------------|-------------|
| Fixed assets | sh. 300,000 |
| Current assets | 123,700 |

Creditors	84,500
5 years loan	125,000

Determine the Net worth of the business as at 31st Dec. 2017.
(4marks)

14. Highlight four circumstances under which a business organization may choose to dispose of an office machine. (4marks)
15. State four measures that a cheque drawer may take, in order to ensure that the cheque is not dishonoured. (4marks)
16. Write the document that relates to each of the following statements in International Trade. (4marks)

Statements	Document
a) Prepared by an exporter giving details about the origin of goods.	
b) A document of title of goods in international trade	
c) Shows prices charged as certified by the importing country's officials	
d) Enable the importer to initiate clearing of customs duty earlier enough to avoid delays.	

17. Outline four reasons that make it necessary for a country to get involved in development planning. (4marks)
18. Illustrate with a well labeled diagram the effect of an outwards shift in demand on the equilibrium price and quantity.
19. Outline four differences between perfect competition and monopoly market structures. (4marks)
20. State four problems that may be faced by entrepreneurs without business plan. (4marks)
21. Highlight five steps followed while applying for an insurance cover in general insurance. (5marks)
22. Country X has managed to fully utilize its natural resources. State four factors that may have enabled this country to fully utilize her natural resources. (4marks)
23. There has been a call for privatization of Government owned businesses in Kenya. State four reasons why it has become necessary to privatize government businesses. (4marks)
24. Motorcycle transport is now a common feature in most part of Kenya. Highlight four problems being faced by this means of transport. (4marks)
25. State three benefits that would accrue to a customer who borrows a loan from a non-banking financial institution. (3marks)

GATANGA
KENYA CERTIFICATE OF SECONDARY EDUCATION
565/2
BUSINESS STUDIES
PAPER 2
TIME:2 ½ HOURS
FORM FOUR

- 1a) Explain five positive effects of external business environment on a business. (10mark)

- b) Explain five principals that would lead to effective use of government resources. (10marks)
- 2a) Outline five differences between parastatals and co-operatives. (10marks)
- b) Explain five limitations of using consumer price index (CPI) to measure the level of inflation in a country. (10marks)
- 3a) Most of the business today are trying to adopt modern technology in running business. Discuss five negative impacts to a business due to advancement in technology. (10marks)
- b) On 1st January 2017, Kandie had cash in hand shs. 3250 and cash at Bank shs 136,500. During the month, the following transactions took place.
- Jan 2: -Cash sales shs. 42,630 paid direct into business bank account.
 3 -Received a cheque of shs. 14,100 from Kibe.
 8 -Bought goods for shs.26,240 and paid by cheque.
 12 -Cash sales shs. 42,450.
 14 -Paid Kioko by chequeshs. 23,750 in full settlement of his account less 5 % cash discount.
 15 -Paid wages shs.24,000 cash.
 16 -Withdrew shs. 36,000 from bank for office use.
 18 -Bought stationery shs.550 cash.
 20 -Cheque received from Kibe was dishonoured.
 28 -Paid salaries by chequeshs. 48,600
 29 -Received a cheque for shs. 9,500 from Otieno after deducting 5 % cash discount.
 30 -All cash banked except sha. 5,000

Required:

Prepare a three column cash book of Kandie duly balanced.

(10mks)

- 4a) Explain five difficulties that a business that uses salespeople to promote their products are likely to encounter. (10marks)

b) With the aid of a diagram explain the difference between movement along demand curve and a shift in a demand curve. (10marks)

- 5a) Kuku feeds manufacturers have been selling their products directly to retailers. They have decided to distribute their products through wholesalers. Explain four benefits that they may get from this new arrangements. (8marks)

- b) The following trial balance was extracted from the books of Furaha Traders on 31st Dec. 2016.

FURAHA TRADERS
 TRIAL BALANCES
 AS AT 31ST Dec. 2016

Accounts	DR. (SHS)	CR (SHS)
Sales		600,000
General expenses	60,000	
Rent expenses	10,000	
Commission received		20,000
Motor vehicles	600,000	
Furniture	240,000	
Cash	50,000	
Creditors/debtors	120,000	180,000
Purchases	400,000	
Returns inwards	20,000	
capital		<u>700,000</u>
	<u>1,500,000</u>	<u>1,500,000</u>

Additional information:

Stock on 31st Dec. 2016 was valued at shs. 60,000

Required:-

Prepare:

- i. Trading profit and loss account for the year ended 31st Dec. 2016. (9marks)
- ii. Calculate a) Return on capital. (1mark)
- b) Current ratio. (2marks)
- 6a) Describe five challenges that may be experienced by a country whose population is made up of large proportion of young people.

(10marks)

- b) A country X has been suffering from underdevelopment. Outline five factors that may have hindered its development.
(10marks)

**GATANGA
BUSINESS STUDIES
PAPER ONE 565/1
MARKING SCHEMES
JULY 2018 EXAM**

1. Identify the level of production for each of the following activities.

Activity	Level of production
a) Painting a house	Tertiary
b) Constructing a road	Secondary
c) Insuring a car	Tertiary
d) Dress making	Secondary

2. Current trends in communication

- Increase in use of mobile phones
- Use of fax
- Use of computers in communication
- Reduction in calling charges
- Use of emails
- Use of internet

3. Circumstances under which stock of a business may change

- Where more goods/stock is bought
- Where goods are sold
- Where debtors return goods
- Where the business return goods to the supplier
- Incase of drawings of goods by the owner.

4. Negative effects of inflation

- Discourages savings
- Increase in interest rates/ high cost of credit.
- People with fixed incomes are hit hard/suffer more.
- Lenders/creditors loose.
- Social unrest due to high cost of living
- Uneven distribution of incomes/widening gap between the rich and the poor.
- Low income earners are hard hit.
- Loss of confidence in currency.

5. Benefits of business studies

- Assist individual to appreciate the role of business in provision of goods and services.
- It is a career subject
- Assist individual to acquire self discipline/positive attitude towards work.
- Assist individual acquire positive attitude towards environment.
- Assist individual understand the role of government in business.

(Any other relevant point)

6. Essentials of a good warehouse

- It should have a good location
- Adequate space/be spacious
- Should be secure/security
- Should be equipped with necessary facilities/equipments for handing/storing goods
- Proper building design
- Should have trained personnel
- Should have good inventory control system
- Should comply with the law.

7. Circumstances that may influence a firm to be located near the source of raw materials.

- Where the raw materials are bulky/heavy.
- Where the raw materials are perishable
- Where the raw materials are fragile.
- Where the market is in the same location.
- Where the government policy require the firm to be located there.
- Where the cost of transporting final product is lower than transporting raw materials.

8. Challenges encountered in using the expenditure approach.

- Double counting
- Not easy to get accurate figures on peoples expenditure
- Not easy to estimate depreciation on capital

- d. Exchange rate fluctuations may hinder accurate valuation.
 e. Lack of accurate data on expenditure especially from the informal sector.
9. Ways to minimize violation of consumer rights.
- Inspecting goods before buying to ensure they meet their expectations/standards.
 - Enlightening themselves about their rights as consumers
 - Joining consumer association
 - Shunning traders/refusing to buy products from traders identified as being exploitative.
 - Formulize themselves with the obligation of traders as producers of goods/services

$$10a. \text{ Mark up} = \frac{25}{100} = \frac{1}{4}$$

$$\text{Margin} = \frac{1}{4 + 1} = \frac{20}{100}$$

$$\text{Gross profit} = \frac{1}{5} \times 250,000 = \text{sh. } 50,000$$

$$\text{Cost of goods sold} = 250,000 - 50,000 = \text{sh. } 200,000$$

11. Negative effects of an ageing population

- Increase in welfare costs
- Dependency ration increases
- Deficiency of an economically active labour/ low labour supply
- Low savings/low investments
- Rigidity to change
- Need to import labour that affect the foreign exchange reserves.
- Fall in demand for goods/services required by the youth.

12. Limitations of advertising goods in newspapers.

- May not be read by many intended customers.
- Do not cover wide geographical areas.
- Not all potential customers are able to read/ literate.
- Newspapers may be written in a language that is most familiar to many customers
- Not all people actually buy/afford newspapers since they are expensive to buy.
- It is expensive to buy newspaper space for advertising.

$$13. \text{ Net worth} = \text{Total assets} - \text{Total liabilities}$$

$$(300,000 + 123,700) - (84,500 + 25,000)$$

$$423,700 - 209,500$$

$$\text{sh. } 214,200$$

14. Circumstances under which a business may choose to dispose of an office machine

- If the machine is very expensive to maintain
 - When it cannot adopt a new technology.
 - When it has become obsolete
 - If it lacks spare parts for repair
 - If it cannot cope with increased workload
15. Measures that a cheque drawer may take in order to ensure that the cheque is not dishonoured.
- Have enough funds in the account
 - Instruct the bank for honour
 - Not post dating the cheque.
 - Sign against any alterations
 - Append signature similar to the specimen in the bank.
 - Remain financially stable/avoid bankruptcy
 - Ensure amount in words correspond with amount in figures
 - Urge the payee to present the cheque on time to the bank.

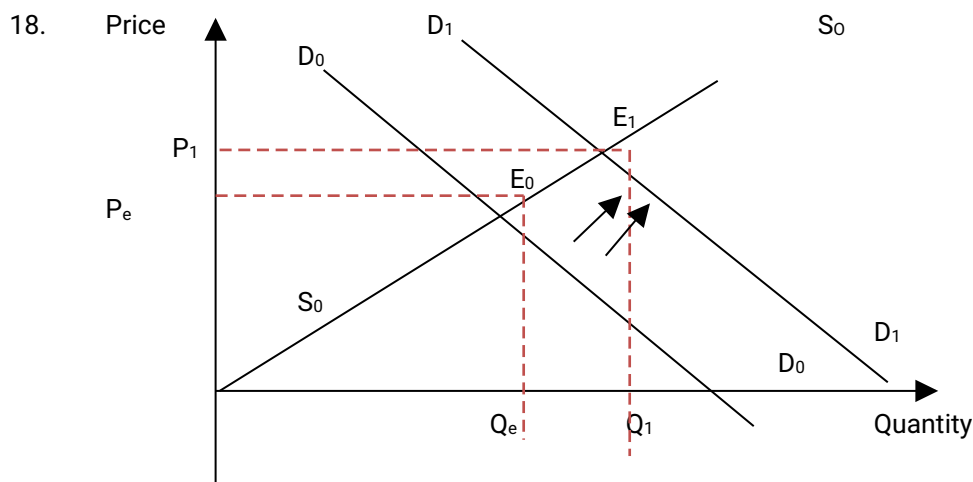
16.

- Certificate of origin
- Bill of lading
- Consular invoice
- Proforma invoice

17. Reasons for development planning

- Enables appropriate allocation of resources
- Enables/encourages stimulation of efforts
- Help to support foreign aid bargain.
- Enable project evaluation
- Encourages long term decision making
- Helps to avoid the duplication of projects/industries

g. Promote balance in regional development.



19. Differences between perfect competition and monopoly market structures

Perfect competition

- Large number of sellers
- Homogenous products/identical in all aspects
- Free exit and entry to the industry
- Price of product is determined by forces of demand and supply
- There is no preferential treatment of consumers by any firm
- Each of the firms has too small share of the total market
- Produce high quality product to attract consumers due to high competition.

Monopoly

- One seller
- Products do not have close substitute.
- There is restriction for firms to enter the market.
- Prices are fixed/set by the supplier/producer
- Price discrimination may be possible especially by discriminative monopoly.
- Control and share of the quantity supplied is by the monopoly
- Produce low quality products due to lack of competition

20. Problems faced by entrepreneurs without business plan.

- Commit many mistakes/ errors in business operations.
- Will not be able to identify the strength/weaknesses of the business.
- Will not be able to meet the requirements by the financiers before they provide finance.
- Will not be able to determine the financial/capital requirement of the business.
- There will be misallocation of resources.
- Workers may not be motivated as they may not be aware of the direction to take.
- He will get a problem in adopting with new/unpredictable changes.

21.

- Filling in the proposal form.
- Calculating and determining premium to be paid.
- Payment of the first premium.
- Issuing of cover note/binder.
- Issue of policy document.

22. Factors that facilitate exploitation of natural resources

- Availability of capital/finance required
- Availability of ready market for resources
- Good infrastructure
- Enough/qualified human resource to exploit the natural resources.
- Availability of appropriate technology
- Government support on exploitation.

23. Reasons for need of privatization of government businesses

- To raise revenue for the government
- They make constant losses, making them a burden to tax payer as the government keep on bailing them out.

- They are inefficient due to their monopoly status.
 - They suffer from a lot of political interference
 - They suffer from slow decision making due to a lot of control by the government.
24. Problems faced by motorcycle transport in Kenya.
- a. Low capacity (carrying capacity)
 - b. High rate of accidents
 - c. High insurance costs
 - d. Stiff competition.
 - e. Prone to adverse weather conditions.
 - f. High rate of theft of motorcycles.
25. Benefits to a customer who borrows a loan from a non-bank financial institution.
- a. Giving long term loans.
 - b. Provides finance for capital development
 - c. Offers low interest rates on loans.
 - d. Assists in the management of the project
 - e. Accepts low collateral value.
 - f. Allow longer grace period.

**GATANGA
BUSINESS STUDIES
PAPER 2
565/2
MARKING SCHEME
JULY 2018 EXAM**

1a. Positive effects of external environment on a business.

- Increase in population which expands the market for business products.
- Favorable economic factors which boost purchasing power/ increase the demand for products.
- Positive social/cultural factors which favour the business product.
- Political stability/security which creates conducive business environment.
- Favorable legal policies which encourages the establishment of business.
- Availability of raw materials/inputs making firms not to experience shortages/encourage continuous production.
- Fair/healthy/favourable/low/no competition which business can cope up with/withstand.
- Advanced technology making business products competitive/increase the quality/quantity of business of business products. (5 x 2=10marks)

b. Principles for effective use of government resources.

- Sanction-Must be approved by relevant authority/parliament.
- Economy-to avoid/minimize wastage/ensure maximum benefit
- Maximum/optimal social benefit- should be used in projects that improve social welfare/quality of life of the citizens/ + benefit as many people as possible.
- Flexibility-should be able to be adjusted to reflect the prevailing circumstances.
- Equity- distribution should be fair to all sectors/regions/ minimize incidents of inequalities/imbances.
- Productivity-More resources should be spent on development projects/ projects that yield high return.
- Surplus-savings should be spent on emergencies fill the gap between collection and projection/expenditure should be less than revenue collected.
- Elasticity-expenditure should be capable of being expanded/ contracted inline with size of the economy.
- Good/proper financial management-to ensure accountability/good governance/transparency/through proper record.

(5 x 2 = 10marks)

2a. Differences between parastatals and co-operatives

Parastatals	Co-operatives
-Formed/governed by act of parliament	-Formed/governed by co-operative Act and by laws
-Formed to provide essential services to public	-Formed to give services to members/guided by members needs.
-Run by a board of trustees/ chairman and board of directors.	Run by management committee elected by members
-Financed by the government	Financed by the members contributions
-Profit remitted to government	Profit shared by members.

(5 x 2 = 10marks)

b. Limitations of consumer price index (CPI) as a measure of level on inflation.

- Inadequate/wrong data on prices/consumer expenditure rendering the price index unreliable.
- Difficult to determine the prices to use since some commodities cost differently in different parts of the country.
- Difficult to choose a base year since base year should be one when prices stable.

- Problem of changing tastes/preferences since they affect the consumer expenditure pattern.
- The basket of commodities selected for a typical family may not be a true reflection of the basket for the entire population.
- It is difficult to determine a typical family as one selected may not reflect all the families in a country.
- It is difficult to assign weight for the various commodities as different people value different commodities differently.

(5 x 2 = 10marks)

3a. Negative impact to business due to advancement of technology.

- Expensive to acquire as business adopt new technology in order to survive/ upgrade accordingly which can prove expensive.
- Cause unemployment as improved technology tends to become more capital intensive/tend to shedding off employees.
- Side effects/harmful effect which may affect the health of the users.
- Staff retraining to acquire the new skills which may be expensive to the firm/organization
- High maintenance cost as firms have to set aside money which would otherwise be used to expand business.
- Incorruption of production process while adopting the new technology which inconveniences the producer/consumers.

(5 x 2 = 10marks)

b. Three column cash book for kandie

Date	Details	Lf	D.A	Cash	Bank	Date	Details	Lf	D.A	Cash	Bank
2017						2017					26,240
Jan 1	Bal b/d			3250	136,500	Jan 8	Purchase				23,750
Jan 2	Sales				42,630	Jan 14	Kioko		1250		
Jan 3	Kibe				14,100	Jan 15	Wages			24,000	
Jan 12	Sales			42,450		Jan 16	Cash	C ₁			36,000
Jan 16	Bank	C ₁		36,000		Jan 18	Stationery			750	
Jan 29	Otieno		500		9,500	Jan 20	Kibe				14,100
Jan 30	Cash	C ₂		51,950		Jan 28	Salary				48,600
						Jan 30	Bank	C ₂		51,950	
						Jan 30	Bal c/d			5,000	105,990
			500	81,700	254,680				1,250	81,700	254,680
Jan 31	Bal b/d			5,000	105,900						

(40 x ¼ = 10marks)

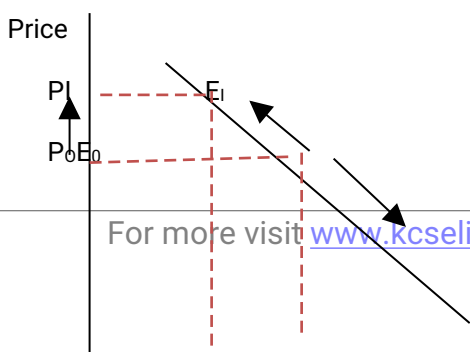
4a. Difficulties encountered by a business using salespeople to promote products

- Incapacity to sell as some may not be able to communicate effectively.
- High cost of training which the business may not afford/ be expensive for business
- Time consuming as the exercise is tedious/time involving/involve a lot of movement/deal with one customer at a time.
- Fatigue/tiresome as salespeople must move to different area/places to sell/involve a lot of movement.
- Cover a small region/area/limited coverage due to incapacity to travel to some areas.
- High turnover of manpower required/labour intensive as they move to different places causing shortage of manpower.

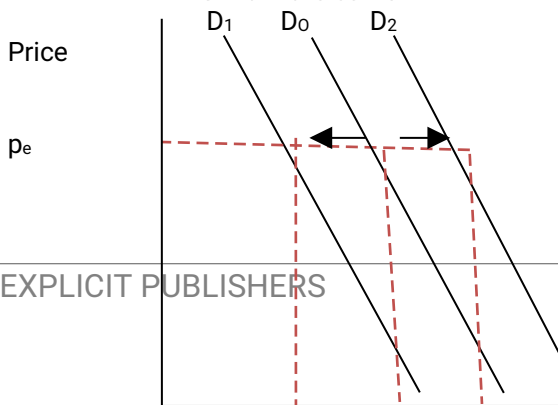
(5 x 2=10mks)

b. Differences between movement along the demand curve and a shift in demand curve.

Movement along curve



Shift in the curve





Movement along dd curve

- Only one dd curve is involved.
- Movement is up/down along the same dd curve.
- Movement caused by changes in price of the product.
- Different quantities demanded at different prices.

Shift in dd curve

- Involves 2 or more dd curves
- A shift is to the right/left of the original curve
- Shift caused by other factors other than the price of product.
- Different quantities demanded at the same price

5a. Benefits of including wholesalers in the chain of distribution.

- Wholesalers will break the bulk on behalf of manufacturers.
 - Sales will increase since wholesalers buy in bulk
 - Manufactures supply of goods will be stabilized as wholesalers regulate the supply.
 - The manufactures will be released of various risks as risks will be transferred to wholesalers e.g. fall in price, change in demand.
 - Saves the manufacturer the problem of storage as they buy in large qualities/ bulk.
 - Wholesalers engage in product promotion saving the manufacturer in cost.
 - Wholesalers provide vital information regarding the market for the goods improving sales.
 - Wholesaler transport the goods on behalf of manufacture saving them the cost of transport.
 - Some wholesaler help in branding/blending activities which may lead to high quality goods to consumers.
 - Some wholesaler pay manufactures promptly thus enabling them to have cash to operate.
- (Any other relevant answer)

b.

**FURAHA TRADERS
TRADING, PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDING 31ST DEC.**

	shs		shs	shs
Purchases	400,000	Sales	600,000	
Less: Closing stock	<u>60,000</u>	Less returns in	<u>20,000</u>	
Cost of sales	340,000			580,000
Gross profit c/d	<u>240,000</u>			
	<u>580,000</u>			<u>580,000</u>
Expenses		Gross profit b/d	240,000	
General expenses	60,000	Commissions received	20,000	
Rent expenses	<u>10,000</u>			
Total expenses	<u>70,000</u>			
Net profit c/d	<u>190,000</u>	Net profit b/d		<u>260,000</u>
	<u>260,000</u>			190,000

(18 x ½ = 9 marks)

a) Return on capital = $\frac{\text{Net profit} \times 100}{\text{capital}}$ = $\frac{190,000 \times 100}{700,000}$ = 27.1 %

b) Current ratio = $\frac{\text{Total current assets}}{\text{Total current liabilities}}$ = $\frac{\text{Cash + debtors + closing stock}}{\text{Creditors}}$

= $\frac{230,000}{180,000}$ = 1.3 or 1.3:1

6a. Challenges of large proportion of young population

- High rate of unemployment as demand/ the large number of youth entering labour market outstrips the

available job opportunities.

- Rate of crime/ social evil increases as the unemployed/ idle youth looks for means of survival.
- Constrains on goods/services associated with young population as demand outstrips the supply.
- Reduces savings/investments due to high rate of consumption leading to low development.
- Dependency ratio rises as active population shoulder a bigger burden of large number of youth.
- Low per capital income as those who are economically active are few.
- Problem of raising government revenue as large proportion of population is not working.
- Low labour supply as the young people may not have attained the working age/ acquired the required skills/ expertise/experience.

b. Factors that have hindered development of a country x

- High rate of population growth: a lot of pressure exerted on the limited fertile land there by subdividing in to unproductive units. This leads to hunger & starvation and no yield for selling.
 - Lack of capital and land: Whereas labour is abundant, there is limited amount of capital and land to be utilized by that labour. Capital comes from investments, investment from savings, savings from income, low income level end up to low capital formation leading to viscous cycle of poverty.
 - Failure to adopt modern technology: There is wide spread use of rudimentary technology in the developing countries and excess supply of unskilled labour. Inability to attract foreign investment: less developed countries are unable to attract foreign capital due to poverty and poor ideology.
- Other include
- In security: An investment requires assurance in security. Where security is a threat to investment, entrepreneurs may fail to put up investment to avoid risks.
 - political instability
 - Undeveloped infrastructure.
 - Lack of proper economic planning

IMENTI CENTRAL CLUSTER EXAMINATION**565/1****BUSINESS****JULY/AUGUST 2018****TIME: 2H 30MIN**

1. State four types of business activities carried out in Kenya (4mks)
2. Suggest four reasons for the increase motorcycle accident in Kenya today (4mks)
3. State four circumstances in which sign language may be preferred (4mks)
4. The following information was extracted from the books of Rono traders

rate of stock turn-over 3 times

Mark-up 20%

Opening stock Ksh 60,000

Closing stock Ksh 120,000

Calculate

(5mks)

- a. Cost of goods sold
- b. Gross profit
- c. Purchases
- d. Sales

5. Suggest four factors that influence the amount of money that individual own for transaction motives (4mks)
6. Complete the table given below by indicating the amount to debited and the account to be credited (4mks)

	transaction	Account to be debited	Account to be credited
i.	Stated a business with Ksh 70,000 in cash		
ii.	Sold goods on credit worth Ksh 8,000		
iii.	Purchased Goods that are worthy Ksh 65,000 on credit from Mugure traders		
iv.	Withdrew Ksh 5,000 for own use		

7. State four factors which may hinder economic development in a country (4mks)
8. Outline four negative effects of overpopulation (4mks)
9. Outline four reasons why the government issues license before a business can start operations (4mks)
10. For each of the following transaction indicate the source of document from which the following transaction would be recorded (4mks)

	Transaction	Source of document
i.	Sale of goods on credit	
ii.	Goods returned by customer	
iii.	Purchase of goods on credit	
iv.	Correction of an undercharge	

11. State four limitations of using bill boards as a method of advertising products (4mks)
12. State four ways in which the nature of goods would influence the choice of transport means. (4mks)
13. State any four uses of national income statistics (4mks)
14. State three uses of general Journal (3mks)
15. Outline four methods of reproducing documents in an office (4mks)
- 16 Highlight four advantages of using a short channel of distribution (4mks)
17. State any four external business environment that may lead to a business success (4mks)
18. The government of Kenya may only incur expenditure after careful planning based on certain principles. State four canons of the government of Kenya expenditure (4mks)
19. The following information was obtained from the books of Eastland's traders as at 13st Dec 2016

	shillings
Profits	71,0000
Drawings	12,000
Total assets	300,000
Total liabilities	70,000

Required: Calculate Eastland trader's capital as at 1st January 2016

20. Identify the type of utility created from the following activities

	ACTIVITY	TYPE OF UTILITY
a.	Crushing sugarcane to make sugar	
b.	Transporting sugar from the factory to the	
c.	supermarket keeping sugar in a warehouse	
d.	Selling sugar in a supermarket	

21. Kamau a form four leaver wants to start a business .Name any four sources where he could get a good business idea (4mks)

22. The balances given below were extracted from the ledger account of Makutano traders as at 31/06/2017

	Ksh
Capital	190,000
Furniture	110,000
Upendo distributors	231,000
Purchases	285,000
Wages	41,000
Return inwards	5,000
Return outwards	15,000
Rent received	5,000

Required: prepare the trial balance to the business as at 31/06/2017

23. Outline four advantages of supermarket to the owner

(4mks)

24. Highlight four benefits to a member of savings and credit co-operative society

(4mks)

25. State four factors that influence the location of a firm

(4mks)

IMENTI CENTRAL CLUSTER EXAMINATION
565/2
BUSINESS STUDIES
JULY/AUGUST 2018
TIME: 2 ½ HRS

- 1a. Explain five reasons why its important to have business plan (10mks)
 b. Explain any five methods used by the government to solve high rate of unemployment (10mks)
- 2a. Explain five ways of correcting a balance of payment deficit (10mks)
 b. Explain five factors to consider when designing an office (10mks)
- 3a. Outline five differences between perfect competition and monopoly market (10mks)
 b. Explain any five non-monetary measures that government may use to control inflation (10mks)
- 4a. The following information was extracted from the books of Rotich traders as at 31st Dec 2015

Sales	800,000
Purchases	500,000
Return inwards	90,000
Return outwards	26,000
Credition	150,000
Rent	60,000
Deriver van	160,000
Carriage outwards	3000
Debtion	130,000
Carriage inwards	40,000
Bank	50,000
Stock (Jan 2015)	100,000
Interest on expenses	10,000
General expenses	7,000
Stock (31 st Dec 2015)	120,000
Bank overdraft	6,000
capital	168,000

Required

- i. Prepare a trading profit and loss account for the year ended 31st Dec 2015 (8mks)
 ii. Prepare balance sheet as at 31st Dec 2015 (4mks)
- b. Explain any four characteristics of economic resources (8mks)
- 5a. With an aid of a diagram explain the effect of a decrease in supply of a commodity on equilibrium price and quantity (10mks)
 Explain any five essentials of good warehouse (10mks)
- 6a. Explain five principals of insurance (10mks)
 b. The following transaction relate to Bundi wholesalers for the month of July 2012

July

- 1: bought goods on credit from sawa distribution for Ksh 76,200, Nduta Ksh 15,600 and Rita Ksh 40,000
 5: sold goods on credit to kirima retailers Ksh 40,000, Ngina Ksh 25,000 and Herishop Ksh 12,000
 10: Returned good to Nduta Ksh 4,200 and Rita Ksh 10,000
 12: Bought goods on credit from Langat Ksh 24,600
 15: Goods returned by Ngina Ksh 5,000 and Kirima retailer Ksh 3,500
 18: Sold goods on credit to Ngina Ksh 7,000 and Kamene traders Ksh 11,000
 22: Goods returned by kamene traders Ksh 3,000
 25: Bought good on credit from Pendo traders Ksh 23,000 david Ksh 39,000

Required

- Enter the above transitions in their respective books of original entry (journal) (10mks)

IMENTI CENTRAL CLUSTER EXAMINATION
565/1
BUSINESS STUDIES
JULY/AUGUST 2018
MARKING SCHEME
1. Types of business activities

- Extraction of raw materials
 - Processing of raw materials
 - Manufacturing of materials
 - Construction
 - Distribution
 - Trade
 - Provision of services
- 4x1 (4mks)

2. Reasons for increased motorcycle accidents in Kenya

- Over speeding
 - Lack of appropriate riding skills
 - Ignorance of the highway code
 - Unload worthy motorcycles
 - Lack of common courtesy among other road users
 - Overloading
 - Corruption
 - Poor state of roads
- 4x1 (4mks)

3. Circumstances under which sign language may be used

- Where there is need to maintain silence
 - where the environment is noisy
 - When passing secret message
 - When communicating with the deaf
 - If the sender and the receiver can see each other
 - If the sender and the receiver can understand the meaning of signs in use
- 4x1 (4mks)

Cost of goods

$$\text{R.O.S.T} = \frac{\text{cogs}}{\text{average stock}}$$

$$\text{A.S} = \frac{60,000 + 120,000}{2} = 90,000$$

$$3 = \frac{\text{C.O.G.S}}{90,000}$$

$$\text{C.O.G.S} = 90,000 \times 3 = \text{Ksh } 270,000$$

b. Gross profit

$$\text{Mark-up} = \frac{\text{gross profit}}{\text{C.O.G.S}}$$

$$1/5 = \frac{\text{G.P}}{270,000}$$

$$\text{Gross profit} = 270,000 \times \frac{1}{5} = 54,000$$

c. Purchases

$$\text{C.O.G.S} = \text{O.stock} + \text{purchases} - \text{C.stock}$$

$$270,000 = 60,000 + \text{P} - 120,000$$

$$\text{Purchases} = 330,000$$

d. Sales

$$\text{sales} = \text{C.O.G.S} + \text{gross profit}$$

$$270,000 + 54,000$$

$$= 324,000$$

5. Factors influencing amounts of money held for transaction

- Size of the family/ number of dependants

- The level of income
- The social status of individual
- Interval between recipient income
- Spending habits of individuals/lifestyle
- Availability/access to credit
- Price of commodities

4x1 (4mks)

6.

Account to be debited	Account to be credited
Cash	Capital
Debtors	Sales
Purchases	Mugure traders
drawings	cash

8x1/2

(4mks)

7. Factors that hinder economic development

- Inadequate capital
- High population growth rate
- Limited natural resources
- Overdependence on foreign aid
- Lack of political will
- Poor planning and implementation of economic plans
- Inappropriate education system

4x1

(4mks)

8. Negative effects of overpopulation

- High levels of unemployment
- Declines in standard of living
- Insufficient food supply
- Low quality supply
- May lead to inflation (demand pull)
- Low levels of savings
- Increase in social evils
- Political instability

4x1 (4mks)

9. Reasons why government licenses business

- To control goods entering and leaving the country
- Controlling illegal documents
- Source of revenue to the government
- To ensure professionals meet their requirements
- To ensure transfer engage in licensed business only
- Regulating number of business

4x1

(4mks)

10.

- Sales/outgoing invoice
- Credit note
- Purchases/incoming invoice
- Debit note

4x1 (4mks)

11. Limitations of using bill boards to advertise

- Expensive to install
 - Limited to those who pass through the road
 - Prone to vandalism
 - Expensive to maintain
 - May obscure motorists
 - Not effective where customers need to examine the good
12. Circumstances under which nature of goods influences the means of transport
- if goods are perishable, a fast means is required
 - If goods are frangible, a smooth means is required
 - If goods are highly valued, a safe and secure means is required
 - If goods are urgently required, a fast means is required
 - If goods are bulky, an appropriate means is required

4x1 (4mks)

13. uses of national income statistics

- Used as a tool for investment decision
- Measure the standard of living of people

- Help to know the contribution of every sector of economy
 - Help to evaluate performance of a country over a given period of time
 - For planning purposes by the government
 - To compare the performance of the country with other countries 4x1
- (4mks)
14. Uses of general journal
- To write off bad debts
 - To record issue of shares or share allotment
 - Record sale of fixed asset on credit
 - Record purchase of fixed asset on credit
 - To record opening and closing entries 4x1
- (4mks)
15. Methods of reproducing documents
- Printing
 - Carbon copying
 - Photocopying
 - Duplicating
 - Typewriting 4x1 (4mks)
16. Advantages of using short channel of distribution
- Buyer gets goods at low price (s)
 - Buyer gets fresh goods/ good quality
 - Direct/ personal contact with the producer
 - Buyer can get goods of his/her choice/specification
 - Seller gets immediate feedback/response 4x1
- (4mks)
17. External business environment factor that causes business success
- Political stability
 - Use of modern technology
 - Favorable government policy
 - High population
 - Favorable economic environment (4x1mks)
18. Principles/ canals of public expenditures
- (4x1mks)
- Sanctions
 - Maximum social benefits
 - Flexibility
 - Economy
 - proper financial management
19. cc =300,000-70,000
=230,000shs
Oc = (cc+D)-p
=(230,000+12,000)-71,000 = 171,000shs
- 20
- form
 - place
 - time
 - possession
21. Sources of business idea
- Reading news papers
 - Attending shows and exhibitions
 - Reading magazines articles
 - Hobbies
 - Vocational training
 - Taking a survey
 - Converting waste product
 - Listening to what people say
 - Spotting a market gap(niche)

**MAKUTANO TRADERS
TRIAL BALANCE AS AT 31/06/2017**

PARTICULARS	DR (SHILINGS)	CR (SHILINGS)
-------------	---------------	---------------

capital		190,000
furniture	110,000	
upendo distribution(supplier		231,000
Purchases	285,000	
Wages	41,000	
Return inwards	5,000	
Return outwards		15,000
Rent received		5,000
total	441,000	441,000

23. Advantages of supermarket to the owner

- large trade discount of buying goods in large quantities
- reduction of their monthly wage bill of employing few attendance due to self service offered
- impulse buying by customers increases sales volume
- Avoid bad debt as they don't sell on credit
- Variety of goods attract many customers thus high profit
- Can get credit from suppliers

24. Benefit of joining a Sacco

- Enables one to save part of the income for future use
- One is given loans based on the contribution times a factor to improve their welfare
- He /She will be paid dividends based on their contribution
- He /she is educated on co-operative activities and how to utilize the loans they receive
- Contributions and loans are insured hence if a member dies his or a contribution are doubled and loans canceled
- Low interest is charged on loans hence many members can afford to pay
- It is easy to secure a loan since they don't require security but only guarantors
- one can enjoy FOSA activities
- Assist member to acquire property at fair rate through credit

25. Factors that influence the location of a firm

- Availability of raw materials
- Market availability
- availability of labour(human resource)
- Appropriate transport and communication network
- Adequate power and water supply
- Government policies
- Availability of auxiliary services eg banks ,insurance
- Room for expansion
- Effect of firms on the environment

IMENTI CENTRAL CLUSTER EXAMINATION
565/2
BUSINESS STUDIES
JULY/AUGUST 2018
MARKING SCHEME

1. a. Reasons why its important to have a business plan **(any 5x2=10mks)**

- i. **Identify strength and weakness:** any weakness detected .corrective measures are put in place early enough eg if workers lack necessary skills the business will need to train them or employ new ones
 - ii. **it is a requirement by finances :** financial institutions such as banks may require the business plan in order to finance or give loan to a business
 - iii. **Determination of finances required:** Its aids in the calculation of finances that is required to fund the various activities of the business
 - iv. **Proper allocation of resources: it** is a guide for proper distribution of resources .This will ensure that resources are neither underutilized nor used for the wrong purpose.
 - v. **A motivating factor:** It communicates the objective of the business to all employees. This enables the worker to work hard with the intention of achieving set objectives
 - vi. **Adaptability:** A good business plan provides room to accommodate any unforeseen changes that might occur in future
 - vii. **A tool for control: Planning** involves setting standards against which performance can be assessed where there are any deviations, corrective measures can be taken.
- b. Method used by government to solve high rate of unemployment
- i. Adopting labour intensive methods of production eg making roads using human being instead of using machines
 - ii. Encouraging employment creation in private sector through creating an enabling environment for saving and investment for both local and foreign investors
 - iii. Increasing government expenditure on project that would create more jobs eg .construction of roads
 - iv. Rural development- by government developing rural areas, create more employment opportunity there by reducing rural to urban migration
 - v. Adopting a relevant education system which emphasizes the skills required by the labour market.
 - vi. Diversification of economic activities – this would reduce seasonal unemployment eg irrigation schemes
 - vii. Population control through encouraging the one of family planning methods

2. a. Ways of correcting a balance of payment deficit

- i. Promote export through measures like customs drawbarks to increase revenue from exports
- ii. controlling import eg by imposing quotes to reduce the expenditure on import
- iii. Asking for aid/grant from friendly nations and use them to finance the deficit
- iv. Devaluation of local currency to make export cheaper and import more expensive
- v. Attracting foreign investors to increase inflow of capital
- vi. Diversifying production/export to capture different market a broad thus increasing capital (any 5x 2 =10)

b. Factors to be considered when designing an office

- i. Cost of construction should be affordable
- ii. Size of the staff in order to avoid over crowing or un necessary free space

- iii. Maintenance and running cost should be within reach
- iv. Nature of the organization work to decide the most appropriate layout
- v. Space available to determine it is adequate
- vi. Security for the office/personal property to avoid loss/damage

3a. Differences between perfect competition and monopoly

	Perfect Competition	Monopoly
i.	Many sellers/producers	Single seller/producer
ii.	Price is set by forces of demand and supply	The firm set the price of its product
iii.	Product are similar in all ways eg size, quantity etc	Commodities do not have close substitute
iv.	Free entry of firms into the market	Difficult for other firms to enter the market
v.	A single seller cannot influence the price in the market	The seller can influence the price
vi.	Price discrimination is not possible	Price discrimination is possible

b. Non-monetary government measures to control inflation

(any 5x2 = 10)

- i. Reducing government spending-so as to reduce the amount of money in circulation their by reducing demand pull-inflation
- ii. Increasing income taxes- this will reduce consumer disposable incomes their by lowering the level of spending controlling demand pull- inflation
- iii. Providing commodities that are in short supply- the increase in supply will reduce price commodity
- iv. Reduce tax on production – This will reduce cost of production thereby reducing cost push inflation
- v. Subsidizing production- This will reduce production cost and will lead to reduced prices
- vi. Price control
- vii. Controlling export
- viii. Restricting imports
- ix. Restricting terms of hire purchase and credit

4a.

ROTICH TRADERS

i) Trading profit and loss account for the period ending 31st Dec 2015✓

Opening stock	100,000✓	Sales	800,000✓
Add purchases	500,000✓	Less return inwards	90,000✓
Less return out	26,000✓	Net sales	<u>710,000</u>
Add carriage in	40,000✓		
	<u>514,000</u>		
GAFS	614,000✓		
Less closing stock	120,000✓		
COGS	<u>494,000</u>		
GP cld	216,000✓		
	<u>710,000</u>		<u>710,000</u>
Carriage outwards	3,000✓	GP bld	216,000✓
Rent	60,000✓		

Interest on expenses	10,000✓	
General expenses	7,000✓	
NP cld	136,000✓	
	<u>216,000</u>	<u>216,000</u>

16X^{1/2}

(8mks)

iii)

ROTICH TRADER
Balance sheet as at 31st Dec 2015

Assets		Capital +liabilities	
Fixed assets		Capital	168,000✓
		Ass N.P	136,000✓
			<u>304,000</u>
Delivery van	160,000✓		
Current assets		Liabilities	
Stock	120,000✓	Creditors	150,000✓
Bank	50,000✓	Bank overdraft	6,000✓
Debtors	130,000✓		
	<u>300,000</u>		<u>156,000</u>
	<u>460,000</u>		<u>460,000</u>

8X^{1/2}

(4mks)

4b. Characteristics of economic resources

Have monetary value: the value of a commodity can be exposed through price. They have value at which they can change ownership.

Scarce in supply: Economic resources are less in supply than what is required by human being. Human effort if required to obtain them.

Can change ownership: They can change ownership from one person to another through selling, donation and grants.

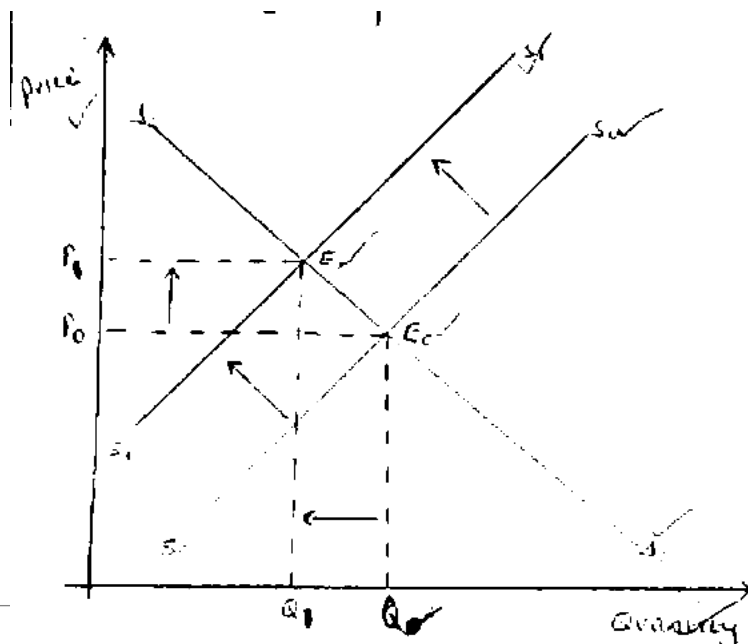
Have utility: They have ability to satisfy human wants.

Un evenly distributed: They are available in various quantities at different places.

Can be combined: Can be combined in various quantities to produce other goods and services.

Can be complimentary: Different economic resources may be consumed together e.g pen and ink.

5a. Effect of decrease in supply on equilibrium price and quantity



Equilibrium price increases/rises from P_0 TO P_1

Equilibrium quantity decreases from Q_0 to Q_1

Equilibrium point decreases from E_0 to E_1 10x1 =(10mks)

5b. Essentials of a good warehouse

- i. adequate space-warehouse should be spacious enough to allow easy movement and accommodation of goods and personnel
- ii. suitable location- it should be located at suitable place to facilitate receipt and issues of goods
- iii. Proper building design-warehouse should be designed in a way that it accommodates the intended goods
- iv. Appropriate staff- aware house should be well trained and efficient for proper management and efficient functioning of a warehouse
- v. Compliance with law – a warehouse should be operated according to the requirements of the law
- vi. Proper recording systems – this is to ensure that all movement of goods is properly monitored.
- vii. Appropriate special facilities
- viii. Good transport system
- ix. Good communication
- x. Safety facilities
- xi. Appropriate equipment

6a. Principles of insurance

- i. **Subrogation:** After the insured has been compensated the remains of the insured item becomes the property of insurance company, so that the insured is left in the financial status he was before the loss occurred
- ii. Proximate cause – For the insured to be compensated there must be very close relationship between the loss suffered and the risk insured
- iii. Indemnity – the insured can only be compensated for actual loss suffered ie the replacement value
- iv. Contribution – when two or more insurance companies come together to insure the same item, in case of loss they contribute proportionally to compensate the insured
- v. Utmost good faith – at a time of signing the insurance contract, the proposer is expected to give material fact related to the property/ subject matter he or she want to ensure
- vi. Insurable interest – the insured can insure what he /she stand to lose financially in the vent of loss

b.

Purchases Journal				
date	Details	Invoice Number	Folio	Amount
2012				
July1	Sawa Disributors			76,200✓

1	Nduta			15,600✓
1	Rita			40,000✓
12	Langat			24,600✓
25	Pendo trader			23,000✓
25	David			39,000✓
				218400✓

Return Purchase Journal

Date	Details	Credit Note	Folio	Amount
2012				
July10	Ngina			4,200✓
10	Rita			10,000✓
				14,200✓

Sales Journal

Date	Details	Invoice Number	Folio	Amount
2012				
July5	Kirima			40,000✓
5	Ngina			25,000✓
5	Herishop			12,000✓
18	Ngina			7,000✓
18	Kamene			11,000✓
				95,000✓

Sales return journal

date	details	Credit note	folio	amount
2012				
July15	Ngina			5,000✓
15	Kirima			3,500✓
15	Kamene			3000✓
				11,500✓

20x1/2=10mks

KIGUMO MOCK
FORM FOUR BUSINESS STUDIES PAPER I
565/1
TIME: 2 HOURS

1. State **four** occupations that a person may engage in in the secondary level of production. (4 mks)
2. The computer is fast overtaking the typewriter as equipment for producing documents in an office. Outline **four** reasons that may account for this. (4 mks).....
3. Highlight **four** circumstances under which payment in cash may be preferred to payment by cheque. (4 mks)
4. Give **four** reasons that account for the need for consumer protection. (4 mks)
5. Highlight **four** benefits of delocalization of business enterprises in Kenya. (4 mks)
6. Indicate the effect of each of the following transactions on assets, liabilities and capital by putting a (+) for increase, a (-) for decrease and (NE) for no effect. (4 mks)

	Transaction	Assets	Liabilities	Capital
i.	Paid outstanding rent expenses sh. 5000 in cash.			
ii.	Withdrew sh. 35,000 from the bank for personal use.			
iii.	Bought furniture worth 70,000 on credit from Kaptei Traders.			
iv.	Converted a personal vehicle valued at sh.200,000 into business asset.			

7. State **four** differences between a partnership and sole proprietor form of business. (4 mks)
8. List **four** ways in which the government may control inflation. (4 mks)
9. Highlight **four** factors that may lead to low level of national income. (4 mks)
10. On 1st May 2017 Nyanja owed Ndegwa sh. 50,000. The owing transactions took place during the month.
 May 9: Credit sale to Nyanja sh.40,000.
 May 20: Nyanja returned goods worth sh. 3,000 to Ndegwa.
 May 29: Nyanja paid sh.85,000 by cheque in full settlement of his account.
 Prepare Nyanja's account in the books of Ndegwa. (4 mks)
11. The table below shows the quantity demanded of commodity **X** per month by consumers **P** and **Q**.

Price per unit (shs.)	Quantity demanded by P	Quantity demanded by Q
100	120	200
80	180	250
65	250	350
40	350	500

- State **four** reasons why **Q** demands more of commodity **X** at every price than **P**. (4 mks)
12. Highlight **four** benefits of advertising to a consumer. (4 mks)
13. Outline **four** measures that can be taken to safeguard the organization's property. (4 mks)
14. Highlight **four** factors that may limit development of international trade. (4 mks)
15. Highlight **four** micro-environmental factors that may positively affect the performance of a business. (4 mks)
16. State **four** circumstances under which a business may prefer to transport goods by air. (4 mks)
17. Highlight **four** qualities needed for a commodity to function as money. (4 mks)
18. State **four** circumstances under which capital of a business may change. (4 mks)
19. Outline **four** factors that are likely to cause a deficit in balance of payments. (4 mks)
20. Highlight **four** reasons why it is necessary to have intermediaries in the distribution chain. (4 mks)
21. State **four** ways in which consumers would suffer if there were no warehousing facilities. (4 mks)

mks)

22. Highlight **four** reasons that may make planning difficult in developing countries.

(4

mks)

23. J. Chomba had the following assets and liabilities on 1st January 2016.

	<u>Shs.</u>
Motor Vehicles	400,000
Debtors	36,000
Bank	
	16,500
Stock	52,000
Bank Loan	38,500

For the year ended 31st December 2016, the following information was available;

(i) Additional capital shs. 5000.

(ii) Drawings; cash shs 20,000, stock 15,000.

(iii) Net loss shs. 68,480.

Calculate capital on 31st December 2016.

(4

mks)

24. Outline **four** challenges that may face a country that is made up of a large proportion of young people.

(4

mks)

25. State **four** reasons that justify the provision of essential services by the state instead of leaving them to the private sector.

(4 mks)

KIGUMO MOCK
FORM 4 BUSINESS STUDIES
PAPER 2
565/2
TIME: 2 ½ HRS

1.
 a) Explain **five** principles of a good tax system. (10 mks)
 b) With the aid of a diagram, explain the circular flow of income in a two sector economy. (10 mks)
2.
 a) Explain **five** measures that the government of Kenya can employ to reduce the amount of money in circulation. (10 mks)
 b) Explain **five** ways through which the government may create an enabling environment. (10 mks)
3.
 a) Explain **five** benefits that Kamau would get by joining Korocho SACCO. (10 mks)
 b) Explain **five** reasons why businessmen observe ethical practice. (10 mks)
4.
 a) Explain **five** factors that one would consider when choosing a method for product promotion. (10 mks)
 b) On January 2018, Mbogo Traders had shs 40,000 in cash and a bank overdraft of shs16,200. During the month of following transactions took place.

January

3rd: Bought goods in cash worth shs17,500.

4th: Received from Tembo a cheque of shs14,250 after allowing 5% cash discount.

8th: Mando, a debtor settled his account of shs17,000 by a cheque of shs16,500.

10th: Withdrew shs7,200 from the bank for personal use.

14th: Sales amounted to shs22,450 in cash.

18th: Paid Simba traders shs28,500 in cash in full settlement of their account less 5% cash discount.

20th: Withdrew shs4,000 from the bank for business use.

22nd: Kunguru, a debtor, settled her account of shs40,000 by cheque less 1.5% cash discount.

26th: Paid wages shs12,000 in cash.

Received;

- Prepare a duly balanced three column cashbook. (10 mks)
- a) In the last one year apple supply in Murang'a has been on rise. Explain **five** factors that would have lead to this trend. (10 mks)
 b) Explain **five** demerits of free trade. (10 mks)
5.
 a) Explain **five** benefits of using electronic filing system. (10 mks)
 b) The following information relates to Kipruto Enterprises as at 31st December 2017.

Sh	
Motor vehicle	146,500
Office equipment's	120,000
Drawings	12,000
Capital	200,000
Stock	68,000
Net profit	82,000
Bank loan	80,000
Debtors	86,000
Cash in hand	6,000
Creditors	50,000
Bank overdraft	26,500

Required

- (i) Prepare Kipruto's balance sheet (6 mks)
 (ii) Calculate
 a) Working capital (2 mks)
 b) Borrowed capital (1 mk)
 c) Current ratio (1 mk)

**KIGUMO MOCK
FORM FOUR TERM TWO 2018
PAPER TWO MARKING SCHEME**

1. Occupations that a person may engage in in the secondary level of production.

- Engineering
- Plumbing
- Carpentry
- Masonry
- Dress making

- Food processing

2. Why computer has overtaken the typewriter.

- The computer is more accurate\efficient.
- Computer is faster in producing documents.
- It is easier to manipulate documents in a computer.
- It is possible to save documents in a computer for future use.
- Documents produced in a computer are neat.
- Computer use requires less physical effort.
- Computer may retrieve\access documents from other computers.

3. Circumstances under which payment by cash may be preferred to payment by cheque.

- If the amount of money involved is small.
- If the credit worthiness of the drawer is doubtful.
- If the payee prefers cash payment.
- If cash payment is the policy of the business.
- Where cheque facilities are not available.

4. Reasons that account for need for consumer protection.

- Products sold may be harmful/poisonous.
- Sellers may overprice their products.
- Products sold may be of poor quality.
- Sellers may hoard goods.
- Sellers may give false advertisement.
- Commodities may have false labelling.
- Commodities may be under-measured.

5. Benefits of delocalization of business enterprises in Kenya.

- Balanced regional development may be achieved.

- Rural-urban migration is reduced.
- More rural areas are opened to better exploitation of resources.
- Population congestion, crime and other social evils are reduced in towns.
- Creates employment opportunities in rural areas.
- Reduces consequences of war or natural calamities, which would arise if firms were located in one area.
- Offers market for locally produced goods/raw materials.

6. Effects of transactions.

Transaction	Assets	Liabilities	Capital
a)	(-)	(-)	NE
b)	(-)	NE	(-)
c)	(+)	(+)	NE
d)	(+)	NE	(+)

7. Differences between a partnership and sole proprietor form of business.

Partnership	Sole proprietor
➤ Owned by two or more people.	➤ Owned by one person.
➤ Duties and ide can be shared.	➤ No sharing of duties.
➤ No secrecy	➤ Allows for top secrecy.
➤ Slow decision making.	➤ Fast decision making.
➤ Profits\losses are shred.	➤ No sharing of profits\losses.
➤ Wider sources of capital.	➤ Few sources of capital.

8. Ways in which government may control inflation.

- Restricting the lending capacity of commercial banks.
- Selling government securities.
- Controlling public sector spending.
- Restricting terms of hire purchase and credit sale.
- Increase in income taxes.
- Subsidizing production.
- Producing commodities that are in short supply.
- Reducing tax on production.
- Curtailing powers of trade unions.
- Avoiding importing materials that would bring imported inflation.

9. Factors that may lead to low levels of national income.

- Reduced labour supply.
- Poor natural resources endowment.
- Low level of technology.
- Low level of technology.
- Political instability.
- Negative attitude of citizens towards work.
- Large subsistence sector.
- Reduced foreign investment.

➤ Poor entrepreneurial skills.

➤ Low levels of capital.

10. Nyanja A\c

Date	Particulars	Amount (Shs.)	Date	Particulars	Amount (Shs.)
May 1	Bal b\vd	50,000	May 20	Sales returns	3,000
May 9	Sales	40,000	May 29	Bank	85,000
			May 29	Discounts allowed	2,000
		90,000			90,000

11. **Reasons why Q demands more of commodity X at every price than P.**

- Q may be having a large family that requires more of commodity x than P.
- Q may be having a higher income than P.
- Q may be lacking substitute for commodity X which P has.
- Q may be living in a geographical/climatical region favouring demand for commodity X.
- Q may be having a more positive attitude towards commodity X than P.

12. **Benefits of advertising to a consumer.**

- Consumers get information about offers available.
- Informs consumer where to get the advertised product.
- Enables the consumer to compare various products.
- Creates competition resulting to high quality products.

13. **Measures that can be taken to safeguard the organization's property.**

- By ensuring that proper records of all the organization's property are kept.
- By ensuring the maintenance of all the organization's property.
- Installing control measures to minimize theft.
- Educate the employees on security measures.
- Install an efficient filing system for documents.
- Taking insurance cover for the property.
- Installing CCTV cameras for security purposes.

14. **Factors that may limit development of international trade.**

- Political differences between countries.
- Complicated export and import procedures.
- Protectionist policies adopted by some governments.
- Unpredictable fluctuations in foreign countries.

15. **Micro-environmental factors that might positively influence the performance of a business.**

- Availability of adequate financial resources.
- Appropriate labour resources.
- Favorable business culture.
- Appropriate business structure.
- Appropriate management skills.

16. **Circumstances under which a business person may prefer to transport goods by air.**

- Where goods are urgently needed.

- Where security of goods is very necessary.
 - Where alternative means of transport are not available.
 - Where goods are perishable/require short time to transport.
 - Where the distance to be covered is relatively long.
17. **Qualities needed for a commodity to function as money.**
- Should be generally acceptable.
 - Should be divisible into smaller units.
 - Should be portable.
 - Should be fairly scarce.
 - Should be stable in value.
 - Should be fairly durable.
18. **Circumstances under which capital of a business may change.**
- When new capital is introduced.
 - When business realizes a profit.
 - When business suffers a loss.
 - In case of drawings by proprietor.
19. **Factors that is likely to cause a deficit in balance of payments.**
- Fall in volume of exports.
 - Increase in volume of imports.
 - Restriction by a country's trading partners.
 - Revaluation of domestic currency.
 - Use of inappropriate technology.
 - Increase in prices of exports.
20. **Importances of intermediaries in the distribution chain.**
- Help in breaking bulk.
 - Help in transportation of goods.
 - Store goods until consumers require them.
 - Enable consumers to get a variety of goods and services.
 - Accumulate bulk for those who require large quantities.
 - Help in product promotion.
 - Financing producers.
 - Reducing the number of transactions between consumers and producers.
21. **Ways in which consumers would suffer if there were no warehousing facilities.**
- No constant supply of goods/shortages/delays in delivery.
 - Goods would be more expensive/fluctuations in prices.
 - They would receive goods that might have gone bad.
 - They might receive goods that are not prepared for sale.

- Buyers may not get a chance to inspect the goods before buying.

22. Reasons that may make planning difficult in developing countries.

- Inadequate and unreliable data.
- Inappropriate planning models.
- Existence of a comparatively large subsistence sector.
- Inadequate qualified manpower
- Problem of controlling the private sector.
- Reliance on foreign experts.

23. Calculating closing capital.

Capital 1 st January	Assets	Shs.	
	Motor Vehicles	400,000	
	Debtors	36,000	
	Bank	16,500	
	Stock	<u>52,000</u>	
	Total	<u>504,500</u> ✓	
	Less bank loan	<u>38,550</u>	
Capital 31 st December			<u>465,950</u> ✓
	CC=OC+AC-NL-D		
	CC=Sh(465,950+5000-68,450-35,000)✓		
	=Shs. 367,470✓		(4×1 mk=4 mks)

24. Benefits that a member may derive from a savings and credit co-operative society.

- Able to obtain loans.
- Low interest rates charged on loans.
- Provide a convenient way of saving.
- A member may earn bonuses/dividends.
- Few formalities required when borrowing.
- Loans are written off in case a member dies.
- Advice is given to members.
- No collateral is required except shares when borrowing.
- Reasonable loan repayment period.

25. Reasons that justify the provision of essential services by the state instead of leaving them to the private sector.

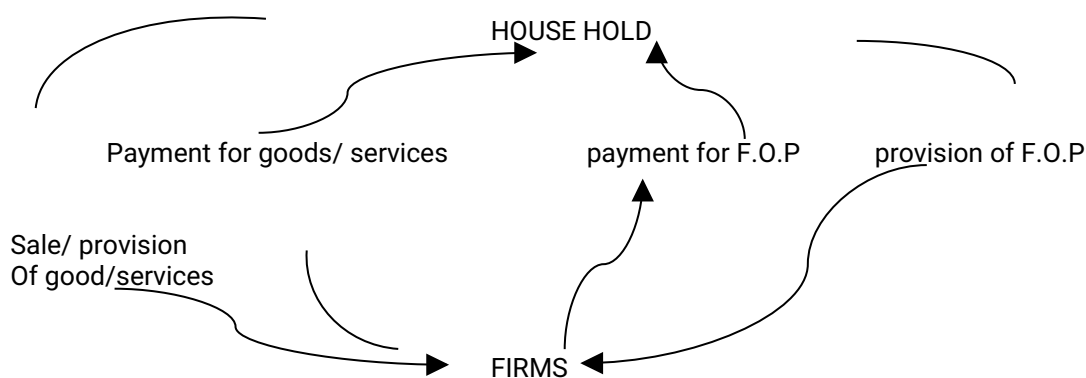
- To prevent exploitation of the public by the private sector.
- Some utilities are risky and sensitive to be left in the hands of the private investors.
- To establish monopolies in areas of public interest.
- Certain utilities require heavy initial capital not affordable by private investors.
- Some utilities are essential but non-profitable.

KIGUMO MOCK
565/2
FORM 4 BUSINESS STUDIES
MARKING SCHEME PAPER 2

1.

a) Principles of a good tax system.

- (i) Equity – Should be fair/ just/ people should be taxed according to income.
- (ii) Economical – cheap/ easy to administer/ cost effective/ the cost of collection should be relatively lower than tax revenue.
- (iii) Convenient – method of payment/ collection should be convenient to taxpayer/ collector.
- (iv) Certainty – tax collector/ payer should know what/ when/ how to pay/ collect.
- (v) Flexibility – it should be adaptable to all situations/ circumstances/ conditions/ subject to revision.
- (vi) Simplicity – should be easy to understand/ administer.
- (vii) Elasticity – proceeds from taxation should be capable of expanding/ contracting with changes in income/ population.
- (viii) Diversity/ wide based there should be a range/ varieties of taxes/ should net many tax payers.
- (ix) Difficult to evade – should not create loopholes for people to escape/ dodge.
- (x) Should regulate the economy by encouraging production/ proper allocation of resources.
- (xi) Should have benefit to tax payer through provision of quality of good/ services to encourage them to pay.

b) Circular flow of income in a two sectors economy.

2.

a) Measures that the government may put in place to reduce the amount of money in circulation.

- (i) Raising the bank/ lending rate – making credit/ loan expensive.
- (ii) Raising taxes to reduce disposable income.
- (iii) Reducing government expenditure by suspending some projects.
- (iv) Open market operation by instructing the central bank to sell government securities/ stocks.
- (v) Selective credit control/ credit rationing by deciding only to provide finances to specific sectors.
- (vi) Compulsory deposits where central bank may require that commercial bank to deposit a certain amount of their cash with it.
- (vii) Raise the interest rates which encourages savings.
- (viii) Raise cash/ liquidity ratio leaving commercial bank with little money to lend.
- (ix) Raising margin requirement to discourage borrowing.
- (x) Directives by instructing commercial banks to reduce lending.
- (xi) Moral persuasion by convincing/ persuading the commercial banks to reduce their lending to the public.
- (xii) Surplus budgeting – by spending less than the income raised/ collected.

b) Ways through which govt may create an enabling environment

- (i) Provision of subsidies by the government paying part of production cost/ lower cost of production.
- (ii) Provision of cheap finance/ credit facilities/ capital to start/ run business.
- (iii) Provision of skilled labour/ manpower for effective production/ increase productivity.
- (iv) Incentive to encourage investments/ provision of tax holidays.
- (v) Protection of local infant industries from unfair/ unhealthy competition.
- (vi) Loan guarantee from lending agencies.
- (vii) Provision of cheap land lowering cost of production/ encourages investments.
- (viii) Improvement of infrastructure to facilitate movement of raw materials/ F.O.P/ access to markets.
- (ix) Development of social amenities to improve social welfare of the investors.
- (x) Favourable govt policies/ laws that encourage production/ consumption.
- (xi) Good governance/ political stability create a conducive environment for business/ ensure accountability/ transparency/ reduces the cost of doing business.

(xii) Ensure law and order to allow for smooth running of business.

3.

a) Benefit of joining a SACCO

- (i) Encourage member to save by making regular contribution.
- (ii) Provision loan/ credit facilities to member based on their contribution.
- (iii) Receive dividends based on their contributions.
- (iv) Education/ advice on their rights/ co-operatives activities.
- (v) Provide front office services/ banking facilities to deposit/ withdraw cash.
- (vi) Interest to members on contribution to the co-operatives.
- (vii) Insure members' contributions/ loans and hence members' savings are safe.
- (viii) Low interest rates on loans making them relatively cheap as compared to banks.
- (ix) Loans are written off in case of death of, a member relieving the beneficiary the burden of clearing the credit.
- (x) Members' shares/ savings are doubled and paid to beneficiaries in case of death of members.

b) Reasons why businessmen observe ethical practices

- (i) To ensure fair competition/ fair play hence firms are able to withstand/ cope with it/ to ensure continuity.
- (ii) To protect consumers from exploitation/ poor quality/ unhygienic products/ false advertisements etc.
- (iii) To protect the environment from degradation/ pollution/ to ensure sustainability.
- (iv) To promote social responsibility by assisting/ giving back to the society.
- (v) To maintain positive image hence maintain customer loyalty/ attract customers.
- (vi) To abide by the country's law hence avoid conflict/ friction with law enforcing agents/ avoid law suits.
- (vii) To maintains suppliers hence reliable/ continuous provision of raw materials.
- (viii) To promote positive cultural practices through production of goods/ services that is in line with consumers cultural values.
- (ix) Avoid discrimination in business by ensuring fair/ equal opportunities to all in employment/ promotion/ tendering e.t.c.

4.

a) Factors to consider in choosing a product promotion method.

- (i) Cost of the method – should be affordable/ cheap/ cost effective.
- (ii) Geographical coverage/ distance to be covered – should reach the customers in their locations.
- (iii) Type of customer/ target group/ Nature of market should appeal to the target group/ consumers.
- (iv) Nature of the product/ type of product should be appropriate/ suitable for the product/ technical require personal selling.
- (v) Nature of the message – should effectively/ best present various aspects of the product.
- (vi) Urgency of the message/ speed of medium should reach the customer within the desired time frame.
- (vii) Intended impression one which can best achieve the desired impression/ impact.
- (viii) Number of customer/ size of the market should effectively service the available customers.

b) MBOGO TRADERS THREE COLUMN CASH BOOK

Dr

Cr

Date	Details	Discount allowed	Cash	Bank		Date	Details	Discount received	Cash	bank
2018 Jan 1	Bal b/d		40,000			2018 Jan 1	Bal b/d			16,200
4	Tembo	750		14,250		3	Purchases		17,500	
8	Mando	500		16,500		10	Drawings			7,200
14	Sales		22,450			18	Simba	1,500	28,500	
20	Bank(c)		4,000			20	Cash(c)			4,000
22	Kunguru	600		39,400		26	Wages		12,000	
						31	Bal c/d		8,450	42,750
		1850	66450	70150				1,500	66,450	70,150

5.

a) Factors that would lead to increase in supply of apple

- (i) Modern/ improved technology leads to high quality/ quantity.
- (ii) Increase in price of apple farmers/ supplier can afford them.
- (iii) Favorable government policies encouraging growth/ production of appliers.
- (iv) Favorable climatic factors/ seasons increase production/ leads to bumper harvest.
- (v) Increase in skill/ training of apple farmers lead to high output.

- (vi) Reduced cost of production makes them affordable for farmers.
 (vii) Expected future decrease in price – want to dispose.
- b) Demerits of free trade.
- (i) Dumping of inferior/ cheap/ substandard products.
 (ii) Unemployment/ loss of jobs due to collapse/ closure of firms due to unfair/ unhealthy competition.
 (iii) Erosion of values/belief/ morals due to copy of negative foreign habits/ cultures.
 (iv) Entry of harmful good/ services e.g. drug s which may affect people's health negatively.
 (v) Slow economic development due to influx of foreign gods. Services.
 (vi) Over exploitation of resources leading to depletion/ exhaustion,
 (vii) Contribute to unfavorable/ worsening B.O.P due to country valued exports/ expensive imports
 (viii) Imported inflation due to importation of overpriced goods/ services.
 (ix) Encourage over dependence/ over reliance on imports/ foreign countries which may lead to political blackmail/ vulnerability.
 (x) Entry of contra band goods/ services which may negatively affect security/ health/ economy stability.
 (xi) Brain drain – loss of skilled personnel to developed countries that provide better pay/amenities/ working conditions.
- 6.
- a) Benefit of electronic filing system.
- (i) Easy access of files – as they are serialized/ coded.
 (ii) Less storage facilities as they can be stored in compact manner / in flash disc.
 (iii) Easy update as information is stored in flexible applications.
 (iv) Less paper work – thus reduces environmental pollution.
 (v) Use of net work increases connectivity and sharing of information.
 (vi) Safety of information due to use of passwords.
 (vii) Highly portable and hence can be transferred from different location accessed from different location.
 (viii) Presentable outlook of information from computers.
- b)

KIPRUTO ENTREPRISES
BALANCE SHEET
AS AT 31/12/2017

	Shs.			Shs.
Fixed Assets				
Motor vehicle	146,500		Capital	200,000
Office equipment's	120,000		+ Net profit	82,000
	<u>266,500</u>			<u>282,000</u>
			Less drawings	12,000
				<u>270,000</u>
			Long term liabilities	
Current Assets			Bank loan (4 yrs)	80,000
Stock	68,000		Current liabilities	
Debtors	86,000		Creditor	30,000
Cash hand	6,000		Bank overdraft	26,500
	<u>160,000</u>			<u>76,500</u>
	<u>426,500</u>			<u>426,500</u>

- ii)
- a) Working capital
 CA – CL
 $160,000 - 76,500 = 83,500$
- b) Borrowed capital
 Loan = 80,000
- c) Current ratio
 $160,000 : 76,500 = 320 : 153$
 Or = 2.091: 1 or 2:1

MURANG'A SOUTH SUB-COUNTY

465/1

BUSINESS STUDIES

PAPER 1

FORM 4

JULY/AUGUST 2018

2 HOURS

1. Identify the business activity for the following descriptions. (4 marks)

- (a) Involves conversion of raw materials into more useful products
 (b) Process of moving goods and services from the producer to the consumer
 (c) Involves human acts such as entertaining, acting hairdressing

2. Obtaining of goods from their natural environment State **four** circumstances under which a cheque may be dishonored.

(4 marks)

3. The following information relates to Kyalo's traders as at 31st December 2010.

Details	Shs.
Total drawings	400,000
Added investments	800,000
Capital (31 st December 2010)	7,000,000
Profit	3,100,000

Calculate Kyalo's initial capital.

(4 marks)

4. Name the documents described by the statements given below as used in international trade.

(4 marks)

- (a) Requests for payment before goods are delivered
 (b) Shows ownership or title of goods imported
 (c) Shows the country of manufacture of goods
 (d) Shows the transportation charges for goods

5. State **four** characteristics of economic resources.

(4 marks)

6. Highlight **four** disadvantages of long chain of distribution to a buyer.

(4 marks)

7. Outline **four** benefits that would accrue to a businessman who uses liner rather than a tramp steamer.

(4 marks)

8. State **four** services offered by cooperative bank of Kenya to its members.

9. State **four** benefits of SACCOs to its members.

(4 marks)

10. The following transactions took place in the business of Lucky Three Co. Ltd. In the first week of January 2010.

Jan 1 : Balance b/d shs.24,000 cash in hand and shs.14,000 at bank.

Jan 2: Received a cheque from the sale of goods shs.20,000

Jan 3: Sold an old motor vehicle, receiving shs.70,000 cash.

Jan 4: Withdrew from bank shs.3,000 for personal use.

Jan 5: Transferred all cash to the bank, leaving a balance of shs.2,000 only.

Enter the above transactions in a two column cash book and balance it.

(4 marks)

11. Highlight **four** ways in which an organization's property are safeguarded and controlled.

(4 marks)

12. The following information was extracted from the books of Mira Traders.

	Shs.
Opening stock	160,000
Closing stock	200,000
Rate of stock turnover	3 times
Mark up	20%

Required

(i) Gross profit

(2 marks)

(ii) Sales

(2 marks)

13. Highlight **four** measures that a government may take to reduce the mortality rate in a country.

(4 marks)

14. Highlight **four** risks owners of a supermarket may insure against.

(4 marks)

- marks)
15. Highlight **four** ways in which consumers may protect themselves against exploitation by traders. (4 marks)
16. Outline **four** ways in which the government expenditure may stabilize the economy of a country. (4 marks)
17. Identify the types of wholesalers described in the statements given below. (4 marks)
- (a) A wholesaler who trades in a wide variety of human medicine.
 (b) A wholesaler who trades in beans only
 (c) A wholesaler who buys oranges from farmers in rural areas and sells them to other wholesalers in urban areas
 (d) A wholesaler who supplies goods to western parts of Kenya
18. Highlight the various types of after sale services that can be used for product promotion. (4 marks)
19. Currently there has been a general rise in prices of consumer goods and services in Kenya. Outline four negative effects of this trend. (4 marks)
20. The following ledger accounts appeared in the ledger book of Hodari Ltd. (4 marks)

Dr.		Purchases A/C		Cr.	
2/1/05		Creditors	50,000		
10/1/05		Bank	5,000		

Dr.		Bank A/C		Cr.	
4/1/05		Capital	45,000	8/1/05	Creditors 10,000
				10/1/05	Purchases 5,000

Dr.		Creditors A/C		Cr.	
8/1/05	Bank		10,000	2/1/05	Purchases 50,000

- From the above ledger accounts, state the transactions which took place on the following dates. (4 marks)
- (a) 2/1/05
 (b) 4/1/05
 (c) 8/1/05
 (d) 10/1/05
21. Highlight **four** ways in which a warehouse is useful to a manufacturer. (4 marks)
22. Outline four measures the central bank may put in place to reduce the amount of money in circulation. (4 marks)
23. Outline **four** circumstances under which cash with order may be used. (4 marks)
24. State **four** ways through which the government can ensure clean environment. (4 marks)
25. Highlight **four** characteristics of an oligopoly market structure. (4 marks)

MURANG'A SOUTH SUB-COUNTY
465/2
BUSINESS STUDIES
PAPER 2
FORM 4 JULY/AUGUST 2018
2 HOURS

1.
(a) Karimi started a canteen two years ago, but failed one year later. Give **five** reasons which could have caused this. (10 mks)
(b) Explain **five** circumstances under which a country may restrict international trade. (10 mks)
2.
(a) Explain **five** ways of making face to face communication effective. (10 mks)
(b) Explain **five** uses of national income statistics to a country. (10 mks)
3.
(a) Karanja owns a bakery in Kitale town. Explain **five** ways why he carried out division of labor in the process of baking bread in his factory. (10 mks)
(b) The following trial balance was extracted from the books of Kisumu Auto Spares as at 31st December 2016.

Kisumu Auto Spares
Trial Balance
As at 31st December 2016

Details	Dr. Shs.	Cr. Shs.
Capital		400,000
Purchases / sales	200,000	600,000
Debtors / creditors	20,000	60,000
Returns	25,000	15,000
Discounts	6,000	8,000
Carriage inwards	6,500	
Carriage outwards	15,000	
Salaries	10,000	
Stock (1.1.16)	18,000	
Motor vehicles	400,000	
Furniture	150,000	
Rent (house)	49,000	
Commission allowed	50,000	
Advertising	43,500	
Commission received		10,000
	1,093,000	1,093,000

Additional Information

Stock on 31st December 2016 Shs. 20,000

Required

Prepare trading and loss account for the year ended 31st December 2016. (10 mks)

4.
(a) Give **five** differences between a private company and a public corporation. (10 mks)
(b) Makueni County has located fruit processing factory at Kalamba. Explain **five** factors that were considered in locating the firm. (10 mks)
5.
(a) Explain **five** reasons for which trader observe ethical practice in product promotion. (10 mks)
(b) The following books of original entry relate to Huruma Traders for the month of April 2017.

Purchases Journal

Date	Details	Amount Shs.
2017		
April 5	Jahazi traders	340,000
16	Samba traders	220,000

30 Total 560,000

Sales Journal

Date	Details	Amount
2017		Shs.
April 2	Harico wholesalers	849,000
8	Njamaa traders	1,250,000
30	Total	2,099,000

Sales Return Journal

Date	Details	Amount
2017		Shs.
April 15	Harico wholesalers	9,500
20	Njamaa traders	25,000
30	Total	34,500

Purchases returns journal

Date	Details	Amount
2017		Shs.
April 12	Jahazi traders	5,000
24	Samba traders	1,500
30	Total	6,500

Required

Post the above information to the relevant ledger accounts.
mks)

(10)

6.

(a) Explain **five** reasons why the government may find it necessary to impose tax.
mks)

(10)

Using a well labeled diagram, illustrate the effects of an increase in supply on equilibrium price and quantity.

**MURANG'A SOUTH SUB-COUNTY
FORM 4 PAPER 1 MARKING SCHEME**

1. Business activities named

- (a) Processing
- (b) Distribution.
- (c) Provision of services
- (d) Extraction of goods.

4 × 1 = 4 mks

2. Circumstances when a cheque can be dishonored.

- When funds in the account are insufficient.
- When the signature of the account holder differs with the specimen in the bank.
- When the cheque is presented to the bank before the due date.
- Stale cheques.
- If the owner has closed the account.
- If the cheque has been altered.
- If the bank learns about the death of the account holder.

4 × 1 = 4
mks.

3. Calculating Kyalo's initial capital

$$C = CC + D - P - I$$

$$= 7,000,000 + 400,000 - 3,100,000 - 800,000$$

$$= \text{Shs. } 3,500,000$$

4 × 1 = 4 mks.

4. The documents described by the given statements.

- (a) Pro-forma invoice.
- (b) Bill of lading.
- (c) Certificate of origin.
- (d) Freight note/ airway bill.

4 × 1 = 4
mks.

5. Characteristics of economic resources.

- Have money value.
- Have utility.
- Are scarce in supply.
- Are unevenly distributed.
- Have alternative uses.
- Are complimentary.

4 × 1 = 4 mks.

6. Disadvantages of long chain of distribution to a buyer.

- Increased price of a good / service.
- Likelihood of delay of productions.
- Damage of goods due to handling.
- Perishable goods may go bad.

- Feedback from manufacturers take long. 4 × 1 = 4 mks.

7. Benefits accruing using a liner to transport goods

- Liners have fixed schedules / timetables.
- Liners have fixed rates / fares.
- Liners are more reliable than tramps since they do not change routes.
- Cover longer distances than tramps.
- Can carry bulky / heavy / more goods.
- Many provide discounts to its regular users.

4 × 1 = 4 mks.

8. Services of cooperative bank to its members.

- Accepting deposits.
- Providing means of payment.
- Providing / lending loans facilities.
- Providing safe custody of valuable items.
- Offering foreign exchange services.
- Providing advice on financial matters.
- Acting as an agent of stock exchange.

4 × 1 = 4 mks.

9. Benefits of SACCOs to its members.

- Loans and written off in case of death of a member.
- Offer variety of loans.
- Charge low interest rates on loans compared to banks.
- Give dividends to members.
- Offer front office services / banking services to members.
- Encourage members to save.
- Beneficiaries of a member are paid double member's saving in case of death.

10.

Dr. 2 Column Cash Book Cr.

Date	Details	Cash	Bank	Date	Details	Cash	Bank
2010				2010			
Jan 1	Balance b/d	24,000		Jan 1	Balance b/d		14,000
2	Sales		20,000	2	Drawing		3,000
3	Motor vehicle			5	Bank	92,000	
5	Cash	70,000		5	Balance c/d	2,000	
			92,000				95,000

16 × ¼ = 4mks.

11. Ways in which organization's property is safeguarded and controlled.

- Through enhancing security against theft.
- Taking insurance cover.
- Undertaking proper repairs / servicing / maintenance.
- Conducting physical stock taking of each property.

- Ensuring proper handling of the property.
- Recording movement and usage of each property.

4 × 1 = 4mks.

12. Calculations(i) Average stock = $\frac{\text{opening stock} + \text{closing stock}}{2}$

$$= \frac{160,000 + 200,000}{2}$$

$$= \text{shs. } 180,000$$

Cost of goods sold = rate of stock turnover × average stock

$$= 3 \times 180,000$$

$$= \text{shs. } 540,000$$

∴ Mark up = $\frac{\text{GP}}{\text{COS}}$

$$20\% = \frac{\text{GP}}{540,000}$$

$$\text{GP} = 540,000 \times 20\%$$

$$= \text{shs. } 108,000$$

2 × 1 = 2mks.

(ii) Sales = cost of sales + gross profit

$$= 540,000 + 108,000$$

$$= \text{shs. } 648,000$$

2 × 1 = 2mks.

13. Measures of reducing the mortality rate in a country.

- Availability of better health care.
- Food security.
- Minimizing intended conflicts and wars.
- Improving on sanitation.
- Sensitization of public / personal hygiene / vaccination.
- Disaster management / fires / collapsing buildings.
- Apply measures to reduce road accidents.

4 × 1 = 4 mks.

14. Risks to insure against.

- Fire
- Theft and burglary.
- Goods / cash in transit.

- Third party accidents.
- Occupational hazards for employees.
- Risk against possible harm on duty.
- Fidelity guarantee.
- Bad debts.
- Personal accident.
- Consequential loss.
- Sprinkler leakage.
- Public liability.

4 × 1 = 4 mks.

15. Ways in which consumers protect themselves.

- Inspecting goods before buying.
- Enlightening them about their rights.
- Forming consumer associations.
- Reporting cases of exploitation to authorities.
- Avoid traders identified as exploiters.
- Demonstrate peacefully against exploiters
- Complain through the media.
- Familiarize themselves with obligation of traders.

4 × 1 = 4 mks.

16. Ways in which government expenditure stabilizes the economy of a country.

- Provision of security for enabling environment.
- Creation and maintenance of administrative department for effective operation.
- Provision of social services.
- Spending on infrastructure for efficient production.
- Provision of basic goods and services through subsidies.

4 × 1 = 4 mks.

17. Identification of wholesalers.

- (a) General line wholesalers.
- (b) Specialized wholesalers.
- (c) Merchant wholesalers
- (d) Regional wholesalers.

18. Types of after sales services.

- Transport of goods to the customer's premises.
- Installation of technical goods by the seller.
- Seller can guarantee the buyer the availability of spare parts.
- Repair and maintenance of goods bought.
- Warranty for a period of time can be given.
- Training a buyer on how to use a particular product can be done.

4 × 1 = 4 mks.

19. Negative effects of general price increase (inflation).

- Reduces real value of money
- Lowers the standards of living.
- Reduces savings and investments.
- Leads to losses to creditors.
- Retards economic development.
- Erosion of people's purchasing power.
- Increases interest rate.
- Leads to reduced profits.
- Emergence of black market.
- Can lead to political unrest.

4 × 1 = 4 mks

20. Identifying business transactions

- (a) 2/01/05: Bought goods worth shs.50,000 on credit.
- (b) 4/01/05: Owner invested more money shs.45,000 by depositing in business bank account
- (c) 8/01/05: paid creditors shs.10,000 by cheque.
- (d) 10/01/05: purchased goods worth shs.5,000 and paid by cheque.

N.B.: Narration and amount **must** be correct to score.

21. Ways warehouse is useful to a manufacturer

- Some goods mature / improve in quality while in warehouse.
- Goods can be prepared for sale.
- Can offer steady supply of seasoned goods.
- Can have a continuous production process.
- Goods are protected from physical damages

- Can store raw materials.

4 × 1 = 4mks.

22. Measures central bank uses to control / reduce amount of money in circulation.

- Compulsory deposits / special deposits i.e. increase.
- Selective credit control.
- Open market operations.
- Sell securities to the public.
- Raise bank rates.
- Raise cash / liquidity ratio.
- Raising margin requirement.
- Raise the interest rate.
- Use of moral persuasion.
- Use of directives.

4 × 1 = 4mks.

23. Circumstances where cash with order is used.

- Where the business is conducted through post / mail order / business.
- Where the buyer is new to the seller.
- Where the buyer credit worth is in doubt.
- When the seller policy is not to advance credit.
- When the seller wants to avoid the high cost of debt collection.
- When the seller needs working capital.
- When the seller wants to avoid debtors record maintenance.

4 × 1 = 4mks.

24. Ways in which the government can ensure a clean environment.

- Through increasing expenditure on waste disposal management / recycling.
- By passing laws enforcing conservation of the environment.
- Providing funds in research and better methods of managing / conserving the environment.
- Encourage and promote conservation of forest cover.
- Training / educating personnel on conservation issues.
- By awarding individuals / firms / institutions that contribute to conservation of environment.

4 × 1 = 4mks.

25. Characteristics of an oligopoly market structure.

- Firms are independent.
- Products are close substitutes.
- There is uncertainty of behavior of firms.
- The market comprises a few firms.
- There is limiting factors to entry.
- Firms may engage in price wars.
- The demand curve is kinked.
- There may be price rigidity.

4 × 1 = 4mks.

MURANG'A SOUTH SUB-COUNTY

FORM FOUR MARKING SCHEME PAPER 2

1.

(a) Causes of a business failure

- Inadequate capital to sustain / run the business.
- Inappropriate marketing leading to low sales.
- Stiff competition to cope up with.
- Inadequate management skills to operate
- Inadequate manpower to manage.
- Poor technology leading to low quality goods / services.
- Lack of market due to low income of buyers.
- Poor pricing which makes goods / services too expensive to attract customers.
- Political instability / insecurity which hinder smooth running of the business.
- Poor infrastructure which hinder access to raw materials / market.
- Lack of planning to accommodate future changes.
- Poor allocation of resources leading to wastage.
- Poor customer relation leading to loss of market.
- Poor time management which hinder accomplishment of tasks.

5 × 2 = 10mks.

(b) Circumstances under which restricts international trade.

- Need to protect local / infant industries against foreign competition.
- To control dumping – entry of sub standard goods which adversely affect economy.
- To correct balance of payment deficit to reduce payment on imports.
- To prevent harmful products to protect health of consumers.
- Where goods involved are security risk to the country to ensure peace and stability.
- To counter the actions of trading partners as a retaliatory measure.
- To avoid imported inflation arising from overpriced imports.
- To safeguard local employment this may be lost due to entry of cheap imports.
- Need to avoid over reliance on imports which may lead to political blackmail.
- Where there is need to avoid over exploitation of resources which may cause their depletion.
- Need to build reserves on strategic commodities to avoid shortages in meeting local demand.

5 × 2 =
10mks.

2.

(a) Ways of making face to face communication effective.

- Clarity of message – so as to avoid misunderstanding / ambiguity.
- Use of non-verbal cues / gestures – to clarify messages.
- Nearness / proximity of parties being close to each other or within communicating range.
- Use of a common language – to enhance understanding of the message.
- Making message concise / brief – to avoid unnecessary details / retain attention / concentration.
- Positive attitude of parties- to make them listen to each other / avoid prejudgment.
- Good listening / attentiveness – to get the message being sent / presented.
- Use of simple language / non-technical terms – for the receiver to understand the message.

5 × 2 = 10mks.

(b) Five uses of national income statistics.

- Helps in measuring the economic performance of the country in terms of output of goods / services / per capita income.
- Used in measuring economic performance of a country over time.
- Used to compare performance of one country with other countries.
- Used to determine / compare contribution of the various sectors to the national economic basket.
- Provide the necessary information for economic planning.
- Used to measure / compare the regional distribution of the wealth / different economic groups.
- Acts as barometer of saving / investment level.
- Necessary in making investment decisions especially by entrepreneurs.

5 × 2 = 10mks.

3.

(a) Benefits of division of labor

- (i) Less time spent – faster / quicker/ speed/ less movement by workers changing from one work to another.
- (ii) Increased production – quality output increases / people become adapted / experts / specialists at item production as they do it repeatedly increasing production.
- (iii) Standard goods / uniform goods – goods produced are of uniform quality due to use of machines
- (iv) Increased use of machines / mechanization / work can be automated leading to lower cost of production /

making work easier / efficient.

- (v) Better / improved management – facilitating account ability / staffing evaluation / supervision.
 - (vi) High quality goods / services produced – people concentrate in doing jobs for which they are best suited where quality of output improves / repeating the same task.
 - (vii) Increased creativity / innovation – the organization may tap workers talents and skills which may help to modify existing products.
 - (viii) Improve efficiency – due to better use of resources / improves image / reputation of the organization.
- Any 5 × 2 = 10mks.

(b)

Furahi Tena Traders
Trading, Profit and Loss Account
For the year ended 31st December 2016

Dr.		Cr.	
	Shs.	Shs.	
Opening stock	18,000	Sales	600,000
Purchases	200,000	Sales return	(25,000)
Carriage inwards	6,500	Net sales	<u>575,000</u>
Purchases returns	(15,000)		
191,500	_____		
Goods available for sale	_____		
209,500	_____		575,000
Closing stock	_____		
(20,000)	_____		
Cost of goods sold	_____		
189,500	_____		
Gross profit c/d	_____		
385,500	_____		
	<u>575,000</u>		
Expenses		Incomes	
Carriage outwards	15,000	Gross profit b/d	385,500
Salaries	10,000	Discounts received	8,000
House rent	49,000	Commission received	10,000
Commission allowed	50,000	Total incomes	<u>403,500</u>
Advertising	43,500		
Total expenses	167,500		
Net profit	<u>236,000</u>		<u>403,500</u>
	<u>403,500</u>		<u>403,500</u>

20 × ½ = 10mks.

4.

(a) Differences between a private company and a public corporation.

Private Company	Public Corporations
(i) Formed under company's act	(i) Formed under act of parliament
(ii) Managed by board of directors appointed by shareholders.	(ii) Managed by board of directors appointed by the President / government.
(iii) Capital from selling of shares.	(iii) Capital from the government.
(iv) Owned by the shareholders.	(iv) Owned by the government/ public
(v) Provide various goods / services to the public / people.	(v) Provide essential goods / services to the public.
(vi) It is profit oriented to the owner.	(vi) It is service oriented to the public.
(vii) Minimum membership is 2 and maximum is 50.	(vii) No minimum and maximum membership.
(viii) Losses shared by the owners (shareholder)	(viii) Bailed out by the government in case of losses.

(b) Factors considered when locating fruit processing firm at Kalamba

- (i) Nearness to raw materials – firms that produce perishable goods are located near the market in order to cut down distribution cost.
- (ii) Availability of labor – use of labor intensive methods of production. Requires sufficient labor supply.
- (iii) Room for expansion – a firm should be located at a place where there is enough space to increase operations.
- (iv) Availability of water – due to the many production activities.
- (v) Availability of power – important for production activities.

- (vi) Government policy – sometimes the government influences the location of the firms in order to reduce the original imbalance.
- (vii) Climatic factors – the climate at Kalamba encourages farmers to plant fruits.
- (viii) Availability of auxiliary services – e.g. K rep bank, FSA, post office e.t.c.
- (ix) Security and political stability – the region is politically stable which encourages farmers to concentrate in farming.

Any 5 × 2 = 10mks.

5.

(a) Reasons for which traders observe ethical practice in product promotion.

- (i) To avoid misleading the customers by making false claim about their products.
- (ii) To ensure that consumers are not offended by not making use of appeals that goes against their cultural values.
- (iii) To avoid exploiting certain groups like children since they lack knowledge / experience that understand the purpose of appeals.
- (iv) To avoid negative influence of the consumers that may lead to immorality / ill health.
- (v) To avoid portraying rival businesses negatively / sabotaging competitors in an attempt to capitalize the market / ensure fair competition.
- (vi) To create a positive image / reputation hence maintaining customer loyalty.
- (vii) To abide by the laws of the country / to avoid law suits / conflicts / friction within law enforcement against government.
- (viii) To avoid environmental pollution / degradation by not hindering / making excessive noise / using environmental friendly promotion materials.

5 × 2 = 10mks.

(b) Ledger accounts**(i) Purchases ledger**

Dr.	Jahazi Traders A/C	Cr.
2017	Shs. _____	2017
April 12: Purchases Returns	5,000	April 5: Purchases
30: Bal c/d	335,000	340,000
	<u>340,000</u>	<u>340,000</u>

Dr.	Simba Traders A/C	Cr.
2017	Shs. _____	2017
April :24 : Purchases returns	1,500	April 16: Purchases
30:	218,500	220,000
	<u>220,000</u>	<u>220,000</u>

(ii) Sales ledger

Dr.	Harico Wholesalers A/C	Cr.
2017	Shs. _____	2017
April 2 : Sales	849,000	April 15 : Sales returns
	<u>849,000</u>	30: Bal c/d
		839,500
		<u>849,000</u>

Dr.	Ujamaa Traders A/C	Cr.
2017	Shs. _____	2017
April 8 : Sales	1,250,000	April 20: Sales returns
	<u>1,250,000</u>	30: Bal c/d
		1,225,000
		<u>1,250,000</u>

(iii) **General ledger**

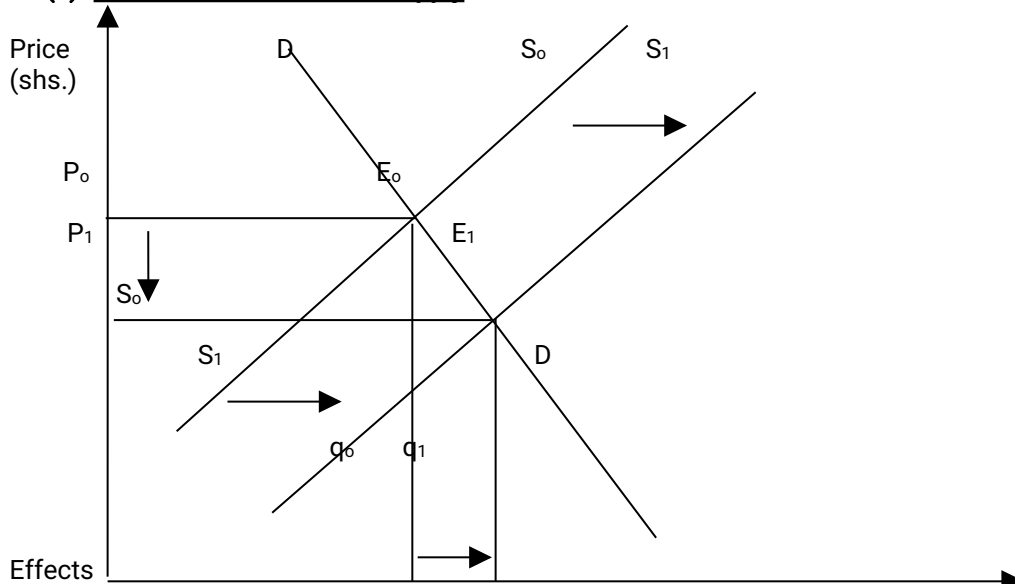
Dr.		Purchases A/C		Cr.	
2017	Shs.	2017	Shs.		
April 30 : Total creditors	560,000	April 30 : Bal c/d	560,000		
Dr.		Sales A/C		Cr.	
2017	Shs.	2017	Shs.		
April 30 : Bal c/d	2,099,000	April 30: Total debtors	2,099,000		
Dr.		Purchases Return A/C		Cr.	
2017	Shs.	2017	Shs.		
April 30 : Bal c/d	6,500	April 30: Total creditors	6,500		
Dr.		Sales Return A/C		Cr.	
2017	Shs.	2017	Shs.		
April 30 : Total debtors	34,500	April 30 : Bal c/d	34,500		

6.

(a) **Reasons why government impose tax**

- (i) To raise government revenue – to finance government expenditure / activities.
- (ii) To control inflation – imposing taxes reduces money supply through reducing people’s disposable income.
- (iii) To reduce income distribution – by taxing the rich more than the poor and spending that money to finance activities that benefit the poor in the society.
- (iv) To discourage importation of certain products – in order to boost local production / protect local industries from stiff competition.
- (v) To correct unfavorable balance of payments – by taxing imports more in order to discourage their importations.
- (vi) To discourage consumption of certain products – which can be harmful to consumer e.g. beer, cigarettes etc

(b) **Effects of an increase in supply**



- (i) Equilibrium price **decrease** from P_0 to P_1
- (ii) Equilibrium quantity **increase** from q_0 to q_1
- (iii) Supply curve shift to the **right** from S_0S_0 to S_1S_1 .

10 × 1 = 10mks.

**KIENI SUB-COUNTY
BUSINESS STUDIES
PAPER 1
TIME: 2 HOURS
ANSWER ALL QUESTIONS**

1. Identify **three** business activities carried out in Nyeri County. (3Mks)

2. Identify the machine used for the following purpose. (4Marks)

Statement	Machine
a) Destroy unwanted documents	
b) Print postage stamp impressions on envelopes	
c) Printing and recording cash sale receipts	
d) Printing documents together	

3. State a unit of carriage for each of the following modes of transport. (3 marks)

Mode	Unit of carriage
a) Porterage	
b) Air	
c) Sea	

4. State **four** disadvantages of advertising through the television. (4 Marks)

5. Highlight **four** factors that may contribute to higher levels of national income in a county. (4 Marks)

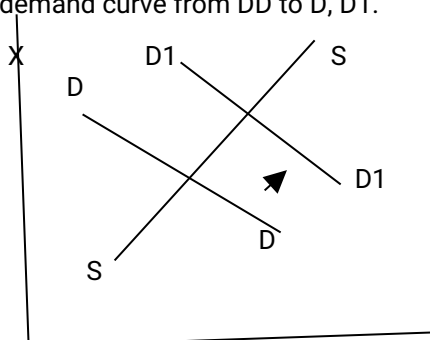
6. State **four** functions of the central bank. (4Marks)

7. State **three** methods used to restrict trade between countries (3 Marks)

8. Mary completed form four last year and decided to start a simple shop. Give **four** advantages Mary gets from her business. (4 marks)

9. Outline **four** barriers to effective communication. (4Marks)

10. The diagram below shows the demand for a commodity A over a given period of time. Give **four** causes for change of demand curve from DD to D, D1. (4 Marks)



11. Classify the following economic resources. (4 marks)

Resource	Classification
a) Oil	
b) Ship captain	
c) Hydroelectric power plant	
d) Standard gauge railway	

12. Match the following types of unemployment with the correct statement: residual, frictional, structural, open, disguised.

(4 Marks)

Statement	Type of unemployment
-----------	----------------------

(a) Withdrawal of worker does not affect output	
(b) Arises out of physical challenges/disabilities	
(c) Ignorance of existence of a job opportunity	
(d) People choose not to work despite availability of jobs	

13. Identify **four** sources of finance for a government. (4 Marks)
14. Name **four** essentials of a warehouse. (4 Marks)
15. Highlight **four** advantages of division of labour and specialisation. (4 Marks)
16. Outline **four** principles of a co-operative society. (4 Marks)
- 17.
18. The following assets and liabilities belong to Chaka trader on 1st March 2016.

Capital	120,000
Machinery	80,000
Creditors	10,000
Debtors	20,000
Stock	25,000
Bank	5,000

On 2nd March the following transactions took place

(i) Purchase goods worth ksh. 15,000 on credit

(ii) Received a cheque of ksh. 10,000 from a debtor

Required:

Prepare a balance sheet as at 2nd March 2016 after the transactions took place. (7 Marks)

18. State **four** negative effects on inflation on the economy. (4 Marks)
19. Identify **four** factors that may attract firms to an area. (4 Marks)
20. Highlight **four** circumstances under which an insurance company may re-insure itself. (4 Marks)
21. State **four** features of an oligopoly market. (4 Marks)
22. Identify **four** factors that determine amount of money held by an individual for transaction motive. (4 Marks)
23. Mention **four** goals for economic development. (4 Marks)
24. State **four** reasons why the government find it necessary to protect consumers from traders. (4 Marks)
25. State **four** factors that influence entrepreneurship practices in Kenya. (4 Marks)

**KIENI SUB-COUNTY
BUSINESS STUDIES
PAPER 2
TIME: 2 ½ HOURS**

Answer five questions

1. (a) Explain **five** functions of the Central Bank of Kenya. (10 Marks)
 (b) Using a well labelled diagram explain the circular flow of income in a two sector economy. (10 Marks)
2. (a) Explain **four** disadvantages of pipeline transport. (8 Marks)
 b) The following trial balance was extracted from the books of Mwananchi limited as at 31st December 2010.

Mwananchi limited
 Trial balance
 As at 31st December 2010

Account	Dr	Cr
purchases	140,000	
advertising	8,000	
Stock 1/1/2010	25,000	
sales		190,000
Fixed assets	164,000	
creditors		22,200
debtors	21,000	
salaries	28,000	
Bank overdraft		20,200
Return outwards		4,800
Cash in hand	5,000	
Rent expenses	20,800	
Return inwards	3,000	
capital		177,600
	<u>414,800</u>	<u>414,800</u>

Prepare:

- (a) Trading, profit and loss account for the period ended 31st Dec 2010. (7 Marks)
 (b) Balance sheet as at 31st Dec 2010 (5 Marks)

3(a) The following transaction took place at Mwanzo wholesalers during the month of May 2018

- May 1: Balance cash ksh. 2,900, bank ksh. 65,400.
 May 2: Mwangi paid his account of ksh. 12,000 by cheque less 2.5 % cash discount.
 May 3: Apid Mukori investment sh. 10,000 by cheque less 5 % cash discount.
 May 8: Withdrew ksh. 10,000 cash from bank for business use.
 May 11: Kamau settled his account of ksh. 27,300 by cheque having deducted 2.5 % cash discount.
 May 15: Paid wage ksh. 9,000 cash.
 May 20: Chege paid his account ksh. 4,000 in cash deducting 2.5 % cash discount.
 May 25: Bought furniture's and fittings and paid by cheque ksh 25,000.
 May 28: Cash sale ksh.25,000.
 May 29: Deposited ksh. 25,000 from the cash till into the business bank a/c.
 May 30: Paid Wagura ksh. 6,000 sh in cash less cash discount of 5 %.
 May 31: Paid Kairu ksh. 41,800 by cheque having deducted 5% cash discount.

Prepare a **Three** column cash book dully balanced.

- (b) Explain **five** circumstances that may make a bank reject a cheque. (10 Marks)
4. (a) Outline **five** differences between direct production and indirect production. (10 Marks)
 (b) Explain **five** ways through which insurance firms contribute to economic development of a country. (10 Marks)
5. (a) Explain **five** benefits of a high population to a country. (10 Marks)
 (b) Outline **five** differences between a sole proprietorship and a public limited company. (10 Marks)
6. (a) Explain **five** benefits to a business that has a good business plan. (10 Marks)
 (b) Explain **five** factors that may lead to a balance of payment disequilibrium. (10 Marks)

**KIENI SUB-COUNTY
MARKING SCHEME
BUSINESS STUDIES****PAPER I****1. Three business activities in Nyeri County**

- a) Extraction of raw materials
- b) Processing of raw materials
- c) Manufacturing goods
- d) Construction
- e) Trade
- f) Provision of services
- g) Distribution

(4 X 1 = Marks)**2. Identify machines and their uses**

- a) Paper shredder
- b) Franking machine
- c) Cash register
- d) Stapling machine

(4 X 1 = 4 Marks)**3. Units of carriage**

- a) Portage- human
- b) Air – aeroplane/chopper/ airship/hot air balloon
- c) Sea – ship/boat/canoo/ferry sub marine/yacht /steamer

(3 X1=3 Marks)**4. Disadvantages of advertising through the television**

- a) Are expensive to buy
- b) Can be affected by mechanical breakdown and power failure
- c) Its costly to advertise through television
- d) It's not appealing due to age and gender differences
- e) Can be affected by bad weather
- f) It's not long lasting/not permanent

(4 X1= 4 Marks)**5. Factors contributing to higher levels of national income.****(4 Marks)**

- a) Natural resource endowment
- b) Availability of capital
- c) Availability of skilled labour
- d) Application of modern technology
- e) Foreign investment into the country
- f) Political stability /secure business environment

6. Functions of central bank**(4 Marks)**

- a) Issuing of currency
- b) Acts as a banker commercial bank's
- c) Controlling functions and operations of central bank

- d) Act as a link to banks and other financial institutions
- e) Maintain stability in exchange rate
- f) Lender of last resort
- g) Facilitates clearing of cheques
- h) Administering public debt
- i) Controlling monetary system

7. Methods of trade restrictions**(3 Marks)**

- a) Tariffs
- b) Quota
- c) Total ban/embargo
- d) Administrative bottle necks
- e) Foreign exchange control
- f) Moral persuasion

8. Advantages of starting a small scale business of Mary owner**(4 Marks)**

- a) Self-employment
- b) Easy to raise capital
- c) Easy to start
- d) Low cost of running the business
- e) Assured of regular customer because the business permanent

9. Barriers to effective communication**(4 Marks)**

- a) Poor timing
- b) Lack of common language
- c) Negative attitude
- d) Poor choice of media
- e) Poor listening
- f) Bad weather
- g) Geographical barriers
- h) Age difference

10. Reason for shift in demand curve**(4 Marks)**

- a) Increased in consumers' income
- b) Change in consumers tastes, fashions and preferences.
- c) Favorable climatic conditions
- d) Increase in population
- e) Future expectation of increase in price

11. Classifying economic resources**(4 Marks)**

- a) Natural
- b) Human
- c) Man made
- d) Man made**

12. Types of employment**(4 Marks)**

- a) Disguised
- b) Residual
- c) Frictional
- d) Open /voluntary

13. Sources of public finances (4 Marks)

- a) Fines imposed by courts to offenders
- b) Rent and rates paid for use of government property
- c) Dividends and profits earned from government direct investment
- d) Interest earned on loans advanced by government
- e) Proceeds from sale of government property
- f) Taxes
- g) Government borrowing

14. State four essentials of a warehouse (4 Marks)

- a) Suitable location
- b) Appropriate equipments and machines
- c) Appropriate structures
- d) Adequate and skilled labour
- e) Suitable location
- f) Adequate security
- g) Compliance with legal requirements
- h) Special facilities for special goods
- i) Adequate space
- j) Clear operation procedures

15. Advantages of division of labour (4 Marks)

- a) Work is done faster
- b) High quality of goods are produced
- c) Output is increased
- d) Development of new talents and innovation
- e) Use of machines is made possible
- f) Enhancement of workers' skills
- g) Facilitates easier planning and management of work
- h) Workers suffer less fatigue

16. Principles of a co-operative society (4 Marks)

- a) Democratic administration
- b) Open and voluntary membership
- c) Education and training of members
- d) Co-operation with other co-operatives
- e) Payment of dividend to members
- f) Limited interest on capital
- g) Limit on number of shares one can purchase

17. Chaka traders**Balance sheet
As at 2nd march 2016**

Sh.		Sh.	
Machinery	80,000	Capital	120,000
Bank	15,000	Creditors	25,000
Debtors	10,000		
Stock	40,000		
	145,000		145,000

18. Negative effects of inflation

- a) Weaken value of local currency
- b) Contractors lose their earnings
- c) Decline in living standards of people earning fixed income
- d) Lenders loose to borrowers
- e) Discourage savings
- f) Increase cost of implementing developments plans
- g) Balance of payment deficit
- h) Fall in investment- leading to decline in employment levels
- i) Conflict between employer and employee leading to industrial interest

19. Factors that may attract firms into a given area. (4 Marks)

- a) Poor skilled labour force
- b) Availability support services e.g. banks insurance forms
- c) Availability of raw materials
- d) Availability of power
- e) Government policy
- f) Security
- g) Room for expansion
- h) Good infrastructure

20. Circumstances under which insurance companies re- insure**(4 Marks)**

- a) When it's the government policy
- b) When there need to spread risk
- c) When value of profit is too high
- d) Where possibility of risk occurring is very high.
- e) When the company covers many risks

21. Features of oligopoly**(4 Marks)**

- a) Few settlers
- b) Price and output decisions are interdependent
- c) Action of each firm may lead to reaction by other firms
- d) There could be rivalry between firms leading to price wars
- e) Firms deal with homogenous/similar/close substitutes but differentiated in terms of shape, colour or price
- f) There are limiting factors to entry. e.g. capital technology

22. Factors determining transaction motive of money**(4 Marks)**

- a) Individual income levels
- b) Interval between receipts of incomes
- c) Individuals spending habits
- d) Price of commodities
- e) Availability of credit

23. Goals of development**(4 Marks)**

- a) Attain high /sustainable economic growth
- b) Alienation of poverty
- c) Provision of adequate health facilities
- d) Food security – enough food
- e) Provision of security- maintain political stability
- f) Environmental conservation
- g) Diversification in the economy
- h) Attain equitable distribution of income
- i) Alleviate unemployment
- j) Enhances self-esteem.

24. Reason for consumer protection**(4 Marks)**

- a) Provision of essential services at fair prices
- b) Ensure provision of quality products
- c) Protect consumers from misleading advertisements
- d) Protect them from sale of harmful products
- e) Protect them from underweight products

25. Factors influencing entrepreneurship practices**(4 Marks)**

- a) Availability of market
- b) Availability of good infrastructure
- c) Availability of credit facilities
- d) Legal restrictions
- e) Availability of technology
- f) Availability of training and consultancy services
- g) Prevailing political climate
- h) Levels of taxation
- i) Pricing policy

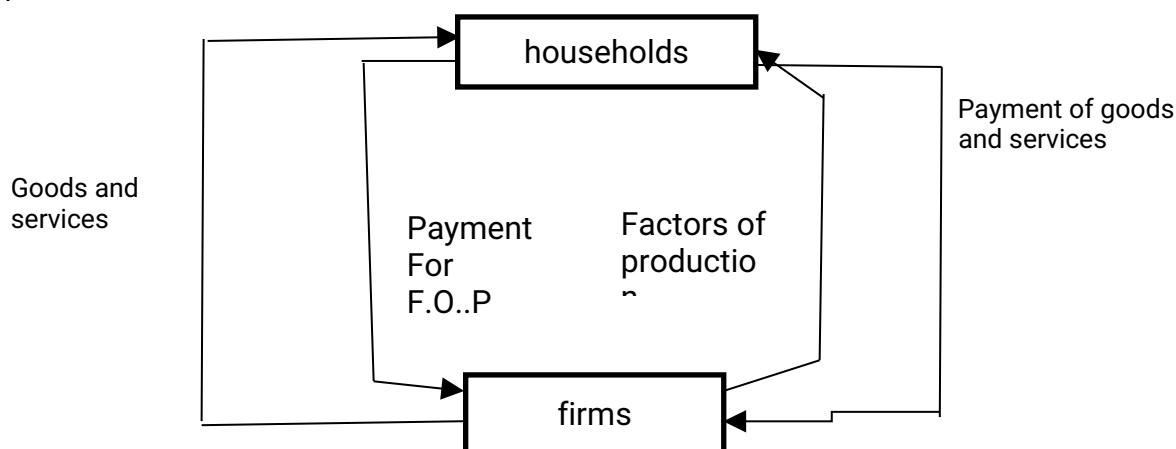
**KIENI SUB-COUNTY
MARKING SCHEME
BUSINESS STUDIES
PAPER 2**

1. Functions of Central Bank (8 Marks)

- a) Acts as commercial banks banker- central bank of Kenya acts the commercial banks banker as the central banks have an account with central bank.
- b) Controlling commercial banks gives instructions to commercial banks on lending procedures and proper banking practices to prevent exploitation of customer and promote confidence in the financial sector.
- c) It's the governments bank- government operates an account with central bank and it's the governments financial adviser on monetary policies
- d) Maintaining stability in exchange rate by setting specific exchange rates a revaluation /devaluation of domestic currency.
- e) Facilitating cheque clearance- cheques are cleaning through cleaning house at CBK where cheques are cleared and balances settled.
- f) Administering public debt – CBK is responsible for management and repayment of public debt.
- g) Control of monetary system through settling bank rates for lending and borrowing cash /inequality ratio, open market operations

(10 marks)

b) Circular flow of income



- ii) Firms produce goods and services that they sell to household
- ii) Households provide firm with factors of production that they need in order to produce goods, and services
- iii) Firms pay for the factors of production
- iv) Households pay for goods and services

2 a) Five disadvantages of pipeline transport

- i) Construction of pipeline is very **expensive**
- ii) It requires construction monitoring which is **expensive**
- iii) It has limited ability to generate **employment**
- iv) A leakage can cause environmental **hazards /losses**
- v) It's not **economical** for transporting small quantities of goods
- vi) Its prone to **sabotage**
- vii) It's not **flexible** – once laid it cannot be adjusted according to demand
- viii) Transport **one product** at a time
- ix) Its **unidirectional** i.e. travel only on one direction(10 marks)

b) Mwananchi limited (7 marks)

Trading, profit and loss a/c

For the period ended 31 st Dec 2010

Opening stock	25,000	Sales	190,000
Add purchases	140,000	Less sales return	3,000
	165,000		

Less return out	4,800	Net sales	187,000
Gas	160,200		
Less closing stock	13,000		
CGS	147,200		
Gross profit c/d	39,800		
	<u>187,000</u>		<u>187,000</u>
Advertising	8,000	Gross profit b/d	39,800
Sales	28,000		
Rent	20,800	Net loss c/d	17,000
	<u>56,800</u>		<u>56,800</u>
Net loss b/d	17,000		

Mwananchi limited

(5 marks)

Balance sheet

As at 31 st December 2010

FA	164,000	Capital	177,600
Debtors	21,000	Less net loss	<u>17,000</u>
Cash in hand	5,000	Net capital	160,600
Stock	13,000	Creditor	22,200
	<u>203,000</u>	Bank overdraft	<u>203,000</u>

3a) 3 Column cash book (10 Marks)**3b) Circumstances that can make a bank dishonour a cheque**

- Insufficient funds in the account- the account holder drawer has insufficient funds below the amount indicated in the cheque
- A stale cheque- if the cheque is presented for pay six months after the date of issue
- The amount in words differs with amount in figures when the amount in words and figure and in words is different the bank cannot establish which is the correct amount.
- If the drawer is dead, loan draft or insane- cheques cannot be honoured, contract cannot be forced or be valid when one party is dead, insane or bankrupt
- If signature of drawer and specimen in the bank are different
- If the cheque is defaced and untidy
- If cheque is post-dated- if the cheque is presented for payment earlier than the due date
- If there are any changes made to the cheque and they are not counter signed. (10 marks)

4. a) Difference between direct and indirect production (10 marks)

Direct production	Indirect production
i) Low quality goods	High quality goods
ii) Low out put	High out put
iii) Traditional methods of production	Use modern methods of production
iv) Goods / services for own use	Goods /services for scale
v) Encourages individualism	Encourages specialisation
vi) Does not encourage invention/innovation	Encourages invention/innovation
vii) Tiring	Not tiring

- Importance of insurance to the economy (10 marks)
 - Employment creation- employ people directly and others indirectly e.g as sales agents and brokers
 - Creating confidence in investors enables investors to invest in risky businesses.
 - Revenue to government – insurance firms pay taxes
 - Enables continuity of businesses in case a risk occurs the insured is compensated
 - Encourages savings- amount contributed as premiums make individual savings.
 - Insurance companies invest in real estate and other ventures

- g) Insurance help spread risk by those insured contributing to a common pool.
- 5 a) Benefits of a high population to a country (10 marks)
- Increased labour supplies due to high number of job seekers
 - Increases market for goods/services due to the large number of consumers
 - Diverse talents. Since in a large population more talented people will enlarge
 - Technological advancement as people are inspired to look for new methods of improving productive
 - Efficient use of local resources as many people rely on them for survival
 - Increased government revenue due to increased number of taxpayers
 - Increased level of investment due to high demand for goods and services

5b) Differences between a sole proprietorship and a public limited company. (10 marks)

Sole proprietorship	Public company
i) Owned by sole proprietorship	i) Owned by shareholders
ii) owner has unlimited liability	ii) Owners have limited liability
iii) managed by owner	iii) Managed by a board of directors
iv) profits enjoyed by owner	iv) Profit shared by shareholders (dividend)
v) owner bears loss alone	v) Losses shared among shareholders
vi) capital raised by owner alone	vi) Capital contributed by share holders
vii) business lack continuity	vii) Business has perpetual existence
viii) registered with local authority	viii) Registered by registrar of companies
ix) Formation procedure is easy/ cheap	ix) Formation procedure is complicated and expensive
x fast decision making	x) Slow decision making
xi Business is flexible	xi) Business is rigid as per objective clause
Xii Owner enjoys secrecy	xii) No secrecy – published trading results
Xiii Owner involved in management	xiii) Owners not involved in daily management activities

6 a) Benefits of a business plan (10 marks)

- A tool for evaluation can be used to determine whether the firm is achieving its goals/objectives and making necessary adjustments changes for comparison purposes
- Sourcing for funds/loans/credit it can be used to convince financiers/investors to provide funding to finance operations
- Gives the firm a competitive edge – the firm is able to understand market operations, competition positioning and penetration
- Guides during implementation of a new business as it acts as a management system in making decisions on day to day basis and reference point for further expansion
- A forecasting tool- analysing SWOT and unforeseen circumstances and how to manage unforeseen circumstances
- As proof of commitment by owners it makes owners committed and able to think critically.
- An evaluation tool- can be used to assess whether business is achieving its objectives or not.

b) Causes of balance of payment disequilibrium (10 marks)

- Fall in volume exports- all factors constant decline in export volume would reduce export earnings causing a deficit
- Devaluation of country's terms of trade- if value of a country's exports reduces relative to that of imports, exports earning less than the value imported.
- Increase in volume of imports- if a country's exports remain constant and increase in volume of imports disequilibrium will occur
- Restriction by trading partners- if a trading partner takes measures that shall reduce imports while the other country may end up importing more
- Less capital inflow compared to outflow- if capital is less than capital outflow
- Overvaluation of domestic currency- it may make exports expensive and discourage exports encouraging imports
- Devaluation of currency by a trading partner. A country's currency is devalued relative to others. Devaluation will encourage exports. A country trading with another that has devalued its currency may end up importing more to that country than its exporting.

**KAHURO /MUGOIRI ZONE
FORM FOUR BUSINESS
PAPER 1**

1. State the term given to each of the following discipline. (4mks)
- Study of how man strives to satisfy his unlimited wanted using limited resources.
 - Study of trade and aids to trade.
 - Study of activities that are carried out in an office.
 - Study of the process of identifying business opportunity and acquiring resources necessary to start and run a business.
2. State the books of original entry into which each of the following transaction would be entered, stating the source documents used in each case. (4mks)

TRANSACTION	SOURCE DOCUMENT	BOOKS OF ORIGINAL ENTRY
a) Where goods are sold on credit		
b) Where goods are sold on cash		
c) Where goods sold on credit are returned		
d) When we return goods previously bought on credit to supplier.		

3. Outline four reasons why an increase in per capital income may not necessarily lead to a rise in the standards of living of the citizens. (4mks)
4. Highlight four ways in which running public corporation may be improved. (4mks)
5. Highlight four main functions of non-bank financial institutions. (4mks)
6. Mention four benefits accrued to the Kenyan Economy as a result of introduction of the Standard Gauge Railway. (S.G.R.)
7. Outline four features of indirect production. (4mks)
8. Complete the following table by indicating the account to be debited and the one to be credited.

Transaction	A/c to be debited	A/c to be credited
a) Started a business by depositing cash into the business bank account.		
b) Purchase of goods on credit		
c) Sold goods on credit		
d) Bought a new motor vehicle by cheque		

9. Give four way in which government may participate in the operation of the state corporation. (4mks)
10. Highlight four ways of using Electronic filing system. (4mks)
11. The following information related to Karibu traders of the year ended 31st December

Details	shs	
Fixed assets		1,840,000
Current assets	400,000	
6yr bank loan	600,000	
Current liabilities	150,000	

- Using a properly drawn balance sheet determine the owner's capital. (4mks)
12. Kassim Retailers sells goods at a markup of 20% .Stock on January 1st, 2015 was Ksh 40,000 and on 31st dec. 2015 stock was worth Ksh 600,000. The rate of stock turnover was 5times. Required; prepare Kassim Retailers Trading Account for the year ended 31st Dec 2015.
13. Highlight three reasons why people keep money instead of other assets. (3mks)
14. State four features of a perfectly competitive market. (4mks)
15. Highrise Enterprises acquired a building valued at shs. 1,000,000 on 3rd February 2010. The building was insured with two insurance companies, Madison and APA for shs. 600,000 and shs. 400,000 respectively. In July 2010, fire damaged the building, causing highrise Enterprise to suffer a loss of 20% of the building value. Determine the contribution made by Madison and APA to cover the loss.

16. State one circumstance under which each of the following source documents may be issued by the trader.
(4mks)
- Invoice
 - Debit note
 - Quotation
 - Credit note.
17. Highlight four measures that the government may take to reduce the mortality rate in a country.
(4mks)
18. Outline four characteristics of basic human wants. (4mks)
19. Juma operates an electronic business in Thika town. Outline four methods he may use to determine prices for his goods other than the forces of demand and supply.
(4mks)
20. Mention possible consequences that may arise due to poor arrangement of goods in a warehouse.
(4mks.)
21. Highlight four factors that must be considered before incurring public expenditure.
(4mks)
22. A firm wishes to introduce a new product into the market outline four factors that should be considered in choosing an appropriate medium for promotion.
(4mks)
23. The following cash transaction took place in the business of Fatuma during the first week of January 2010
- January
- Balances brought down cash sh 12,000 Bank sh35,000
 - Sold furniture for cash shs. 8,000
 - Cash sales sh, 10,000 paid directly to the bank
 - Fatuma took cash sh. 1,500 for personal use.
 - Bought goods worth sh. 15,000 paying partly by cheques sh. 10,000 and the Balances in cash.
- Prepare a two- column cash book (4mks)

DR		TWO – COLUMN CASH BOOK				CR	
Date	Details	Cash	Bank	Date	Details	Cash	bank

24. Give four reasons why one would prefer a letter to a phone to send a message.
(4mks)
25. Outline four disadvantages that a manufacturer would suffer if wholesalers are eliminated from the chain of distribution.
(4mks)

KAHURO /MUGOIRI JOINT EXAMINATION

BUSINESS STUDIES

PAPER II

565/2

1. a) Explain the benefits that a developing country may derive from preparing a proper development plan (10mks)
 b) Explain five factors that encourages entrepreneurship in Kenya today. (10mks)

2. a) Use the following balances from Kenbrick company to prepare Journal entries on 1st January 2016.

	Shs.	
Motor vehicle	230,000	
Machinery	40,000	
Creditors	10,000	
Debtors	5000	
Cash in hand	20,000	
Stock	10,000	
Insurance prepaid	5,000	
Bank	25,000	
Capital	660,000	
Premises	33,500	

- b) Explain five ways through which inflation may be controlled other than using monetary or fiscal policies. (10mks)
3. a) Explain five factors to consider when determining the goods and services to produce in the market (10mks)
 b) Describe five business malpractices that consumers need to be protected against by the government. (10mks)
4. a) Peter who runs a retail store had the following assets and liabilities as at 31st March 2017

	Shs
Premises	100,000
Debtors	4,000
Creditors	16,000
Stock	2000
Bank	60,000
Cash in hand	20,000
Loan from AFC	50,000
Capital	120,000

During the month of April, the following transactions took place

- April 1 – Sold goods at a cost of shs 2000 in cash
 2 – Paid creditors shs 8000 in cash.
 10 – Received shs 2000 from debtors in cash
 15 – Bought a motor van for shs 35,000 paying by cheque
 25 – Purchased goods worth shs 15000 and paid by cheque

Required:

Prepare a balance sheet as at 25th April 2017

- b) Describe five external factors that may negatively affects the operations of the business. (10mks)
5. a) Omondi operates a retail business in his home village. Explain five methods he may use to determine prices for his goods other than the forces of demand and supply. (10mks)
 b) Explain the benefits of the pooling of risks to an insurance company. (10mks)
6. a) Describe five reasons for the increased use of cell phones in banking. (10mks)
 b) The following balance sheet was prepared by the Accounts Clerk of Upenzi Traders.

Upenzi traders

Balance sheet as at 31 December

	Shs		Shs
Land and buildings	770,000	Capital	900,000
Motor vehicles	600,000	Add net profit	<u>28200</u>
Furniture	100,000		1,182,000
Stock of goods	90,00	1 CDC Loan	400,000
Stock of stationery	12,000	Creditors	47,000
Debtors	58,000	Salaries owing	13,000
Cash in hand	160,000	Bank	<u>8000</u>
Insurance advance	<u>4,000</u>		1,650,000
	1,650,000		

Determine the following

- a) Working capital (2mks)
- b) Return on capital (2mks)
- c) Current ratio (2mks)
- d) Capital employed (2mks)
- e) Borrowed capital (2mks)

MUGOIR ZONE
BUSINESS STUDIES
PAPER 1
MARKING SCHEME

1. Term s definition:-
- a) Economics
- b) Commerce
- c) Office practice.
- d) Entrepreneurship @ (4mks)
2. Books of original entry and source documents
- | | | |
|--|--|---|
| Transactions | Source docu: | books of original entry |
| a) Goods sold on credit | sales/invoice/outgoing
Invoice/return invoice | sales journal |
| b) Goods sold on cash | cash receipt/outgoing
Cash sales receipt | cash receipt Journal |
| c) Goods sold on credit
Journal /inward
are returned | credit note issued | sales returns

journal |
| d) Return goods previously
Bought on credit by
Supplier. | credit not received | Return outward Journal/
purchase returns Journal |
3. Increase in per capital income doesn't lead to increase in standards of living.
- i) Differences in expenditure patterns between government and individuals
- ii) It's difficult to measure the welfare.
- iii) May be obtained at the expenditure of leisure.
- iv) High taxes rates may erode the real value of per capital income.
- v) Increase of per capital income can be obtained through the strain of people's health.
- vi) Per capital income is the average hence they are mere statistics.
- vii) Those not involved in generation of National income are also included in calculation in per capital income.
- viii) Inflation affects the purchasing power of citizens (Any four 1x4=mks)
4. Ways of improving public corporations
- 1) Ensuring that appointment of senior and technical post is done on merit.
- 2) Exercising supervision role of the government.
- 3) Continuous training of the staff for development.

- 4) Establishing incentives systems for motivation to the staff.
 5) Setting performances targets to be achieved. (Any four 1x4=4mks)

5. i) provide finances mainly for capital development.
 ii) Provide medium and long term finances
 iii) Provide finances for a specific sector.
 iv) Provide grantee to policy holders who obtain loans from other money lending institutions
 v) Give loans finances to founders only. (Member) (any 1x4=4mks)

6. Benefits of S.G.R.
 - Enable a transporter to plan ahead as they follow a fixed timetable
 - The tickets can be acquired online (online booking)
 - Economical for transportation of heavy and bulky goods.
 - Trains that use the S.G.R are fast compared to vehicles/matatus.
 - Relatively secure as cases of theft and accidents are very rare.
 - Can facilitate carrying of special type of goods e.g. vehicles, containers.
 - No delays because they follow a fixed route on their own thus reducing congestions. (any 4 1x4=4mks)

7. Features of indirect production.
 i) Specialization in a few or one area of production.
 ii) Goods produced satisfy wants both individuals and those of others.
 iii) Results to surplus production of goods and services
 iv) Production is with a view of exchange.
 v) Interdependent of different countries. (any 4 1x4=4mks)

- | | | |
|--|---|---------------|
| 8. Transaction | Acc to debit | Acc to credit |
| a) Starting a business by
Depositing cash into the
Business bank A/c | cash at bank | capital |
| b) Purchase of goods on
Credit | purchase creditors | |
| c) Sold goods on credit | Debtors | sales |
| d) Bought new motor
By cheque | motor vehicle | cash at bank |

9. Ways in which government may participate in state corporation
 - Appointing board of directors.
 - Availing financial support
 - Supervising activities of the corporation.
 - Providing policy guidelines.
 - Auditing their accounts
 - Facilitating training
 - Providing legal advice. (any 4x1=4)

10. Importance of electronic filling
 - Easy access
 - Reduction of labour costs/materials
 - Less storage facilities/less space
 - Less paper work
 - Environmental friendly.
 - Saves time.
 - Offers safety/security.
 - Presentable work
 - Easily portable (any 4x1 = 4mks)
 Determining owner's capital
 Capital = assets – liabilities

$$\begin{aligned} \text{Assets} &= 1840,000 + 400,000 \\ &= 2,240,000 \end{aligned}$$

$$\begin{aligned} \text{Liabilities} &= 600,000 + 150,000 \\ &= 750,000 \end{aligned}$$

$$\text{Markup} = \frac{25}{100} = \frac{\text{GP}}{1600,000}$$

$$\text{GP} = 400,000$$

11. KARIBU TRADERS

Balance sheet as at 31st Dec. 2017.

Assets	shs.	Capital	1490,000
Current assets	400,000		
Fixed assets	<u>1,840,000</u>	Long-term liabilities	
	2240,000	6yr bank loan	600,000
		Current liabilities	<u>150,000</u>
	2240,000		750,000
			<u>2240,000</u>

N.B Must have a well-balanced balance sheet

Trading account

Average Stock = $\frac{\text{Opening stock} + \text{closing stock}}{2}$

$$\frac{40,000 + 600,000}{2} = 320,000$$

(R.O . ST) Rate of stock turnover = $\frac{\text{(cogs) cost of goods sold}}{\text{Average stock}}$

$$\begin{aligned} 320,000 \times 5 \text{ times} &= \text{Cogs} \times \\ \text{Cogs} &= 1600,000 \\ 1600,000 &= 40,000 + P - 600,000 \\ \text{Purchase} &= 2160,000. \end{aligned}$$

$$\text{Mark up } \frac{25}{100} = \frac{\text{GP}}{1600,000}$$

$$\text{GP} = 400,000$$

12. KASSIM RETAILERS

Trading Acc

For the year ended 31st Dec.

	Opening stock	40,000	sales (160000 400, 00)	
Add	purchase	2160,000	2000,000	
	Cost of goods	<u>2200,000</u>		
	Available	2200,000		
Less	closing stock	<u>600,000</u>		
	Cost of sales	1600,000		
	G. profit	2000,000	2000,000	
		(10x2 = 5mks)		

12. Reasons for keeping money instead of assets

- Transaction motive.
- Precautionary motive
- Speculative motive (3mks)

13. Features of perfectly competitive market.

- Large number of buyers and sellers
- Buyers have perfect knowledge of the market conditions
- No government interference.
- No transport/expenses incurred.

- Free entry and exit of firms. (any 4 x 1 = 4mks)
14. Loss make = $\frac{20}{100} \times 1000,000 = 200,000$
 Contribution
- Madison = $\frac{6000,000}{1000,000} \times 200,000 = \text{shs } 120,000$
- APA = $\frac{400,000}{1000,000} \times 200,000 = 80,000$
- (8t X ½ mark = 4mks)
15. Source documents
- Invoice – when demand payment for goods/requesting for payment of goods supplied.
 - Debit note- correcting an undercharge
 - Quotation – when replying to a specific letter of inquiry.
 - Credit note – when correcting an overcharge for goods supplied.
16. measures taken by government to reduce mortality rates
- availing better health care
 - food security
 - minimizing internal conflicts and wars
 - disaster preparedness e.g. floods
 - Creation of an enabling environment so as to create employment.
 - Control use of drugs e.g. alcohol.
 - Control social crimes by providing security
 - Apply measures to reduce road accidents.
 - Improving environment sanitation to prevent spread of diseases e.g. malaria, cholera.
- (any 4 x 1 = 4mks)
17. Characteristics of basic human wants
- One cannot do without them.
 - Satisfied before secondary wants.
 - Are felt needs
 - Cannot be postponed.
18. Factors that determine prices of goods of Juma in Thika town.
- Price control
 - Bargaining /haggling.
 - Tendering & quotation of price.
 - Auction/bidding – making offer for goods and one with the highest offer takes the goods
 - Price discrimination
 - Retail price maintenance-setting according to the producers. (any 4 X 1 = 4mks)
19. Loss of goods
- Delays when realizing the goods/time wastage
 - Contamination of goods
 - Mishandling of goods by the staff which may lead to breakage.
 - Due to poor arrangement - some of the goods may become absolute/no use or even expire.
20. Factors to consider when incurring public expenditure
- Must be economical/no wastage.
 - Flexibility/elasticity that us vary expenditure according to circumstances
 - Sanction – expenditure to be determined by certain authority.
 - Accuracy of expenditure
 - Maximum benefits to the members of the public (ay 4x1= 4mks)
21. Factors to consider in choosing medium of product promotion.
- Target group

- Availability of the medium.
- Cost of the medium
- Speed urgency
- Reliability/geographical coverage.
- Flexibility
- Nature of the product
- Physical characteristic
- Government policy
- Time
- Quality of the product.

(Any 4 x 1 = 4 mks)

22. DR				CR					
DATE		DETAILS	CASH	BANK	DATE	DETAILS	CASH	BANK	
2010					2010				
JAN	1	Bal bl d	1200	35000	Jan	4	Drawings	1500	
	2					5	Purchase	5000	10,000
	3	Furniture	800			5	Balance		
		Sales		<u>10,000</u>		c/d	<u>13500</u>	<u>35000</u>	
			20,000	<u>45000</u>			<u>20,000</u>	<u>45000</u>	
	5	Bal c/d	13500	35000					

23. Prefer letter to phone to send a message

- Provide evidence
- Relatively cheap
- can be used for future reference.
- Appropriate for confidential information.
- No distortion of message.
- Appropriate for complex messages e.g. tables, diagrams, deralled information (any 4x1 = 4mks)

24. Disadvantages to the manufacturer if wholesalers are eliminated.

- Manufacturer will have to break bulk.
- Incur cost of storage.
- Incur cost of transportation of goods to retailers

- Cost of advertising/promoting products.
 - Bear risks associated with distribution e.g. damages changes in price
 - Manufacturer will have to prepare goods for sale i.e. branding, blending, packing
 - Suffer shortage of working capital
 - Manufacturer will have to give credit facilities.
25. Disadvantages to the manufacturer if wholesalers are eliminated.
- Incur cost of storage
 - Incur cost of transportation of goods to retailers.
 - Cost of advertising/promoting products
 - Bear risks associated with distribution. e.g. damage changes/ in price.
 - Manufacturer will have to prepare goods for sales i.e. branding, blending, packing
 - Suffer shortage of working capital
 - Manufacturer may lack specialization.
 - Manufacture will have to give credit facilities.

**KAHURO /MUGOIRI ZONE
MARKING SCHEME
BUSINESS PAPER 2**

1. a) Benefits accruing to a development country from a properly drawn development plan.
- appropriate allocation of resources.
 - Stimulation of people's effort by the government in the desired direction.
 - Convincing donors when soliciting for foreign aid
 - Evaluation of projects and various stages of implementation to assess whether they are in line with expected outcomes.
 - To avoid duplication of projects in various parts of the country.
 - To provide a basis for long term decision making
 - To promote balance regional development
- (5 x 2 = 10)

- b) Factors that encourage entrepreneurships in Kenya
- Government support through favorable government policies / funding
 - Cultural practices that encourage entrepreneurial practices
 - Political stability
 - Availability of market.
 - Availability of capital/loan/credit facilities
 - Good infrastructure
 - Availability of security
 - healthy/fair competition.
 - Need for self-employment and employment to others.
 - Influence by role model.
- 5 x 2 = 10

2a. General Journal

Date	Particulars	Folio	Debit	credit
2005				
Jan 1	Motor vehicles		230,000	
	Machinery		40,000	
	Debtors		5,000	
	Cash in hand		20,000	
	Stock		10,000	
	Prepaid insurance		5,000	
	Bank		25,000	
	Premises		335,000	
	Creditors			10,000
	Capital			660,000
	(being a record of assets and liabilities as at 1 st Jan. 2015)			
			670,000	670,000

- b) Ways of controlling inflation
- Restricting increase in wages and salaries by the government through wage guidelines.
 - Restricting importation of inputs that might contribute to imported inflation.
 - Price control
 - Restricting terms of hire purchase and credit terms of sale.
 - Controlling exports to avoid shortages.
3. a) Factors to consider when determining the good and services to produce.
- Profitability - Business tend to provide goods and services that would yield maximum profit.
 - level of competition – A firm should provide goods that meet least competition.
 - Availability of resources – A firm can produce commodities for which necessary resources are available e.g. raw materials, labour, equipment and appropriate technology.
 - Government policy – A firm should produce goods and services that are favoured by government policy.
 - Demand/market – A firm will produce commodities that have highest demand.
 - Cost of production
- b) Business malpractices that consumers need to be protected against by government.
- Overpricing – Some business people tend to exploit consumers by charging exorbitant prices.
 - Operating business in unhealthy conditions.
 - False measurements and weights – selling goods that are alleged to be of the right measure and yet they are not.
 - Misleading advertisements; misleading consumers about a product by using false advertisements.

- v) Expired goods.
- vi) Hoarding
- vii) Structural safety – buildings should be as firm as possible to avoid collapse while at use
- viii) Breach of contract.

4.a) workings

Stock :	$2,000 + 15,000 - 2,000 + 15,000$ (1)
Cash:	$20,000 + 2,000 - 8,000 + 2,000 = 16,000$ (1)
Creditors:	$16,000 - 8,000 = 8,000$
Debtors:	$4,000 - 2,000 = 2,000$
Motor van:	35,000
Bank:	$60,000 - 35,000 - 15,000 = 10,000$

Kamau Balance sheet as at 25th April 2001

Premises	100,000	Capital	120,000
Motor van	35,000	Loan from A/C	50,000
Stock	15,000	Creditors	8,000
Debtors	2,000		
Bank	10,000		
Cash	<u>16,000</u>		
	178,000		178,000

b) External factors that may negatively affect business operations

- i) Low income
- ii) Reduced /Low population
- ii) Political instability
- iv) Using outdated technology in production
- v) Unhealthy competition
- vii) Natural calamities e.g. floods, drought, landslide.

5.a) (a) Bargaining/Haggling

(b) Price control/ Abiding by government policy.

- c) Tendering – offers are invited to quote for price – goods are sold to buyers with quotation that best meets Omondi's expectation
- d) Sale by Auction – Bidders make offers for goods and the bidder with the highest offer takes the goods.
- f) Price discrimination

b) Benefits of pooling of risks to an insurance company

- a) It enables an insurance company to create a common pool of funds from the regular payments of premiums from different clients.
- b) Enables insurance company to compensate those who suffers losses when risks occurs
- c) Insurance company is able to spread risks over a large number of insured people.
- d) Surplus funds can be invested in giving out loans, buying shares in real estates.
- e) It enables insurance companies to meet its operating costs by using the pool of funds.
- f) It enables the company to re-insure itself with another insurance company.

6. a) Reasons for increased use of cellphones in banking

- a) It saves on time since there is no travelling and queuing for services.
- b) It reduces paperwork by eliminating the need for physical files and other documentation.
- c) The use of pin enhances on security and therefore theft of money is eliminated.
- d) Increased ownership of mobile phones, they are cheap and affordable by majority of consumers.
- e) Transaction can be done anytime any day.
- f) It's easy to obtain credit facilities e.g. M- Shwari.

b) workings

- a) working capital = total current assets – total current liabilities
 $= 90,000 + 120,000 + 58,000 + 16,000 + 4,000 = 180,000$
 Total current liabilities = $47,000 + 13,000 + 8,000 = 68,000$
 WC = $180,000 - 68,000 = 112,000$

b) Return on capital = $\frac{\text{Net}}{\text{Capital}}$

$$= \frac{282,000}{900,000}$$

$$= \frac{47}{150} \text{ Or } 0.3133$$

c) current ration = $\frac{\text{CA}}{\text{CL}}$

$$\frac{180,000}{45} = 45 \text{ or } 2.647$$

6,8000 17

- d) Capital employed = total assets – current liabilities
 = 1,650,000 – 68,000 = 1,582000.
- e) Borrowed capital = total long-term liability = 400,000

MURARANDIA / KAHURO JOINT EXAMINATION

565/1

Business studies

Paper 1

Trial exam

2 hours

1. Highlight four characteristics of economic resources. (4 mks)
2. Mention four factors of production and their rewards
3. State the office machine described by the following statements. (4 mks)

Use

Machine

- (a) A machine that is used for preparing cash receipts
- (b) A machine used for trimming document into required shape and size _____
- (c) A machine which is used for cutting unwanted documents into required shape and size _____
- (d) A machine used for cutting unwanted documents into tiny pieces to avoid such documents getting into unwanted hands. _____
4. Pamela sold 40 bags of beans at sh. 3,000 each to a retailer. The retailer was allowed a trade discount of 10% and a cash discount of 2% if payment was made before 21 days. Calculate the amount the retailer paid if he settled his debt on the 5th day?
 (4 mks)

5. State four reasons for privatizing public corporations. (4 mks)
6. Highlight four policies that a business person may find useful for his/her business. (4 mks)
7. State four factors that may influence appropriate means of transport. (4 mks)

8. The following information relates to Kiboko Traders as at 31st December 2010.

Details	Shs.
Total drawings	400,000
Added investments	800,000
Capital on 31 st Dec. 2010	7,000,000
Profit	3,100,000

Calculate Kiboko's initial capital (3 mks)

9. Highlight four uses of National Income statistics. (4 mks)
10. The diagram below shows shift in supply curve from S₀ to S₁. Outline four factors that could have caused the shift shown below. (4 mks)
11. According to recent findings, unemployment is major problem facing the youth in Kenya. State four measures that the Kenyan government should take to solve the problem. (4 mks)
12. For each of the following transaction of Kinyua traders, identify the source document and the journal in which the information is recorded. (4 mks)

	Transaction	Source document	Journal
(a)	He bought goods worth ksh.40,000 on credit from jitahidi		
(b)	Kinyua returned some goods in jitahidi traders worth ksh. 2000		
(c)	Peter a customer bought goods worth ksh.5,000 on credit		
(d)	Peter returned goods worth Ksh. 1000 to Kinyua traders		

13. The following information was extracted from the books of Mangi Traders on 30th June 2009.

Item	Shs
Purchases	720,000
Opening stock	165,000
Closing stock	?
Sales	980,000

Margin 20%

Prepare the trading account of Maingi Traders for the year ended 30th June 2009. (5 mks)

14. Outline four ways in which a firm may be affected negatively by inflation. (4 mks)
15. State four characteristics of under developed countries. (4 mks)
16. Name the documents described by the statements given below as used in International Trade. (4 mks)
- (a) Requests for payment before goods are delivered.
 - (b) Shows ownership or title of goods imported.
 - (c) Shows the country of manufacture of goods
 - (d) Shows the transportation charges for goods.
17. Highlight four functions of money. (4 mks)
18. Outline four circumstances under which personal selling is appropriate. (4 mks)
19. Given below are transactions of Khan Enterprises. Enter them into the appropriate "T" accounts. (Balancing not required.)
- 20 – 9
- August 1: Started business with cash at bank sh.50,000
- " 3: Paid salaries sh. 2,000 by cheque
- " 5: Bought goods on credit sh. 13,000
- " 8: Withdrew sh. 5,000 from bank for office use. (4 mks)
20. Highlight four factors that may promote entrepreneurship in Kenya. (4 mks)
21. Outline four features of a bonded warehouse. (4 mks)
22. Outline four benefits that may accrue to a firm as a result of increase in its scale of production. (4 mks)
23. Give four examples of direct taxes. (4 mks)
24. State four reasons why the government licenses business activities.
25. Highlight four essential elements of communication. (4 mks)

MURARANDIA / KAHURO JOINT EXAMINATION**565/2****BUSINESS STUDIES****PAPER 2****TRIAL EXAM 2018**

1. (a) Explain five factors that influence the demand of a product. (10 mk)
- (b) Explain five ways in which external environment can negatively affect a business. (10 mks)
2. (a) Explain five roles played by intermediaries in the distribution channel. (10 mks)
- (b) Explain five postal services that facilitate communication. (10 mks)
3. (a) Explain five features of a perfectly competitive market structure. (10 mks)
- (b) On 1st October 2010, XYZ traders had sh.110,000 cash in hand and sh. 500,000 at bank. During the month, the following transactions took place;
- 2010
- Oct 2: Cash sales directly banked sh. 70520
- Oct 3: bought stationery in cash sh. 9,000
- Oct 4: bought stock sh. 40,000 and the payment was made next month in cash.
- Oct 5: paid Josh, a creditor sh.188,000 by cheque in full settlement of his account after deducting 6% CASH DISCOUNT.
- Oct 10: Received a cheque for sh. 117,600 from Esther after allowing her a cash discount of sh.2400.
- Oct 12: Sold goods worth sh.10,000 to eric on credit.
- Oct 16: Paid salaries sh.62,000 in cash.
- Oct 20: Withdrew sh.100,000 from bank for business use.
- Oct 24: Arnold a debtor paid his account of sh.150,000 by cheque less 10% cash discount.
- Oct 28: the owner took some stock worth sh.5,000 home for family use.
- Oct 30: Deposited all the cash into the bank except sh. 27,400.
- Required:
Prepare a three column cashbook and balance it off.
4. (a) Describe the procedure followed when claiming compensation from an insurance company. (10 mks)
- (b) Explain five benefits that Kenya may get as a member of COMESA. (10 mks)
5. (a) Describe five accounting documents that are used in home trade. 10 mks)
- (b) Explain five ways in which the central bank controls money supply. (10 mks)
6. (a) Highlight five differences between a partnership and a public limited company. (10 mks)
- (b) The following information was extracted from Sansura Ltd. In the year 2013.
- March 1: Credits purchases from Obwocha ; sh 1200 Agwete sh 3000. Nyamamba 2500
- " 5: Credit sales to Okeplo sh 2000
- " . Micheka sh 4,300, Omwega sh 3,300
- " 10 Credit purchases from Onyancha sh 2700 Obwocha 6600, Obaki 2200
- " 20 Returned goods to Obwocha sh 250, Onyancha 700
- " 26 Credit sales to Bundi 850, Tendu 630 and Okello 900
- " 30 Goods returned by budni150 and Micheke 130.
- Required: Enter the above translation in relevant journals (10 mks)

MURARANDIA / KAHURO JOINT EXAMINATION

565/1

Business studies

Paper 1

Trial exam

Marking Scheme

1. Highlight four characteristics of economic resources. (4 mks)
- (a) scarce/limited
(b) Have monetary value
(c) Unevenly distributed
(d) Have utility
- Can be complimentary
- may have alternative uses. (4 x 1 = 4 mks)
2. Mention four factors of production and their rewards (4 mks)
- (a) land = rent/rates/royalty
(b) labour wages & salaries commission
(c) capital = interest
(d) Entrepreneurship = profits 4 x 1 = 4 mks
3. State the office machine described by the following statements. (4 mks)
- | | |
|--|-----------------------|
| Use | Machine |
| (a) A machine that is used for preparing cash receipts | <u>Cash register</u> |
| (b) A machine used for trimming document into required shape and size | <u>Guillotine</u> |
| (c) A machine which is used for cutting unwanted documents into tiny pieces to avoid such documents getting into unwanted hands. | <u>Paper shredder</u> |
| (d) A machine used for complex calculations | <u>computer</u> |
4. Pamela sold 40 bags of beans at sh. 3,000 each to a retailer. The retailer was allowed a trade discount of 10% and a cash discount of 2% if payment was made before 21 days. Calculate the amount the retailer paid if he settled his debt on the 5th day? (4 mks)
- | | |
|--|---|
| Total list price 40 x 3000 = sh. 120,000 | Less cash discount = $\frac{2}{100} \times 108,000$
= 2160 |
| Less trade discount = $\frac{10}{100} \times 120,000 = 12,000$ | Total amount paid = Invoice price – cash discount |
| Invoice price 120,000 – 12000 = 108,000 | |
- =108,000 – 2160 = Ksh. 105,840 8 x ½ = 4 mks
5. State four reasons for privatizing public corporations. (4 mks)
- (a) To improve efficiency/service delivery
(b) To generate revenue for the government
(c) To reduce government expenditure
(d) To attract foreign/private inventors
- To reduce government control
- To get rid of loss making enterprises Any 4 x 1 = 4 mks)
6. Highlight four policies that a business person may find useful for his/her business. (4 mks)
- (a) fire - personal accident cover
(b) Bad debts - Consequential loss policy
(c) Workmen's compensation - fidelity guarantee
(d) Cash on transit - sprinkler leakage Any 4 x 1 = (4 mks)
7. State four factors that may influence appropriate means of transport. (4 mks)
- (a) urgency of the goods
(b) cost of transportation
(c) flexibility of the means
(d) value of goods
- Distance to be covered.
- terminals Any 4 x 1 = (4 marks)
8. Initial capital = closing capital – Additional – profit + Drawings
Investment
= 7,000,000 – 800,000 – 3,100,000 + 400,000
= shs. 3,500,000
6 x ½ = (3 mks)

9. Highlight four uses of National Income statistics. (4 mks)

- (a) Indicator/measure of standards of living
- (b) Comparison of standards of living between countries
- (c) Indicator of economic growth
- (d) For economic planning

for investment decision/attract investment
providing information on distribution of income

Any 4 x 1 = 4 marks

10. The diagram below shows shift in supply curve from S_0 to S_1 . Outline four factors that could have caused the shift shown below. (4 mks)

- (a) Increased cost of production
- (b) Poor technology
- (c) Decreased subsidies
- (d) Increased taxation
- Decrease in factors of production
- Exit of firms from the industry
- Rise in industrial unrest
- Decrease in factors of production
- Rise in price of a competitively produced goods.

11. According to recent findings, unemployment is major problem facing the youth in Kenya. State four measures that the Kenyan government should take to solve the problem. (4 mks)

- (a) Encouraging employment creation in private sector.
- (b) Adopting relevant education system
- (c) Development of rural areas
- (d) Encouraging direct foreign investment
- Controlling population growth
- Diversification of economic activities
- Encouraging the use of local resources.

Any 4 x 1 = 4 mks

12. For each of the following transaction of Kinyua traders, identify the source document and the journal in which the information is recorded. (4 mks)

	Transaction	Source document	Journal
(a)	He bought goods worth ksh.40,000 on credit from jitahidi	Purchase/incoming invoice	Purchase Journal
(b)	Kinyua returned some goods in jitahidi traders worth ksh. 2000	Received credit note/incoming credit note.	Purchase return journal
(c)	Peter a customer bought goods worth ksh.5,000 on credit	Sales/outgoing invoice	Sales journal
(d)	Peter returned goods worth Ksh. 1000 to Kinyua traders	Issued/outgoing credit note	Sales journal

13. The following information was extracted from the books of Mangi Traders on 30th June 2009.

Item	Shs
Purchases	720,000
Opening stock	165,000
Closing stock	?
Sales	980,000

Margin 20%

Prepare the trading account of Maingi Traders for the year ended 30th June 2009. (5 mks)

MARIGI TRADERS
Trading Account
For the year ended 30th June 2009

Opening stock	Shs 165,000	Sales	980,600
Purchases	<u>720,000</u>		
	885,000		
Less closing stock	<u>100,520</u>		
Cost of goods sold	784,480		
Gross profit (20/100 x 980,600)	<u>196,600</u>		
	<u>980,600</u>		<u>980,600</u>

14. Outline four ways in which a firm may be affected negatively by inflation. (4 mks)

- (a) May lead to reduced sales volume.
- (b) May lead to wastage of time as firms shop around.
- (c) May scare away potential investors
- (d) May lead to increased wages & salaries which reduce profitability

15. State four characteristics of under developed countries. (4 mks)

- (a) High level of poverty
- (b) Disparity income distribution
- (c) Low level of saving & investments
- (d) High population growth rate

- Low labour productivity
- Unemployment
- Under utilization of natural resources

Any 4 x 1 = 4 mks

16. Name the documents described by the statements given below as used in International Trade. (4 mks)

- (a) Requests for payment before goods are delivered. Proforma invoice
- (b) Shows ownership or title of goods imported. Bill of lading
- (c) Shows the country of manufacture of goods. Certificate of origin
- (d) Shows the transportation charges for goods. freight note or Airway bill.

4 x 1 = 4 marks

17. Highlight four functions of money. (4 mks)

- (a) Used as a medium of exchange
- (b) Store of value
- (c) Used as a measure of value
- (d) Used as a unit of account
- Used for standard deferred payment
- used to transfer immovable.

18. Outline four circumstances under which personal selling is appropriate. (4 mks)

- (a) When launching a new product in the market
- (b) When a product is tailored to meet customers needs
- (c) When demonstration is required.
- (d) When the value of the product is high.
- When the organization has capacity to finance sales force.
- when a market is concentrated within one region

4 x 1 = 4 mks

19. August 1: Started business with cash at bank sh.50,000

- " 3: Paid salaries sh. 2,000 by cheque
- " 5: Bought goods on credit sh. 13,000
- " 8: Withdrew sh. 5,000 from bank for office use.

(4 mks)

	Bank	A/c		
Dr	20 - 9	sh	20 9	Cr
	Aug 1: Capital	50,000	Aug 3: salaries	sh
			Aug 8: Cash	2,000
				5,000

	Capital	A/C		
Dr			20 - 9	Cr
			Aug 1: Bank	50,000

	Salaries	A/c		
Dr	20 - 9	sh		Cr
	Aug 3: Bank	2,000		

	Creditor	A/c		
Dr			20 - 9	Cr
			Aug 5 Purchases	sh
				13,000

	Cash	A/c		
Dr	20 - 9	sh		Cr
	Aug 8: Bank	5,000		

	Purchases	A/c		
Dr				Cr

20 – 9 Aug 5: Creditor	sh. 13,000	
---------------------------	---------------	--

20. Highlight four factors that may promote entrepreneurship in Kenya. (4 mks)

- (a) favourable government policies
- (b) Availability of infrastructure
- (c) Relevant/appropriate knowledge/skills
- (d) Availability of resources

- favourable cultural and social beliefs.

- political stability

(Any 4 x 1 = 4 mks)

21. Outline four features of a bonded warehouse. (4 mks)

- (a) most located at the point of entry. Eg. ports
 - (b) stores goods that are under bond
 - (c) Guarantees payment of customs duty.
 - (d) Very spacious to accommodate bulky goods e.g motor vehicles
- Must issue release warrant to owners of goods for custom clearance.

- Works hand in hand with custom officials for inspection of goods.

(Any 4 x 1 = 4 mks)

22. Outline four benefits that may accrue to a firm as a result of increase in its scale of production. (4 mks)

- (a) marketing economies
- (b) Research economies
- (c) financial economies
- (d) Risk beating economies/
 - managerial economies
 - technical economies

Any 3 x 1 = 4 mks

23. Give four examples of direct taxes. (4 mks)

- (a) Personal income tax
- (b) corporation tax
- (c) stamp duty
- (d) estate duty/

- wealth tax

- capital gains tax

24. State four reasons why the government licenses business activities.

- (a) To regulate the number of businesses in a given place.
- (b) To control the type of goods entering/leaving the country
- (c) To ensure there are no illegal businesses
- (d) To raise revenue for the government.

- To ensure that traders engage only trade activities they have been licensed for,

- To ensure that those who engage in professional activities meet the requirements of the profession.

25. Highlight four essential elements of communication. (4 mks)

- (a) Sender
- (b) message/information
- (c) The receiver
- (d) The feedback/The medium/channel

(4 x 1 = 4 mks)

MURARANDIA / KAHURO JOINT EXAMINATION

PAPER 2

MARKING SCHEME

1. (a) Explain five factors that influence the demand of a product. (10 mk)
- Price of the commodities
 - Government policy
 - Prices of other related product
 - Expected future changes in price & quantities supplied
 - Taste fashion & preference of consumers
 - Distribution of income
 - Population
- (b) Explain five ways in which external environment can negatively affect a business. (10 mks)
- Social/cultural beliefs = If culture is against the consumption of product being traded.
 - Political instability = may scare away investors.
 - Technological changes = failure to adopt high levels of technology resulting to poor quality goods.
 - Stiff competition = lead to closing down of business.
 - Unfavourable economic environment = high taxes/high interest rates/inflation may lower demand for a product.
 - Unfavourable legal factors = discourage business activities.
2. (a) Explain five roles played by intermediaries in the distribution channel. (10 mks)
- Breaking of bulk = dividing goods DIVIDING GOODS INTO SMALL QUANTITIES
 - Accumulating bulk = they assemble go small quantities from different producers.
 - Providing a variety of goods = buy from various producers
 - Preparing goods for sale = they brand, sort, grade and blend goods.
 - Risk taking = assume risks such as theft, damages and loss to bad debts.
 - Passing information = pass information on tastes of consumers or changes in goods.
- (b) Explain five postal services that facilitate communication. (10 mks)
- Ordinary mail services = sending letters through ordinary means.
 - Speed post = sending mail within the shortest time possible.
 - Registered mail = used for sending parcels that require secure handling.
 - Paste restante = used by travellers who would wish to receive correspondence while away.
 - Business reply services = use reply card/envelop by business to obtain responses from customers.
 - xpress mail = sending parcels required urgently. (2 x 5 = 10 mks)
3. (a) Explain five features of a perfectly competitive market structure. (10 mks)
- Large number of buyers & sellers = no single buyer or seller can influence the market.
 - No transport cost = buyers & sellers are in one area.
 - No government interference = no taxation, no subsidies, no price control.
 - Freedom of exit & entry into market = buyers and sellers leave or enter market forcibly.
 - Products are homogeneous = difficult to differentiate products from different sellers.
 - No excess demand or supply = sellers sell all they bring to the markets & buyers acquire all they require.
- (b) On 1st October 2010, XYZ traders had sh.110,000 cash in hand and sh. 500,000 at bank. Dating the month, the

DR

3 column cash book

CR

Date	Details	LF	Disc All	Cash	Bank	Date	Details	LF	Disc Rec	cash	Bank
2010						2010					
Oct 1	Bal. b/d			110,00	500,000	Oct 3	Stationery			9000	
2	Sales			0	70,520	5	Josh		12000		188,00
10	Esther		2400		117 600	16	Salaries			62000	0
20	Bank	C				20	Cash	c			
24	Arnold			100,00	135,000	30	Bank			111	100,00
30	Bank	C	1500	0	111,600	30	Bal. c/d			600	0
										27,400	646,72
											0
			17400	210000	934720				12000	210000	934720

4. (a) Describe the procedure followed when claiming compensation from an insurance company. (10 mks)
- Notifying the insurer = be done immediately.
 - Filling a claim form = insured give details of risk that has accrued.
 - Investigation of claim = Insurer finds out the cause of cause of incident.
 - Preparation of assessment report = Insurer uses expert to calculate the extent of loss.
 - Payment of claim = Insurer pays compensation to the insured. (5 x 2 = 10)

mks)

(b) Explain five benefits that Kenya may get as a member of COMESA. (10 mks)

- free flow goods and services
- Expanded market for goods & services
- Reduced costs of operating business as a result of increased scale of operation.
- Production of quality goods & services
- Possibility of political co-operation
- Increased of variety of goods to chooses from
- Encourage specialization = countries enjoy comparative advantage.

(3 x 2 =

mks)

5. (a) Describe five accounting documents that are used in home trade. (10 mks)

- Invoice = used to demand payment
- Debit note = to correct an under charge
- Credit note = to correct an over charge
- Receipt = to prove payment
- Consignment note = shows carriage charges.
- Statement of account = shows details of transactions for a month.

(5 x 2 = 10 mks)

(b) Explain five ways in which the central bank controls money supply. (10 mks)

- Increasing bank rate
- Increasing cash/liquidity ratio =
- Increasing compulsory deposit =
- Selling of government securities in Omus =
- Putting in place selective credit control measures.
- Issuing directives to commercial banks to increase their interests.'
- Request commercial banks to exercise control on lending.

(5 x 2 = 10

mks)

6. (a) Highlight five differences between a partnership and a public limited company. (10 mks)

(10 mks)

	Partnership	Public Ltd. Company
(a)	Minimum of 2 members	- Minimum of 7 members
(b)	Maximum of 20	- No set maximum.
(c)	Unlimited liability	- Limited liability
(d)	Management of partners	- Management by board of directors
(e)	Has few legal formalities	- Has long and complex legal formalities.
(f)	Not required by law to publish their financial report	- Required by law to publish financial report

(a) Purchase Journal

Date	Details	Invoice No.	Ledger No.	Amount
2013 March 1	Obwocha			1200
1	Agwata			3000
1	Nyamamba			2500
10	Onyancha			2700
10	Obwanacha			6600
10	Ombaki			3300
		Total purchases to purchase A/C (Dr)		<u>19300</u>

Sales journal

Date	Details	Invoice No.	L.F	Amount
2013 March 5	Okello			2000
5	Michieka			4300
5	Omwega			850
26	Bundi			630
26	Tendi			900
		Total to sales A/c		10,180

Purchase Return/R. outward Journal

Date	Details	Invoice No.	L.F	Amount
2013 march 20	Obwocha			280
20	Onyancha			700
		Total to be posted to Returns A/C (Cr)		950

Sales Return Journal

Date	Details	Invoice	L.f	Amount
2013 March 30	Bundi			150
	Micheka			130
Total sales posted to return A/C				280

WEITHAGA / KAHURO FORM FOUR END OF TERM TWO

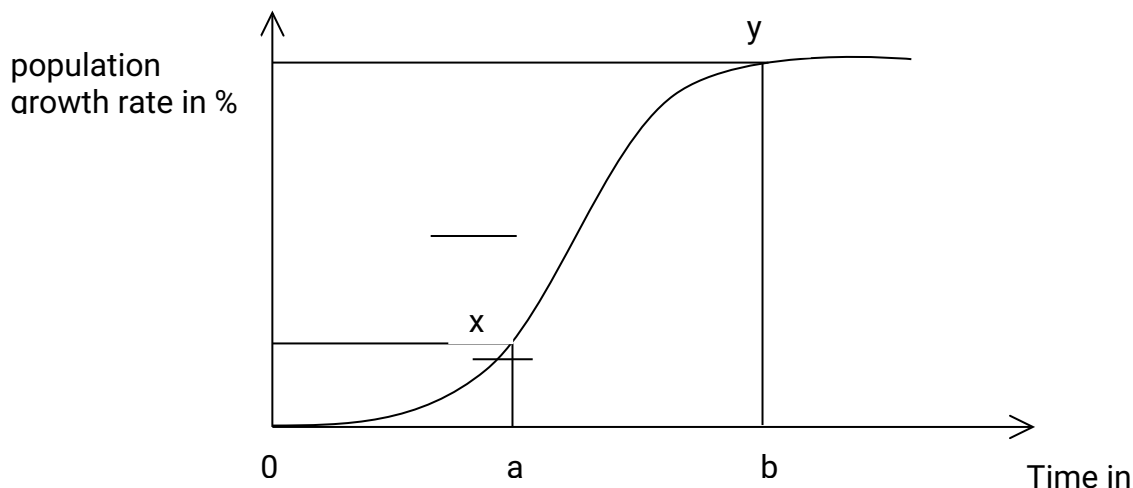
565 / 1

BUSINESS STUDIES

PAPER ONE

Instructions: Answer *all* questions in the space provided.

1. State **four** factors that may lead to the success of a business. (4 marks)
2. State **four** benefits of locating a firm near the source of raw materials (4 marks)
3. Outline **four** benefits that accrue to the government as a result of privatization of a public enterprise. (4 marks)
4. Highlight **four** guidelines that the government of a country should adopt to promote efficient use of her resources. (4 marks)
5. State **four** consequences of poor management of goods in a warehouse. (4 marks)
6. Outline **four** measures that the government may take to control the activities of monopolies. (4 marks)
7. Outline **one** circumstance under which each of the following source documents may be issued by a trader. (4 marks)
 - i) Debit note
 - ii) Invoice
 - iii) Credit note
 - iv) Quotation
8. Name the documents described by the statements given below as used in international trade. (3 marks)
 - a) Request for payment before goods are delivered
 - b) Shows ownership / title of goods imported
 - c) Shows the transportation charges for goods
9. Give **three** business related benefits that a trader may derive from being a user of social media (facebook, whatsapp, instagram, twitter etc) (3 marks)
10. The following graph shows the rate of population growth of a given country.



- State four factors that may have contributed to the trend between **x** and **y**. (4 marks)
11. Outline **four** features of money that enables it to facilitate the exchange of goods and services. (4 marks)
 12. State the office equipment used to perform the following tasks (4 marks)
 - i. Cutting unwanted documents into small pieces
 - ii. Puts holes into documents to aid in filing
 - iii. Printing addresses on the envelopes
 - iv. Cutting documents into required shapes and sizes
 13. State four benefits that a producer may get by transporting produce to the market by road. (4 marks)

marks)

14. The following information was extracted from the books of Mureithi traders on 30th June 2017.

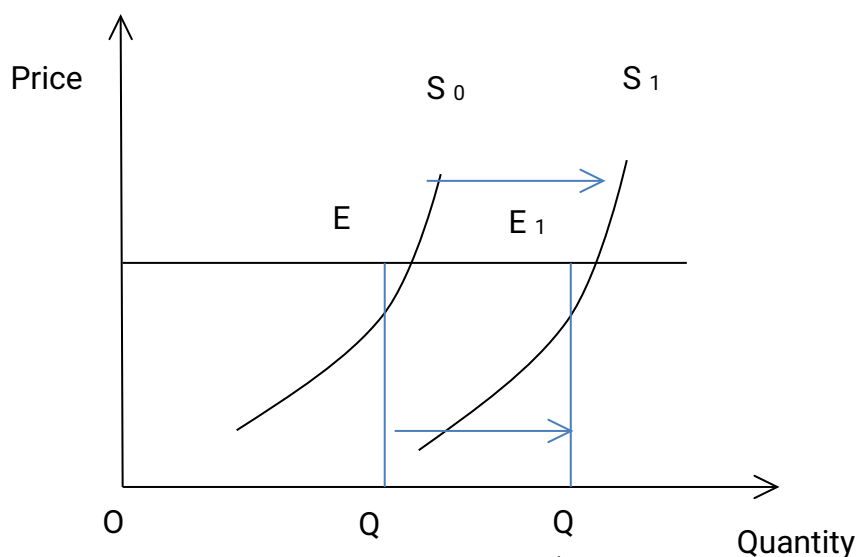
Item	kshs
Purchases	720,000
Opening stock	165,000
Closing stock	?
Sales	980,600
Margin	20 %

Required :

Prepare the trading account of Mureithi traders for the year ended 30th June 2017.

(5 marks)

15. The figure below shows a shift in the supply curve of a given commodity.

Outline four factors that may have caused the shift in supply curve from S_0 to S_1

marks)

(4

16. Highlight the procedure followed when taking an insurance policy

marks)

(6

17. Outline the source document for each of the following subsidiary books

marks)

(4

Subsidiary book**Source document**

- Sales journal
- Return inwards journal
- Purchases journal
- Return outwards journal

18. Highlight **four** ways in which the utility / usefulness of a product can be increased.

marks)

(4

19. Mention **four** ways in which the Kenyan government is creating an enabling environment to attract investments.

(4 marks)

20. The following balances were extracted from the books of Julia traders on 31st December 2017.

Fixed assets	300,000
Current assets	123,700
Creditors	84,500
5 year loan	125,000

- Determine the networth of the business as at 31st December 2017. (3 marks)
21. State **four** factors that may cause inflation in an economy. (4 marks)
22. Highlight **four** characteristics of economic resources. (4 marks)
23. A firm wishes to introduce a new product into the market. Outline **four** factors that should be considered in choosing an appropriate medium for promotion. (4 marks)
24. State **four** factors that can influence the choice of a distribution channel of a particular product. (4 marks)
25. Highlight four factors that may hinder economic development in Kenya. (4 marks)

WEITHAGA / KAHURO FORM FOUR END OF TERM TWO
565 / 2
BUSINESS STUDIES
PAPER 2

Instructions: Answer any **FIVE** questions in the space provided.

1. (a) Discuss **five** ways in which an entrepreneur contributes to the production of goods. (10 marks)
 (b) Using a well labeled diagram, explain the circular flow of income in a two sector economy. (10 marks)
2. (a) Outline **five** differences between private limited company and public corporations. (10 marks)
 (b) Explain **five** sources of government revenue used to finance development expenditure. (10 marks)
3. (a) Explain **five** advantages that an organization may get by operating an open office layout. (10 marks)
 (b) The following transactions took place in Musa Traders in the month of June 2016.
 June 4: Sold goods on credit to Boinettshs 12,000 and Wendy shs 15,000
 June 7: Bought goods on credit from Mwaurashs 30,000
 June 9: Wendy returned goods worth shs 2,000
 June 12: Purchased goods on credit from John shs 20,000 and Jane shs 25,000
 June 15: Goods worth shs 5,000 were returned to Mwaura and goods worth shs 2,500 were returned to Jane.
 June 20: Goods sold on credit to Joyce shs 7,000 and to Mariam shs 10,000.
 Required: Prepare the relevant journals. (10 marks)
4. (a) Coca-cola company limited is using prize winning competition to promote its branded sodas (soft drinks). The prizes are only won when one buys the product. Explain **five** benefits the company may get by using this method of product promotion. (10 marks)
- (b) Some parts of Kenya have been experiencing low population growth rate recently. Explain **five** positive effects of having the low population growth rate. (10 marks)
5. (a) With the aid of a well labeled diagram, explain the effect of an increase in the supply of a commodity while its demand remains constant. (10 marks)
- (b) Gatanga enterprises had the following balances as at 30th June 2015.

Capital	20,000	
Sales	240,000	
Purchases	90,000	
Stock (30/06/2016)		70,000
7 years bank loan	30,000	
Insurance expenses	25,000	

General expenses	12,000	
Debtors	25,000	
Creditors	75,000	
Cash at bank		20,000
Cash in hand	10,000	
Premises	95,000	

Additional information:

The stock on (01/07/2015) was shs 160,000.

Calculate:

- i) Mark -up (2 marks)
 - ii) Rate of stock turnover (2 marks)
 - iii) Return on capital employed (4 marks)
 - iv) Current ratio (2 marks)
6. (a) Discuss **five** factors that have hindered the expansion of railway transport in Kenya. (10 marks)
- (b) Over the years, Southern Star have grown into a large business enterprise. Explain **five** diseconomies of scale associated with this growth. (10 marks)

WEITHAGA / KAHURO FORM FOUR END OF TERM TWO**565 / 1****BUSINESS STUDIES****PAPER ONE****MARKING SCHEME.****Instructions: Answer *all* questions in the space provided.**

1. State **four** factors that may lead to the success of a business. (4 marks)
 - i. Availability of capital.
 - ii. Developed infrastructure.
 - iii. Availability of skilled labour.
 - iv. Government support.
 - v. Access to markets / customers.
 - vi. Aggressive marketing.
 - vii. Proper management of the debts.
 - viii. Availability of security.
 - ix. Ideal location.
 - x. Fair competition.
 - xi. Availability of raw materials / stock.
 - xii. Good public relations.
 - xiii. Being creative / innovative / enterprising.
 - xiv. Proper allocation of resources.
 - xv. Proper record keeping.
 - xvi. Fair pricing of goods.
 - xvii. Political stability
2. State **four** benefits of locating a firm near the source of raw materials (4 marks)
 - i. Reduced cost of production.
 - ii. Reduced transport cost.
 - iii. Storage cost of raw materials is avoided.
 - iv. Enhances continuous production.
 - v. Gets adequate quantity of raw materials
 - vi. Wastage of raw materials is avoided.
3. Outline **four** benefits that accrue to the government as a result of privatization of a public enterprise. (4 marks)
 - i. Government obtains revenue from proceeds / sales of shares.
 - ii. Government can concentrate on other state responsibilities.
 - iii. Offers opportunities for private citizens to participate.
 - iv. To enhance efficiency in management.
 - v. Reduce government expenditure.
 - vi. Obtain revenue from taxes.
 - vii. Attract foreign aid.
 - viii. Attract foreign investments.
4. Highlight **four** guidelines that the government of a country should adopt to promote efficient use of her resources.
 - i. Maximum social benefit

- ii. Waste must be discouraged / economy.
 - iii. Flexibility– possibility to be adjusted according to the economic circumstances.
 - iv. Sanctions – expenditure must be determined by a certain authority.
 - v. Sound financial administration – accuracy and systematic.
 - vi. Equity – fair to all sectors / regions
 - vii. Elasticity – capable of being expanded / contracted in line with size of economy.
 - viii. Productivity – used on projects that yields high returns
5. State **four** consequences of poor management of goods in a warehouse. (4 marks)
- i. Possible loss due to obsolescence.
 - ii. Loss of goods due to breakages
 - iii. Under- utilization of available space
 - iv. Time is lost when looking for goods
 - v. Theft / pilferage of goods
 - vi. Contamination of goods
 - vii. Untidy warehouse
 - viii. Not possible to do stock taking.
 - ix. Unaware of goods available
6. Outline **four** measures that the government may take to control the activities of monopolies. (4 marks)
- i. Privatizing state monopolies.
 - ii. Through licensing new firms.
 - iii. Through monitoring quality / through legislation.
 - iv. Attracting foreign investors.
 - v. Through ensuring regular supply.
 - vi. Through fixing prices.
7. Outline **one** circumstance under which each of the following source documents may be issued by a trader. (4 marks)
- v) Debit note – When correcting an undercharge for goods supplied.
 - vi) Invoice – When demanding payments for goods supplied.
 - vii) Credit note – When correcting an overcharge for goods supplied.
 - viii) Quotation – When replying a specific letter of inquiry.
8. Name the documents described by the statements given below as used in international trade. (3 marks)
- a) Request for payment before goods are delivered – proforma invoice
 - b) Shows ownership / title of goods imported – Bill of lading
 - c) Shows the transportation charges for goods – Freight note / Airway bill
9. Give **three** business related benefits that a trader may derive from being a user of social media (facebook, whatsapp, instagram, twitter etc) (3 marks)
- i. Searching for new market.
 - ii. Searching for employment.
 - iii. Creation of business links / social capital.
 - iv. Tapping of business ideas and opportunities.
 - v. Cutting down on the cost of doing business.
 - vi. Advertising of products.
 - vii. Ease of communication.
 - viii. Enhancing mail order business.
10. The following graph shows the rate of population growth of a given country. State **four** factors that may have contributed to the trend between **x** and **y**.
- i) Improved health facilities / health education.(4 marks)
 - ii) Lower mortality / death rate.
 - iii) Improved standards of living.
 - iv) Improved fertility rate / birth rate.

- v) Establishment of policies that increases population.
- vi) Improvement in diet / nutrition.
- vii) Immigration from other countries.
- viii) Early marriages.
- ix) Negative attitude towards family planning.
- x) Ineffective family planning methods.
- xi) Cultural / religious practices in favour of many children.
- xii) Absence of calamities / epidemics / wars / political stability.
- xiii) Ignorance / lack of information of family planning methods

11. Outline **four** features of money that enables it to facilitate the exchange of goods and services. (4 marks)

- i. General acceptability as a medium of exchange.
- ii. Cognizability / authenticity
- iii. Portability / easy to carry.
- iv. Divisibility / can easily be converted to smaller denominations without losing value.
- v. Made of homogenous / uniform material.
- vi. Stability in value.
- vii. Malleability.
- viii. Durability.
- ix. Scarcity.
- x. Not easy to forge / not easy to imitate.

12. State the office equipment used to perform the following tasks (4 marks)

Tasks	Equipment
v. Cutting unwanted documents into small pieces	Paper shredder
vi. Puts holes into documents to aid in filing	Paper punch
vii. Printing addresses on the envelopes	Addressing machine
viii. Cutting documents into required shapes and sizes	Guillotine

13. State four benefits that a producer may get by transporting produce to the market by road. (4 marks)

- i) Relatively flexible (provides door to door services)
- ii) Relatively cheap.
- iii) Relatively available.
- iv) Relatively fast.
- v) Variety of means of road transport.
- vi) No fixed time schedule.

vii) No fixed routes.

14. The following information was extracted from the books of Mureithi traders on 30th June 2017.

Margin = gross profit

Net sales.

$$\frac{20}{100} = \frac{\text{G.P}}{980,600} \quad 100 \text{ G.P} = 980,600 \times \frac{20}{100} = 19,612,000$$

$$100 \quad 980,600 \quad \text{G.P} = 196,120$$

Cost of goods sold = sales – gross profit

$$= 980,600 - 196,120 = 784,480$$

$$\text{Closing stock} = (\text{Opening stock} + \text{Purchases}) - \text{Cost of goods sold}$$

$$= (165,000 + 720,000) - 784,480 = 100,520$$

Mureithi Traders
Trading account ✓
For the year ended 30th June 2017

Opening stock	165,000 ✓	Sales	980,600 ✓
Add : purchases	720,000 ✓		
Goods available for sale	885,000 ✓		
Less : Closing stock	100,520 ✓✓		
Cost of goods sold	784,480 ✓		
Gross profit c / d	196,120 ✓		
	980,600	✓	980,600

15. The figure below shows a shift in the supply curve of a given commodity.

Outline **four** factors that may have caused the shift in supply curve from S_0 to S_1

- i) Reduced cost of production.
- ii) Bumper harvest / favourable climatic conditions / in season.
- iii) Increase in price of jointly produced goods.
- iv) Government incentives to producers e.g. subsidy / favourable government policies.
- v) Entry of new firms into the market.
- vi) Decreased price of competitively produced products.
- vii) Improved production methods / improved technology.
- viii) Reduced incidents of industrial strikes.
- ix) Availability of factors of production.
- x) Future expectations of fall in price.

16. Highlight the procedure followed when taking an insurance policy (6 marks)

- i) Identification of the insurer
- ii) Filling of a proposal form
- iii) Determining the premiums to be paid.
- iv) Payment of the first premium
- v) Issue of a cover note / binder
- vi) Issue of the policy document

17. Outline the source document for each of the following subsidiary books (4 marks)

Subsidiary book	Source document
v) Sales journal	outgoing / issued invoice
vi) Return inwards journal	outgoing / issued credit note
vii) Purchases journal	incoming / received invoice
viii) Return outwards journal	incoming / received credit note

18. Highlight **four** ways in which the utility / usefulness of a product can be increased. (4 marks)
- By changing the form / converting raw materials to finished goods
 - Through transportation / distribution
 - Through warehousing / storage
 - Through trade / exchange
19. Mention **four** ways in which the Kenyan government is creating an enabling environment to attract investments (4 marks)
- Ensuring law and order / security
 - Providing credits / loans on easy terms
 - Giving economic incentives eg low taxes, subsidies and cheap land.
 - Putting up and improving infrastructural facilities eg roads, communication, water and electricity
 - Development of social amenities such as recreational facilities, hospitals, schools and housing.
 - Simplifying procedure in starting and running businesses
 - Ensuring good governance and political stability
 - Preservation and conservation of natural resources and environment
 - Enacting favourable laws and regulations
20. The following balances were extracted from the books of Julia traders on 31st December 2017.
- Net worth = total assets – total liabilities
- $$= (300,000 + 123,700) - (125,000 + 84,500)$$
- $$= 423,700 - 209,500$$
- $$= 214,200$$
21. State **four** factors that may cause inflation in an economy. (4 marks)
- Increase in money supply unaccompanied by proportionate increase in output of goods and services.
 - Increase in aggregate spending which leads to high demand for goods and raises prices.
 - Abnormal industrial unrest and volume of production falls and therefore results in shortage of goods.
 - Excessive speculation and hoarding of goods to create artificial shortages hence raising prices of goods.
 - Uncontrolled increase in cost of production.
 - Increase in government expenditure.
 - Increase in salaries and wages / incomes.
 - Increase in credit creation by commercial banks.
 - General shortage of goods and services.
 - Increase in profit margin.
 - Reduction in subsidies.
22. Highlight **four** characteristics of economic resources. (4 marks)

- i. Scarcity.
 - ii. Have monetary value.
 - iii. Are unevenly distributed.
 - iv. Are capable of alternative uses.
 - v. Can be combined in various proportions.
 - vi. Have utility / usefulness.
 - vii. Are transferable from one party to another.
 - viii. Quality can be improved.
 - ix. Some are complimentary /used jointly.
 - x. Some are mobile while others are immobile
23. A firm wishes to introduce a new product into the market. Outline **four** factors that should be considered in choosing an appropriate medium for promotion. (4 marks)
- i) Target group – so as to reach the intended group.
 - ii) Availability of medium – convenient to use only medium that is available.
 - iii) Cost of medium – savings in method used should be considered.
 - iv) Reachability / geographical coverage – how well it reaches the target.
 - v) Time of promotion – medium that can reach many intended group.
 - vi) Medium used by competitors – find the strengths and weaknesses to improve on.
 - vii) Speed / urgency.
 - viii) Flexibility.
 - ix) Quality of promotion medium.
 - x) Physical characteristics of the medium.
 - xi) Legal requirements / government policy.
 - xii) Nature of the product.
 - xiii) Duration of the promotion.
24. State **four** factors that can influence the choice of a distribution channel of a particular product. (4 marks)
- i. Nature of the product eg for perishable use short channel
 - ii. The size of the market
 - iii. Nature of competition
 - iv. Location of the market i.e. if customers are far use long channel and vv.
 - v. Volume of goods produced
 - vi. Availability of middlemen
 - vii. Government policy
 - viii. Cost of the channel.
25. Highlight **four** factors that may hinder economic development in Kenya. (4 marks)

- i. Inadequate capital
- ii. Lack of appropriate technology
- iii. Poor development planning
- iv. Limited market for goods and services
- v. Poor governance / embezzlement / misappropriation of funds
- vi. Shortage of skilled labour
- vii. High population growth
- viii. Negative cultural practices
- ix. Poor infrastructure
- x. Political instability / insecurity
- xi. Lack of political will

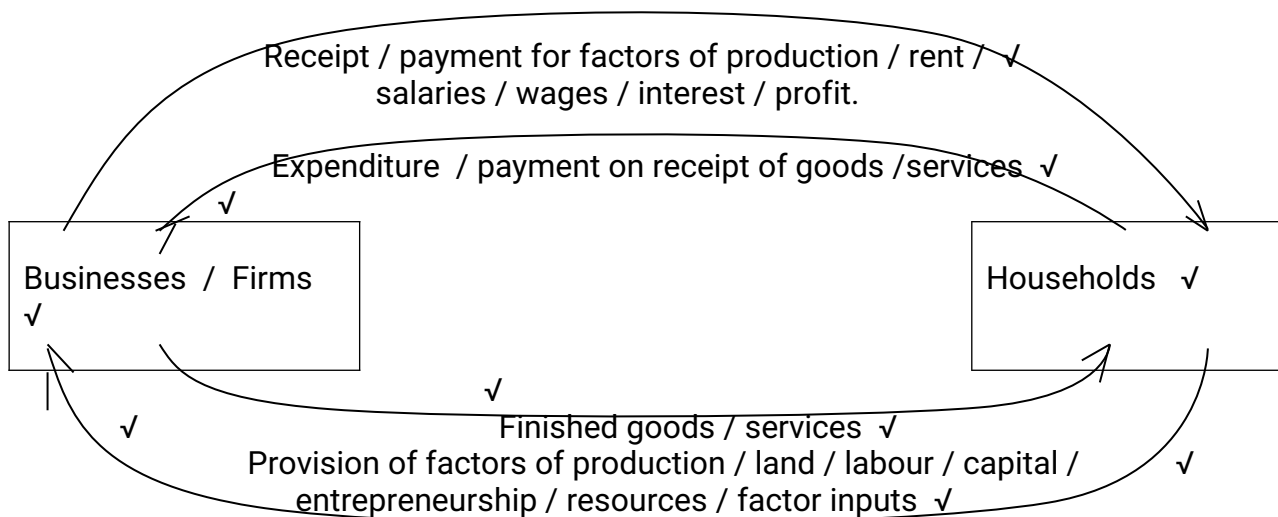
WEITHAGA / KAHURO FORM FOUR END OF TERM TWO
565 / 2
BUSINESS STUDIES
PAPER 2

PAPER 2 MARKING SCHEME.

Instructions: Answer any **FIVE** questions in the space provided.

1. (a) Discuss **five** ways in which an entrepreneur contributes to the production of goods. (10 marks)
 - i) Coordination / supervision of other factors of production.
 - ii) Provides capital necessary to carry out production.
 - iii) Hires other factors of production to facilitate production.
 - iv) Pays for other factors of production.
 - v) Undertakes risks and uncertainties involved in production.
 - vi) Makes decision on how to invest in the business enterprise.
 - vii) Introduces innovations / technological changes to improve production.
 - viii) Assembles other factors of production.

- (b) Using a well labeled diagram, explain the circular flow of income in a two sector economy. (10 marks)



NB: Tick (✓) for arrow should only be awarded if it's well drawn and directed. 10 x 1 = 10 marks

2. (a) Outline **five** differences between private limited company and public corporations.(10 marks)

	Private limited company		Public corporations
i.	Formed under the company's Act	i.	Formed by Act of parliament.
ii.	Financed by shareholders	ii.	Financed by the government.
iii.	Directors elected by shareholders	iii.	Directors appointed by the government. A lot of political influence.
iv.	No political influence	iv.	Profits go to the government.
v.	Profits go to shareholders	v.	Perform specific function
vi.	Performs various function	vi.	

NB: Strictly no splitting i.e. either 0 or 2 marks.

- (b) Explain **five** sources of government revenue used to finance development expenditure. (10 marks)

- i) **Taxation.**
Government levies different types of taxes on goods /services for (raising revenue) / on incomes / accept examples of taxes as an explanation.
- ii) **Rent / rates / lease income / hiring charges.**
Received from Government (property such as) land / buildings.
- iii) **Sale of assets.**
Like shares / buildings / vehicles.

iv) Loans.

Received from development partners / international lenders / world bank / IMF / local lenders.

v) Dividends / profits.

From government investments / businesses.

vi) Licenses / fees.

Licenses for operating businesses / fees for government services.

vii) Royalties .

Generated by a countries resources such as forests / minerals / national parks.

viii) Grants / donations / gifts.

From development partners / other well-wishers.

ix) Loan repayment / interests.

On loans given out by government agencies.

x) Fines / penalties.

Imposed by courts / government agencies.

3. (a) Explain **five** advantages that an organization may get by operating an open office layout.
(10 marks)

i. Easy supervision.

It's easy to monitor employees performance since they are in the same room.

ii. Economy of space.

More floor space is available since space has not been lost through partition / can accommodate more staff.

iii. Minimal cost / it's cheap.

To construct / maintain /decorate.

iv. Sharing of resources / facilities /equipments / it makes it possible for joint use of office facilities.

Hence enable the firm to save on cost of acquisition / avoid duplication / wastage of resources (accept examples of shared facilities as a mention).

v. Fast / easy communication

Communication between departments is made easier / faster since there are no physical barriers between them / they are found in the same room.

vi. Easy reorganization / flexibility.

It's easy to rearrange / redesign the office when need arises.

vii. Enhanced teamwork / employees work as a team /learn to be together.

By sharing ideas / consult each other / promotes friendship / personal understanding.

viii. Faster flow of work.

Due to reduced movement / working close to one another.

ix. Minimizes / discourages absenteeism / lateness /early departure.

Due to close supervision / monitoring.

x. Minimizes / discourages misuse of office resources / corruption.

Thus promoting accountability / integrity / ethics of the firm.

xi. Minimizes / discourages laziness / idleness / laxity.

Due to close supervision.

xii. Easy / faster allocation of staff .

Since they work in the same room.

(b) Required : Prepare the relevant journals. (10 marks)

The sales journal

Date	Particular	Invoice No.	Folio	Amount (Shs)
04/06/16	Boinett	001	SL 001	12,000
04/ 06/16	Wendy	002	SL 002	15,000
20/04/16	Joyce	003	SL 003	7,000
20/04/16	Mariam	004	SL 004	<u>10,000</u>
	Total transferred to credit side of sales a/c in the GL.			<u>44,000</u>

The purchases journal

Date	Particular	Invoice No.	Folio	Amount (Shs)
07/04/16	Mwaura	314	PL 314	30,000
12/04/16	John	267	PL 267	20,000
12/04/16	Jane	100	PL 100	<u>25,000</u>
	Total transferred to debit side of purchases a/c in the GL			<u>75,000</u>

The sales return / Returns inward journal

Date	Particular	Credit Note	Folio	Amount (Shs)
------	------------	-------------	-------	---------------

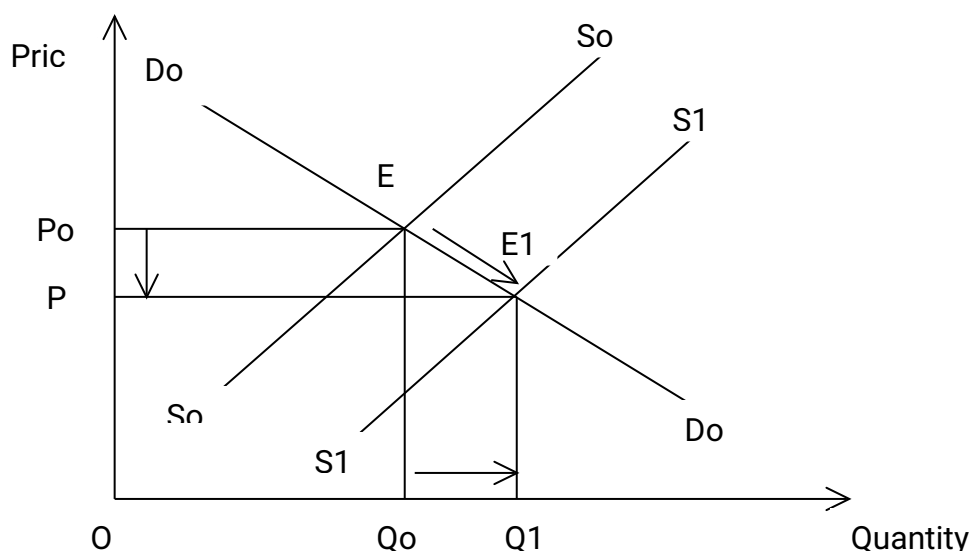
		No.		
09/04/16	Wendy Total transferred to the debit side of sales return a/c in GL		SL	2,000

The purchases return / returns outward journal

Date	Particular	Credit Note No.	Folio	Amount(Shs)
15/04/16	Mwaura		PL	5,000
15/04/16	John		PL	2,500
	Total transferred to the credit side of purchases return a/c in GL			<u>7,500</u>

NB: To awards marks, the format must be correct.

4. (a) Coca-cola company limited is using prize winning competition to promote its branded sodas (soft drinks). The prizes are only won when one buys the product. Explain **five** benefits the company may get by using this method of product promotion.
- Increased sales** as many customers may buy the product to increase their chances of winning.
 - Some of the customers may continue buying / using** the products even after the competition.
 - The competition will help the company to **create a good image** among existing / potential customers.
 - The competition may enable the company to **counter competition** from other businesses dealing in similar products.
 - Potential consumers are **made aware / informed** about the existence of the products.
 - Customers may **start buying / using** other products made by the company.
- (b) Some parts of Kenya have been experiencing low population growth rate recently. Explain **five** positive effects of having the low population growth rate. (10 marks)
- High standards of living** due to reduced dependency ratio / increased employment.
 - Reduced pressure on land**, making it available for economic activities such as farming (large scale).
 - The government may be able to **provide social amenities / reduced pressure on social amenities** since they are serving few people.
 - Increased savings** that may be invested on economic activities thus facilitating economic development.
 - Low crime rates** since most of the people are in gainful employment / economically empowered.
 - Political stability / security** due to increased employment / low crime rates.
5. (a) With the aid of a well labeled diagram, explain the effect of an increase in the supply of a commodity while its demand remains constant. (10 marks)



NB: Double ticks for (P1, Q1, E1 and S1) all the others single tick i.e. 16 ticks x ½ = 8 marks

Increase in supply creates excess / surplus quantity in the market that pushes the price down from $P_0 - P_1$ making the quantity demanded to increase from $Q_0 - Q_1$ and the equilibrium point to move from $E_0 - E_1$. (2 marks)

(b) Gatanga enterprises had the following balances as at 30th June 2015.

i) Mark -up (2 marks)

$$= \frac{\text{Gross profit}}{\text{Cost of goods sold}}$$

G.P = Sales – cost of goods sold ✓

$$= 240,000 - (160,000 + 90,000 - 70,000) = 60,000 \checkmark$$

$$= \frac{60,000}{180,000} \checkmark = \frac{1}{3} \text{ or } 33\frac{1}{3} \% \checkmark \quad (4 \times \frac{1}{2} = 2)$$

ii) Rate of stock turnover (2 marks)

$$= \frac{\text{cost of goods sold}}{\text{Average stock}} \checkmark$$

$$\text{Average stock} = \frac{160,000 + 70,000}{2} = \frac{230,000}{2} = 115,000 \checkmark$$

$$= \frac{180,000}{115,000} = 1.565 \text{ times } \checkmark$$

(4 x 1/2 = 2)

iii) Return on capital employed (4 marks)

$$= \frac{\text{Net profit}}{\text{Capital employed}}$$

Net profit = Gross profit – Expenses ✓

$$= 60,000 - 37,000 = 23,000 \checkmark$$

$$\text{Capital employed} = \text{Total assets} - \text{current liabilities} \checkmark \quad \checkmark$$

$$= (70,000 + 25,000 + 20,000 + 10,000 + 95,000) - 75,000 \checkmark$$

$$= 220,000 - 75,000 = 145,000 \checkmark$$

$$= \frac{23,000}{145,000} \times 100 \checkmark = 20 \% \checkmark \quad (8 \times \frac{1}{2} = 4)$$

iv) Current ratio (2 marks)

$$= \frac{\text{current assets}}{\text{Current liabilities}}$$

C.A = closing stock + debtors + cash at bank + cash in hand ✓

$$= 70,000 + 25,000 + 20,000 + 10,000 = 125,000 \checkmark$$

$$\text{C.L} = \text{creditor} = 75,000 \checkmark$$

$$= \frac{125,000}{75,000} = 5 : 3 \checkmark \quad (4 \times \frac{1}{2} = 2)$$

6. (a) Discuss **five** factors that have hindered the expansion of railway transport in Kenya. (10 marks)

i. High cost

ii. Existence of road network.

iii. Lack of modern technology required for efficient railway system.

iv. Low industrial base which has led to low demand for railway services.

v. Little government commitment.

vi. Slow speed rendering it inappropriate for carrying certain goods.

vii. Lack of competition – it enjoys protected position making it impossible to operate.

(b) Over the years, Southern Star have grown into a large business enterprise. Explain **five** diseconomies of scale associated with this growth. (10 marks)

i) **Complex managerial function / complexity of management.**

(Firm) may suffer from inherent problems.

ii) **Delay in decision making.**

Due to increased bureaucracy / red tape.

iii) **Poor / strained labour relations / alienation of employees.**

Due to the impersonal nature of management of employees / due to lack of direct contact with management.

iv) Inflexibility .

Due to shifting cost to other (profitable) lines / over investment in the existing enterprise .

v) High cost of inputs.

Due to exhaustion of existing resources.

vi) Excess / unused / idle / underutilized capacity / resources.

Due to change / fall in demand for its product / shortage in supply of raw materials.

vii) Marketing diseconomies.

Due to limited size of the market.

viii) Technical diseconomies.

Due to use of obsolete technology / outdated technology.

LUGARI SUB COUNTY INTERNAL ASSESMENT EXAM-2018

Kenya Certificate of Secondary Education (K.C.S.E)

565/1

BUSINESS STUDIES

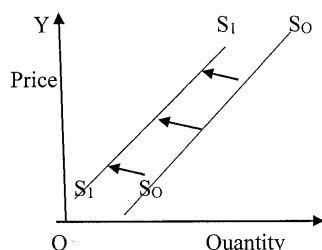
Paper 1

TIME: 2HOURS

1. Highlight four external factors that may negatively influence the operational of a business.
4mks
2. State four reasons why consumers have to make a choice between competing needs.
4mks
3. The following figures were obtained from the records of Buka Enterprises for the year ended 30th June 2014
Sales 500,000
Cost of sales 280,000
Calculate the gross margin. 4mks
4. State four ways in which the nature of goods would influence the choice of transport.
4mks
5. Highlight four problems encountered at the implementation level of development planning.
4mks
6. Highlight four incentives adopted by the government to encourage delocalization of industries.
4mks
7. State four ways of improving services delivery in parastatals and corporations.
4mks
8. State four factors that may influence a firm's decision in the type of goods or services to produce
.4mks
9. State four insurance policies that the owner of a supermarket may find useful for the business.
4mks
10. State four problems of using output approach in measuring national income. 4mks
11. State four negative effects of inflation in an economy.
4mks
12. Highlight four advantages of transacting business through e-commerce.
4mks
13. State four circumstances under which oral communication is used.
4mks
14. From the transactions below state the accounts to be debited and to be credited. 4mks

Transaction	Debit	Credit
i. Began a business with 10,000 in bank		
ii. Bought equipment in cash for sh.5000		
iii. Transferred sh.60,000 from bank to cash till		
iv. Took sh.30.000 to pay school fees for his son		

15. Outline four functions of microfinance institutions in Kenya. 4mks
16. Outline four reasons why some less developed countries are reluctant to join free trade agreement.
4mks
17. Study the diagram below and answer the question that follow.



State four factors that may cause the above change from S_0S_0 to S_1S_1 .

4mks

18. Identify the accounts in which the following transactions would be recorded in the ledger. 4mk

Description	Account
i. Goods bought for resale	
ii. Goods sold to customer	

iii. Goods sold to customer and returned to business	
iv. Goods bought from suppliers and later returned	

19. Indicate in the spaces provided the relevant source document for each of the listed books of original entry.
4mks

Books of original entry	Source document
i. Purchases returns book	
ii. Cash book	
iii. Sales day book	
iv. Sales returns book	

20. State four circumstances under which personal selling is appropriate.

4mks

21. State four tools that the central bank can use to control credit.

4mks

22. Outline four circumstances that would make an office manager to replace an existing machine with a modern one.

4mks

23. State four disadvantages of a monopoly market.

4mks

24. State four implications of a large youthful population to an economy like that of Kenya.

4mks

25. The following data was extracted from the books of Nyandarua traders on 31/12/2015. Use it to prepare her trial balance as at that date.

4mks

Capital	80,000
Sales	40,000
Land	60,000
Debtors	30,000
Returns inwards	20,000
Discount allowed	10,000

LUGARI SUB COUNTY ASSESMENT EXAM-2018*Kenya Certificate of Secondary Education (K.C.S.E)***565/2****BUSINESS STUDIES****PAPER 2****TIME: 2 ½ HOURS**

1. a) Explain five macro environment that may influence the operations of a business positively.
10mks
- b) Describe five features of economic resources. 10mks
2. a) Explain five benefits that may be realized by a country as a result of government policy to relocate industries in rural areas. 10mks
- b) The following balances were extracted from the books of Soilo Traders on 31st December 2016.
- | | |
|------------------|-----------|
| Machinery | 360,000 |
| Furniture | 430,000 |
| Sales | 500,000 |
| Opening stock | 75,000 |
| Closing stock | |
| Purchases | 395,000 |
| Rent income | 72,000 |
| General expenses | 60,000 |
| Debtors | 62,250 |
| Creditors | 101,550 |
| Bank | 202,000 |
| Cash | 88,800 |
| Capital | 1,000,000 |
- Additional; information;
Gross profit margin is stated at 40%

PREPARE

- (i) Trading, profit and loss Account for the year ended 31st December 2016.
(5½mks)
- (ii) Balance sheet as at 31st December 2016. (4
½mks)
3. a) Over the year's southern star has grown into a large business enterprise. Explain five diseconomies of scale which it may experience. 10mks
- b) Explain five demerits that may be associated with water transport. 10mks
4. a) Explain five causes of unfavorable balance of payments for most developing countries. 10mks
- b) Explain five factors considered in the choice of a means of transport. 10mks
5. a) Explain five negative effects of inflation on the economy of a country. 10mks
- b) Discuss five factors that may promote entrepreneurship in Kenya. 10mks
6. a) Explain five benefits that may accrue to a customer who uses automated teller machine (ATM5). 10mks
- b) Enter each of the following transactions in the relevant ledger accounts.
- Started business in June 15 2014 with ksh. 500,000 in bank
 - Bought a motor vehicle in June 16th 2014 for ksh. 250,000, payment made by cheque
 - Withdraw ksh. 50,000 in June 20th 2014 from the business bank a/c to be used in the office
 - June 24th 2014 paid salaries ksh. 18,000 cash
 - June 29th bought stock for cash ksh. 2,500
 - Deposited ksh. 100,000 into the bank

LUGARI INTERNAL ASSESMENT EXAM-2018*Kenya Certificate of Secondary Education (K.C.S.E)***565/1****BUSINESS STUDIES****PAPER 1****TIME: 2 ½ HOURS****MARKING SCHEME**

1.
 - unfair competition
 - inappropriate technology
 - Unstable economic environment
 - Unfavorable legal framework /government policies
 - Unreliable supply system (raw materials)
 - Strong consumer bargaining power
 - Poor physical facilities/infrastructure
 - Unfavorable socio-cultural environment
 - Insecurity
 - Natural calamities
 - Negative publicity
2.
 - unlimited needs/wide variety
 - differences in tastes /preferences/fashion
 - differences in prices of goods and services
 - government policy on goods
 - limited /scarce resources
3.
 - gross profit = sales - cost of sales
 - =500,000-280,000
 - =220,000
4.
 - if goods are perishable a fast and appropriate means is required if goods are fragile, a smooth means of transport is required if goods are highly valued, a safe and secure means is required if goods are urgently required a faster means is used
 - if goods are bulky an appropriate means will be used.
5.
 - Shortage of goods
 - Lack of involvement and support at the grass root level
 - Over-ambitious plans
 - Inflation
 - Political interference
 - Corruption
 - Institutional weaknesses
 - Natural calamities
 - Lack of co-operation among executing parties
 - Reliance on donor funding
6.
 - Reduction of taxes
 - Cheap land free land
 - Offering subsidies
 - Improvement of infrastructure eg. roads and electricity
 - Provision of security to the new industrial areas
 - Provision of low interest financial assistance to investors who adhere to delocalization policy
 - Provide social amenities for those working in industries
 - Reduce license fees thus reducing the cost establishing
 - Provide cheap power for mining industries

Any 4 pts@14 mks
7.
 - Regular auditing of their books of accounts
 - Setting targets to be achieved by all firms
 - Retrenching some of the idle workers
 - They are adopting modern technology
 - Employing qualified /skilled managers
 - Workers signing performance contract

Any 4pts @1=4 mks
8.
 - Government policy –the product chosen should conform to the existing government policy
 - Capital requirement-the firm can only produce a commodity whose production cost it can finance
 - Profitability-a firm should only produce a commodity which is likely to generate high profit/has high

demand

Any 4 pts@14 mks

9. -Theft/burglary
 -Fidelity guarantee
 -Workman's compensation
 -Fire
 -Motor vehicle
 -Medical cover policy
 -Personal accident cover
 -Good/ cash on transit
 -Sprinkler leakage policy

10. -Double counting
 -Difficulties in estimating subsistence output
 -Lack of accurate data from local producers
 -Presence of informal sector eg.jua kali
 -Problems of valuing primary products
 -Problems of changing prices/price fluctuations
 -Problems in valuing government output (provision of utilities) since many of its services are not sold in

market

- Valuing illegal activities
 -The problem of deciding on the goods and services to include eg. Whether the output of a house wife should be included or not.

Any 4 pts@1=4 mks

11. - Erosion of people's purchasing power leaving them poorer than they were before inflation.
 -Loss of confidence in the local currency by citizens. This result to people preferring to use other country's currency.
 - Lowering of people's standards of living since the cost of living becomes higher.
 - it discourages savings as well as investment by individuals and firms.
 -It may result to high interest rates which make the cost of acquiring credit / finance to be very high.
 - It may result to emergence of black markets in the country.
 - -It can even result to political instability in the country.

Any 4pts 1 = (4mks)

12. It is a quick way of doing business through the internet thereby saving time! facilities urgent transactions.
 -It enables large and small businesses to transact business through the internet without discrimination/ restriction.
 -It facilitates access to large markets / global markets since many regions are connected to the internet.
 -There is reduced paperwork/umber of business transactions as many dealings are done online making

transactions less

- cumbersome.
 - One can access other / different business information from the internet which can enhance the running of the business.
 -It is a cheap way saves on cost of sending receiving storing business information / acquiring products.

13. -When the message is confidential
 -When the message is urgently needed.
 -When the sender and receiver are in one place.
 - When immediate feedback is required.
 - When the sender wants to persuade and convince the recipients. Any 4 pts. @ =4mks

	debit	credit
i	bank	capital
ii	Equipment	cash
iii	Cash	bank
iv	Drawing	cash

- 15 -Financing small and medium scale entrepreneurs through credit facilities or loans.
 - Providing advisory services on business opportunities.
 - Educating and training entrepreneurs on how to run their enterprises through seminars, workshops etc.
 - Mobilising savings by accepting deposits.
 - Channeling government funding through small and medium enterprises programme.
 - Partnering with insurance to provide security on investment.
 - Investing in equities, real estate etc.

Any 4 pts. 1 (4mks)

- 16 -To avoid unfair competition from superior goods from developed countries.
 - To avoid over exploitation of local resources.

- To prevent dumping.
 - To create employment.
 - To safeguarding against blackmail from developed nations.
 - To safeguard against reduced government revenue.
 - To prevent erosion of a country's cultural values.
 - To avoid imported inflation.
 - To reduce balance of payment disequilibrium.
 - To prevent entry of harmful and illegal commodities. Any 4 pts. @ (4mks)
17. -Increased cost of production.
- Exit of firms from the industry.
 - Price of related product is low.
 - Punitive government policy/high taxation! quotas/ fixing of low price.
 - Use of poor technology.
 - Future expectation of a decrease in price.
 - Unfavourable natural factors /weather.
 - Price of the price has reduced.
 - Natural disasters e.g. pests, diseases, floods in case of agricultural product.
18. (i) Purchases account
- (ii) Sales account
- (iii) Sales returns
- (iv) Purchases returns 4 pts. = (4mks)
19. (i)
- (ii) Receipt
20. -When launching a new product.
- When a product is tailored to meet customers' specifications because customers have varying tastes and preferences.
- When demonstration is required as their operation can be explained.
 - When the market is concentrated in one area as cost involved in accessing the market is reduced.
21. -bankrate
- Compulsory deposit
 - Selective credit control
 - Open market operations
 - Moral persuasion
 - Cash liquidity ratio
 - Directives and requests. Any 4 pts. 1= (4mks)
22. - Obsolence – has outlived its usefulness.
- Where a faster machine is required.
 - - Where maintenance costs are higher than cost of acquiring modern machine.
 - Where there is need for increased production.
 - Where high quality work is required.
 - Where he wants to save on labour.
 - Where there is need to improve image of the firm/prestige.
 - If the new machine is capable of reducing fraud.
 - If the new machine will save on space / storage.
 - If the new machine is capable of multiple use. Any 4pts 1 (4mks)
23. -Limited variety of goods for consumers to choose from.
- Increased price due to lack of competition therefore exploiting the consumers.
 - Low quality goods produced.
 - May restrict output hence causing artificial shortages.
 - May refuse to adopt modern technology due to lack of completion.
 - Given expensive financial incentives by government as they are alone.
 - May supply products only to areas with high demand hence causing shortages.
24. - Decrease in per capita income.
- High dependency ratio.
 - High rate of unemployment.
 - Increased social crime.
 - Low labour supply due to age factor.
 - Reduced savings and investments.
 - Diversion of government expenditure.
 - Pressure on goods and services. Any 4pts @ 1 (4mks)
- 25.

NYANDARUA TRADERS
TRIAL BALANCE
AS AT 31/12/2015

Fo

PUBLISHERS

	Dr.	Cr.
Capital		80,000
Sales		40,000
Land	60,000	
Debtors	30,000	
Returns inwards	20,000	
Discounts allowed	10,000	
	120,000	120,000

LUGARI SUB COUNTY ASSESMENT EXAM-2018*Kenya Certificate of Secondary Education (K.C.S.E)***565/2****BUSINESS STUDIES****PAPER 2****TIME: 2 ½ HOURS****MARKING SCHEME**

1. (a) -Economic environment (favorable): Economic situations that increase a consumer's purchasing power e.g. low levels of

inflation and taxes.

- Demographic environment: **A** high population creates a wider market and hence more sales and profits.

- Advancement in technology: High levels of knowhow and efficient use of tools /equipment lead to better quality goods /

services and reduced cost of production.

- Legal environment (favorable): Laws and policies made by the government should be favorable e.g. taxation, legislation and ease of licensing.

- Favorable political environment, political stability leads to peace thereby creating a conducive environment for business

to thrive.

- Favorable socio-cultural environment: where customs, values and beliefs of the society are for the products.

This boosts

sales and the business thrives.

- Fair competition: This will enable the business cope with the competitors and remain in operation.

- Physical environment: (Ideal or favorable): Relief, climate, infrastructure. When ideal the business to operate efficiently. **Any 5 points well explained @ 2 = (10mks)**

(b) Features of economic resources

- Scarcity/limited in supply; They are found in small quantities compared to the many uses into which they have to be put/

hence not sufficient to satisfy human wants.

- Monetary value- They have a price attached to them which have to be paid for their use.

- Unevenly lingual distribution – They are not distributed uniformly in the society hence some people / regions/ countries

have more resources than others.

- Combinability – They can be used in different proportions to produce goods/services / they can be used jointly.

- Have utility – They are used to satisfy human wants.

- Transferability – from one person to another in terms of ownership/ possession.

- Have alternative uses- multipurpose.

Mobility -Some can be moved from one region / place to another geographically. **Any 5 points 2 = (10mks)**

2.

(a) - Increased availability of a variety of goods and services as a result of new businesses in the area.

- Availability of auxiliary services – citizens would enjoy more and better auxiliary services like transport.

- Increased job opportunities – as there will be more jobs available that would reduce unemployment

- Locally available factors of production will be used and the citizens would earn rewards associated with them.

- Improved standard of living as development of the rural areas increases the quality and the variety of goods and services.

- Reduce congestion in towns- this would benefit the few citizens remaining in the city.

- Balanced economic development – as economic activities are spread throughout the country.

- Transfer of technology to rural areas which lead to production of better quality goods/ services.

- Creation of market for goods/ services produces in rural areas.

- Any 5 points well explained @ 2 = (10mks)

(b) (i)

- (b) (i)

Soilo traders

Trading profit and loss account

For the year ended 31st Dec 2016

Fi

opening stock	75,000	sales	500,000
add: purchases	395,000		
goods available for sale	470,000		
less: closing stock	170,000		

Soilo traders
Balance sheet
As at 31st Dec 2016

<u>Fixed assets</u>		capital	1,000,000
Machinery	360,000	add: net profit	212,000
Furniture	430,500		1,212,000
	<u>790,500</u>		
<u>Current assets</u>		<u>current liabilities</u>	
Stock	170,000	creditors	101,550
Debtors	62,250		
Bank	202,000		
Cash	88,800		
	<u>523,050</u>		
	<u>1,313,550</u>		<u>1,313,550</u>

3. (a)

- Complex management functions- due to expanded operations (firm may suffer from inherent problems)
- Delay / slow in decision making – due to increased bureaucracy /Redtap.
- High cost per unit/high overhead costs.
- Strained/ poor labour relations / alienation of employees labour relations due to the impersonal nature of management of employees/ due to lack of direct contact with management.
- Inflexibility- due to heavy investment in the existing enterprise.
- High cost of inputs (FOP) - due to exhaustion of the existing resources/ scramble for resources.
- Marketing diseconomies- due to limited size of the market.

Any 5 points explained @ 2 = (10mks)

(b)

- Relatively slow hence perishable / urgently needed goods may not be transported this way/ take long when travelling.
- Limited availability only applicable where water is available.
- Waterways can be affected by adverse weather conditions such as drought/ Freezing/ storms/ flooding.
- Costs of maintaining /construction of ports/ canals/ waterways may not be navigable due to waterfalls / cataracts/ shallowness/ narrowness/ inhabited by dangerous animals/ rough waters.
- High costs of units of carriage/vessel which may make them unaffordable to acquire/ maintain.
- May be prone to piracy in the big seas/ remote areas / may lead to losses / increased insurable costs.

Any 5 points @ 2 (10mks)

4. (a)

- Reliance on primary products/ raw materials/ agricultural produce for export/ most developing countries mainly export primary/ agricultural products which fetch low prices in the international market/ lower their export receipts.
- Heavy importation of finished goods/ most developing countries heavily imports manufactured goods whose values are very high/ spend more on them.
- Too much reliance on foreign borrowing/ aid / borrowing yet such loans are paid with interest.
- Reliance on low levels of technology on production which lower the quality of their exports hence lowering their value / demand/ receipts.
- Vulnerable to natural calamities which like drought which adversely affect their production.
- High demand / preference towards foreign goods/ imports. / Most consumers in developing countries (belief that they are

of better quality hence end up spending more on them.

- Unfavorable world economic order / policies/ low bargaining power/ the developing countries have very little say in international forums /cannot influence the world economic order in their favor hence end earning less on exports/ spending more on imports.
- Decline in demand for exports hence lowering the countries earning.
- Low/ poor foreign investment leading to low capital inflows/ low foreign receipts.
- Devaluation of foreign currencies which encourage less export earnings.
- Appreciation / revaluation of local currency which leads to lower export earnings.
- Political instability/insecurity which may interfere / lower export earnings.
- Restrictive / protectionism policies by other countries that lead to fewer/ exports earning.
- Withdrawal of foreign aid/ grants leading to capital flight/ outflows.
- Poor governance / policies/ corrupt practices leading to low export earnings / high expenditure on imports.

Any 5 points 2 (10mks)

(b)

- The nature of the goods to be transported - some goods are such that they can only be transported using appropriate / suitable means of transport / perishable goods may require fast means/ special facilities.
- Cost- chooses a means that is affordable / cost effective.
- Speed/ urgency – choose a means that can deliver the goods/ services within the required time.
- Distance to be covered – some means may not take goods to far away places/ some are not convenient over short distance.
- Security – choose a means that is less prone to damage/loss/theft.
- Means that is possible to offer door to door service.
- Value of goods / services – If of high value they may require a means that is more secure.

Any 5 points well explained @ 2 = (10mks)

5 (a)

- discourage savings- People tend to spend the money they have due to falling value of money due to increase in prices.
- Increase in interest rates / high cost of credit – Due to the fact that there is less saving in the country high interest rate compensates lenders for the fall in the value of money.
- People with fixed income are hard hit- Because the value of their income falls, they will afford less goods/ services which increases cost of living.
- Lenders lose: Lenders of money receive less value of the money they advance to debtors/ where interest rates charged are fixed.
- Worsening balance of payments – Exports become more expensive leading to a fall in demand for exports as people may prefer to buy cheap imports.
- Uneven distribution of income- With the rich becoming richer and the poor becoming poorer
- Low income earners and the unemployed are hard- hit- since they may not be able to afford the basics / may lead to illegal means of earning a living.
- Hampers implementation of development plans budget- because more funds have to be raised due to rising prices.
- Loss of confidence in the currency – which may encourage barter trade and preference of foreign currencies.
- Adverse effect on investments- due to increased cost of operation.
- May fuel / worsen unemployment – due to reduced production activities / closure of firms.

Any 5points well explained @ 2 + (10mks)

- (b) - Favourable government policies
- Training entrepreneurs
- Favourable cultural practices
- Presence of role models
- Availability of capital/loans/ credit facilities.
- Political stability.
- Availability of market.

- Availability of security.
- Health and fair competition.
- Availability of modern technology.
- Employment creation – for self and others.

Any 5 points well explained @ 2= (10mks)

6. (a) -customer can withdraw money at any time / for 24 hrs. for 7 days a week.
- Means of payment – customer can pay utility bills/ buy goods/ services.
 - Fees charged are low compared to over the counter services hence saving on costs.
 - Strategic locations – may be found even where banks are non-existent.
 - Security- The customer has a PIN number which guarantees confidentiality/ safer to carry a card than cash.
 - Getting can deposit money or cheques at any time for 24hrs and 7 day in a week.
 - Saves time / faster services – due to less paperwork/ avoidance of long queues in the bank.
 - Portability – as it is light to carry ATM cards around.
 - Access to credit – Through the use of credit cards.
 - Simple/easy to use – As the user is guided by the machine.
 - Transaction receipts – To show current balance/ amount withdrawals / for record

keeping.

- Facilities movement of cash / funds from one account to another.

Any 5 points well explained @ 2 = (10mks)

(b)

CAPITAL A/C	
	Bank 500,000

BANK A/C	
capital 500,000	mv 250,000
Cash 100,000	cash 50,000

MOTOR VEHICLE A/C	
Bank 250,000	

CASH A/C	
bank 50,000	salaries 18,000
	Purchases 2,500
	Bank 100,000

SALARIES A/C	
Cash 18,000	

PURCHASES A/C	
cash 2,500	

Any correct entry @ 1

10x1=10 mks

WESTERN CLUSTER EXAMINATION 2018
Kenya Certificate of Secondary Education (KCSE)
565/1
BUSINESS STUDIES
PAPER 1
JULY/AUGUST 2018
TIME: 2 HOURS

- Highlight **four** features of an underdeveloped country. (4mks)
- State **four** reasons for the popularity of mobile phones as a means of communication. (4mks)
- State **four** circumstances under which a credit note may be used in home trade. (4mks)
- The following information relates to Eliza's Bakers for the year ended 31.12.2016.

Sales	400,000
Purchases	350,000
Opening stock	12,500
Returns inwards	10,000
Carriage inwards	5,000
Closing stock	100,000

 Prepare a trading account for Eliza's Bakers for the year ended 31.12.2016. (4mks)
- Outline **four** principles of government expenditure. (4mks)
- State **four** causes of reduced supply of goods in the market. (4mks)
- For each of the following transactions, indicate the book of original entry in which the following transactions would be recorded.

Transaction	Book of original entry
a) Bought goods on credit for sale.	
b) Sold an old motor vehicle on credit	
c) Withdrew cash for personal use from the bank.	
d) Returned goods bought on credit.	

- Outline **four** advantages of mobile banking. (4mks)
- State **four** contents of a Memorandum of Association. (4mks)
- Why would a trader choose to bypass the wholesale and retail in distributing his goods? (4mks)
- State **four** disadvantages of an enclosed office layout. (4mks)
- For each of the following transactions, indicate the account to be debited and the account to be credited. (4mks)

Transaction	Account to be debited	Account to be credited
i. Bought motor vehicle on credit from Adams		
ii. Allowed a discount to Keith a debtor.		

- State **four** factors considered by an insurance company in determining amount of premiums charged in life insurance (4mks)
- Highlight **four** causes of inflation in Kenya. (4mks)
- Outline **four** ways in which the government can create an enabling environment for entrepreneurs. (4mks)
- Identify the wrongly posted entries in the cash book below.

TWO COLUMN CASH BOOK

Date	Details	Folio	Cash	Bank	Date	Details	Folio	Cash	Bank
20.05.18	Purchases			50,000	03.05.18	Ribbons		12,000	
21.05.18	Sales	G.L.	65,000		15.05.18	Phyllis [debtor]			30,000
25.05.18	Wages	G.L.		25,000	20.05.18	General expenses		13,000	
28.05.18	Bank			10,500				40,000	55,500

			65,000	85,500		Bal. c/d		65,000	85,000
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17. State **four** factors that will motivate an entrepreneur to venture into a particular business. (4mks)
18. Outline **four** benefits of the standard Gauge Railway to a trader. (4mks)
19. Highlight **four** features of economic resources. (4mks)
20. Outline **four** problems encountered in measuring National income using the output approach. (4mks)
21. Highlight **four** measures the Kenya government can take to curb the problem of unemployment in the country. (4mks)

22. Use the table below to compute the Consumer Price Index (C.P.I) (4mks)

Commodity	Base year price (PO) 2017	Current year price (PI) 2018	C.P.I.
Bread	45	52	
Milk (500ml)	45	60	
Sugar	100	120	
Salt	10	15	

23. State **four** ways that can be used by the government to correct the balance of payment deficit. (4mks)

24. State the factors of production corresponding to the following rewards. (4mks)

Factor	Reward
i.	Royalty
ii.	Wages
iii.	Interest
iv.	Loss

25. Find the missing values in the table below. (4mks)

Asset	Liabilities	Capital
a) 500,000	_____x_____	200,000
b) 325,000	50,000	_____w_____
c) _____y_____	33,000	47,000
d) 236,000	48,000	_____z_____

WESTERN CLUSTER EXAMINATION - 2018**Kenya Certificate of Secondary Education (KCSE)****565/2****BUSINESS STUDIES****PAPER 2****JULY/AUGUST 2018****TIME: 2½ HOURS**

1. (a) Explain **five** characteristics of goods. (10mks)
 (b) Describe a two – sector circulation flow of income in an economy. (10mks)
2. (a) Using a diagram, explain the effects of a decrease in the supply of a commodity while its demand remains constant. (10mks)
 (b) The following balances were available from the books of Salwa Traders during the accounting period ended 31st December 2016. (10mks)

	Ksh.	
Purchase for the year	400,000	
Carriage inwards		50,000
Capital	1,000,000	
Sales	800,000	
Total expenses	195,000	
Stock on 1 st January 2016		40,000
Returns outwards	30,000	
Stock on 31 st December 2016	100,000	
Total creditors	35,000	
Debtors		30,000
Returns inwards		45,000

Required, calculate;

- a) Cost of goods sold (2mks)
 b) Gross profit (2mks)
 c) Margin percentage (2mks)
 d) Rate of stock turnover (2mks)
 e) Rate of return on capital (2mks)
3. (a) Explain **four** differences between a post al order and money order. (8mks)
 (b) Record the following transactions of Makokha traders in the relevant books of original entry in the year 2014. (12mks)
- 2014:**
Jan. 1st Credit sales to: Kipromoi Ksh. 26,000, Abdalla Ksh. 20,000.
Jan. 3rd Credit purchases from Nduta Ksh. 12,000, Musa Ksh. 28,000 and Kinyua Ksh. 40,000.
Jan. 7th Returned goods to the following suppliers: Musa Ksh. 4,000 and Kinyua Ksh. 5,000
Jan. 14th Credit sales to Wawire Ksh. 9,000 and Kalulu Ksh. 34,000.
Jan. 18th Sold an old business vehicle to Automobile Company on credit for Ksh. 300,000.
Jan. 22nd Credit purchases from Ole Masai Ksh. 32,000, Kimani Ksh. 17,000.
Jan. 26th Purchased a copy printer worth Ksh. 250,000 on credit from copycat company.

4. (a) In the recent past Kenya has been experiencing increased cases of dumping ranging from importation of poisonous sugar, gambling machines among others. Explain **five** legislative measures which the Kenyan government has put in place to protect consumers. (10mks)
 (b) Discuss **five** disadvantages that will accrue to Kenya as a country when it adopts import restrictions policy. (10mks)
5. (a) Outline **five** factors that determine the decision on what goods and services a firm will produce. (10mks)
 (b) Kenya has lost a lot of lives through road carnage for many years. Explain **five** measures the government should take to reduce further loss of lives. (10mks)

6.

- (a) Explain **five** methods used by the central bank to reduce the lending activities of the commercial banks in the country. (10mks)
- (b) Around mid-June every year the ministers of finance in East African countries read National budget in their respective parliaments. Explain some of the problems they may encounter in implementation of their proposed budgets. (10mks)

KAKAMEGA NORTH SUBCOUNTY JOINT EXAMINATIONS
KCSE Trial Exam
565/1
BUSINESS STUDIES
PAPER 1
MARCH/APRIL 2018
2 Hours

Answer all questions in the spaces provided.

1. Highlight **four** components that constitute unhealthy business environment (4mks)
2. Identify any **four** provisions attained by the documents that governs the internal operations of a company (4mks)
3. Mention the type of marine losses that relate to the following classification (4mks)
 - a) Total loss
 - b) Partial loss
4. The following are types of unemployment. Structural, Frictional, Cyclical and Hidden unemployment. In the table below match the statement with the appropriate type of unemployment. (4mks)

	STATEMENT	TYPE OF UNEMPLOYMENT
i	People appear to be employed but if removed from work; their marginal productivity of labour is zero.	
ii	Characterized by a slump in the general economic activities in a country	
iii	Fall in demand for a product, leads to a fall in demand for labour required to make that product	
iv	Unemployment due to lack of factor mobility	

5. Amani traders had the following details in their books of accounts. (4mks)

Capital 31/12/2012	250,000
Additional investments for the year	100,000
Goods taken from the business for own use	30,000
Capital 11/1/2012	199,000

 Determine Amani traders profit or loss for the year as is appropriate
6. Briefly outline **four** ways in which the government of Kenya supports development of entrepreneurs (4mks)
7. Managers of Biashara Bora Enterprises have a tendency of providing inadequate information to their employees. State **four** negative effects of this behaviour to their organization (4mks)
8. Outline **four** reasons why firms with popular products find it necessary to continually advertise the same products
9. Outline **four** circumstances under which manufacturers may sell directly to retailers (4mks)
10. Identify **four** factors that determine the level incomes generated through taxation. (4mks)
11. Identify **four** merits of import substitution (4mks)
12. State **four** factors that determine the period for which documents should be stored (4mks)
13. Name the office equipment used to perform each of the following highlighted functions (4mks)

	Functions	Equipment
a	Printing stamp impression on envelopes	
b	Cutting paper into required sizes	
c	Pinning papers together	
d	Recording, processing, sorting & retrieving information	
14. Outline any **four** services rendered by a public warehouse (4mks)
15. On July 2010 Mwariki Traders has Kshs. 6,000 cash in hand, a bank overdraft of Kshs. 2,000. During the month, the following transactions took place.
 - a) 18th July: received cheque from debtors totaling to Kshs 80,000

- b) 22nd July: Paid telephone bills 1,200 cash
 c) 28th July: Withdrew Kshs 16,000 from bank for office use

Enter the above information in Mwariki Trader's cashbook given below and balance it off

16. In each of the following cases, indicate whether the supply will increase, decrease or remain constant. (4mks)

- a) If the price of coffee rises, the supply of tea is likely to
 b) If the price of cosmetics increases, the demand for shoes is likely to
 c) If the demand for beef increases the supply of wool is likely to
 d) If the prices of cars fall, the supply of petrol is likely to

17. The following account balances were extracted from the books of Segutun Traders on 30th September 2005

Purchases	190,550	
Opening stock	35,500	
Closing stock	25,000	
Sales	256,050	
Sales return		4,800

Calculate (4mks)

- i) Cost of goods sold

- ii) Percentage of gross profit and net profit

18. State any **four** characteristics of economic resources (4mks)

19. State any **four** factors that lead to cost push inflation (4mks)

20. Outline **four** methods that the government may use to influence the quantity supplied of a commodity (4mks)

- 21 List **four** services that are rendered by wholesalers to retailers (4mks)

- 22 Indicate the type of office etiquette described by the following statements (4mks)

- i) Showing regard to other people according to their rank or social status
- ii) Handling people politely and pleasantly
- iii) Commitment of a worker to his organization
- iv) Ability to convince others tactfully

- 23 State **four** characteristics of tramps as a means of sea transport (4mks)

- 25 identify **four** ways in which manufacturers contribute to consumer protection (4mks)

KAKAMEGA NORTH SUBCOUNTY JOINT EXAMINATIONS

KCSE Trial Exam

565/2

BUSINESS STUDIES

PAPER 2

MARCH/APRIL 2018

2½ Hours

1. a) Explain **five** macro factors that a businessman must respond to, to ensure the survival of his business. (10mks)
 b) Explain **five** drawbacks of unemployment (10mks)
2. a) Record the following transactions belonging to Flipside Traders in the appropriate ledger accounts; balance the accounts and extract a trial balance as at 11th July 2013. (10mks)
- 1st July 2013 Started business by borrowing Kshs 100,000 which was deposited in the business bank account
- 3rd July Bought goods worth Kshs 20,000 from Bulls eye traders on credit
- 6th July Sold goods worth Kshs 15,000 on credit to Truthmeter Traders
- 8th July Truthmeter traders returned goods worth Kshs 5,000
- 10th July Received a credit note of Kshs 3,000 from Bulls eye traders in relation to some
- b) Explain the role played by warehousing as an aid to trade. (10mks)
3. a) The following information relates to African Retail Traders for the year ended 31st Dec 1999 (10mks)
- | | |
|---------------------|-----------|
| Gross profit | 600,000 |
| Opening stock | 285,000 |
| Sales | 2,400,000 |
| Purchases | 1,830,000 |
| Expenses | 360,000 |
| Net profit | 240,000 |
| Closing stock | 315,000 |
| Fixed assets | 400,000 |
| Debtors | 900,000 |
| Cash at bank | 35,000 |
| Current liabilities | 438,000 |
- a) Calculate
- Cost of goods sold
 - Mark-up percentage
 - Debtors ratio
 - Current ratio
- b) Explain **five** ways in which a well-developed transport industry can be of benefit to the economy of a country. (10mks)
4. a) Briefly explain the following means of written communication (10mks)
- | | | | | |
|---------|-----------|--------|---------|------------|
| Reports | Circulars | Agenda | Minutes | Memorandum |
|---------|-----------|--------|---------|------------|
- b) Explain **five** types of indirect taxes (10mks)
5. a) Explain **five** reasons why ethical issues are necessary to a business (10mks)
 b) Outline **five** advantages of using a credit card to a buyer (10mks)
6. a) Explain **five** ways through which the central bank may promote credit creation among commercial banks (10mks)
 b) Outline **five** differences between a joint stock company and a co-operative (10mks)

KAKAMEGA NORTH SUBCOUNTY JOINT EXAMINATIONS
565/1 BUSINESS STUDIES (2018)
KCSE Trial Exam
MARKING SCHEME

1. Highlight four components that constitute unhealthy business environment

(4mks)

- i) High interest rates
- ii) Unfavorable government policies e.g. high taxation
- iii) Irregular supply of goods by suppliers
- iv) Unavailability of market
- v) Lack of raw materials
- vi) Unattractive and polluted environment
- vii) High cost of inputs

2. Identify provisions attained by documents that governs internal operations of a company

- i) Rights of each shareholder
- i) Methods of calling meetings
- ii) Rules governing the election of officials of the company
- iii) Rules regarding the preparation and auditing of accounts
- iv) Powers, duties and rights of directors

3. Mention the type of marine losses that relate to the following classification

(4mks)

- c) **Total loss** i) Actual total loss ii) Constructive total loss
- d) **Partial loss** i) Particular average loss ii) General average loss

4. In the table below match the statement with the appropriate type of unemployment.

(4mks)

	STATEMENT	TYPE OF UNEMPLOYMENT
i	People appear to be employed but if removed from work; their marginal productivity of labour is zero.	Hidden
ii	Characterized by a slump in the general economic activities in a country	Cyclical
iii	Fall in demand for a product, leads to a fall in demand for labour required to make that product	Frictional
iv	Unemployment due to lack of factor mobility	Structural

5. Determine Amani traders profit or loss for the year as is appropriate

(4mks)

Closing capital = opening capital + additional investment – drawings – losses

$$250,000 = 199,000 + 100,000 - 30,000 - x$$

$$250,000 = 299,000 - 30,000 - x$$

$$250,000 = 269,000 - x$$

$$X = 19,000$$

Amani made a loss of Kshs 19,000

6. Outline ways in which the government supports development of entrepreneurs
(4mks)

- i) Funds institution that support entrepreneurs
- ii) Providing market for new products both locally and internationally
- iii) Provides relevant information to entrepreneurs
- iv) Offers incentives to those who want to start businesses e.g. tax relief
- v) Passing favourable laws and policies

7. State four negative effects of this behaviour to their organization

(4mks)

- i) Delayed action by the employees
- ii) Bad relations developed in the organization
- iii) Low staff morale is created
- iv) Low levels of commitment by employees
- v) Reduced overall efficiency of the business

8. Outline four reasons why firms with popular products find it necessary to continually advertise the same products
(4mks)

- i) To bring notice to new customers on the existence of the product
- ii) To increase demand so as to justify mass production that leads to economies of scale

- iii) To educate consumers on the proper use of the product
- iv) To retain market / consumer loyalty
- v) To cope with competition
- vi) To announce the changes / improvements of the product
- vii) To create /maintain company image/ reputation
- viii) To correct any misleading information about the product

9. Outline circumstances under which manufacturers may sell directly to retailers (4mks)

- i) If manufactures have their own retail outlets
- ii) If manufactures can brand, blend, pack and advertise their products
- iii) If manufactures have their own channeling depts.
- iv) If manufactures deals with perishable goods, like bread
- v) If retailers have enough capital to buy goods in bulk e.g. supermarkets

10. Identify factors that determine the level incomes generated through taxation. (4mks)

- i) Distribution of incomes
- ii) Honesty and efficiency of tax authorities
- iii) Citizens level of real income
- iv) Economic structure of the country i.e. relative size of the county's commercial and subsistence sectors
- v) Political factors

11. Identify four merits of import substitution (4mks)

- i) Saves on foreign exchange
- ii) Creates employment locally
- iii) Promotes utilization of local resources
- iv) Makes a country self reliant

12. State factors that determine the period for which documents should be stored (4mks)

- i) Availability of storage spaces
- ii) Cost of storage
- iii) Information contained in the document
- iv) Need for future references
- v) Purpose of documents

13. Name the office equipment used to perform each of the following tasks (4mks)

	Functions	Equipment
a	Printing stamp impression on envelopes	Franking machine
b	Cutting paper into required sizes	Franking machine
c	Pinning papers together	Stapler
d	Recording, processing, sorting & retrieving information	Computer

14. Outline any four services rendered by a public warehouse (4mks)

- i) Provide storage facilities
- ii) Serves as a place for preparation of the goods for subsequent use by a change in their condition e.g. ripening of bananas.
- iii) Renders a warrant which is a document of title issued to the merchant owning the goods.

15. On July 2010 Mwariki Traders has Kshs. 6,000 cash in hand, a bank overdraft of Kshs. 2,000. During the month, the following transactions took place.

- d) 18th July: received cheque from debtors totaling to Kshs 80,000
- e) 22nd July: Paid telephone bills 1,200 cash
- f) 28th July: Withdrew Kshs 16,000 from bank for office use

Enter the above information in Mwariki traders cashbook given below and balance it off

Date	Details	Cash	Bank	Date	Details	Cash	Bank
July 2010				July 2010			
1	Bal b/d						
18	Debtors						
28	Bank						

	Totals						

16. In each of the following cases, indicate whether the supply will increase, decrease or remain constant. (4mks)

- a) If the price of coffee rises, the supply of tea is likely to **decrease**
- b) If the price of cosmetics increases, the demand for shoes is likely to **remain constant**
- c) If the demand for beef increases the supply of wool is likely to **remain constant**
- d) If the prices of cars fall, the supply of petrol is likely to **decrease**

17. The following account balances were extracted from the books of Segutun traders on 30th September 2005

i) Cost of goods sold

Opening stock + purchases – closing stock

35,500 + 190,550 – 25,000

= 201,050

= 201,050

ii) Percentage of gross profit to net sales

Net sales = Sales – Sales returns

251,250 = 256,050 – 4,800

G.P. = Net sales – cost of goods

50,200 = 251,250 – 201,050

$\frac{50,200 \times 100}{251,250} = 20\%$

251,250

18. State any four characteristics of economic resources

(4mks)

- i) Scarce in supply relative to their many uses
- ii) Have money value
- iii) Have utility
- iv) Can change ownership
- v) Have alternative uses
- vi) Can be combined to produce various goods and services
- vii) Can be complementary

19. State any four factors that lead to cost push inflation

(4mks)

- i) Increase in wages and salaries
- ii) Increase in cost of factory inputs like machines and equipment
- iii) Taxation by the government to products at the production level
- iv) Increase in cost of electricity and petroleum
- v) Drive for higher profits by producers

20. outline four methods that the government may use to influence the quantity supplied of a commodity (4mks)

- i) Introduction of relevant business courses training in schools/ institutions
- ii) Valuing individuals who succeed in business
- iii) Provision of capital to people who want to carry out business
- iv) Expanding markets for traders
- v) Promoting traders business
- vi) Diversification of business activities
- vii) Identifying relevant business Opportunities in the country

21 services rendered by wholesalers to retailers

- i) Variety of goods
- ii) Availing goods at convenient places
- iii) Breaking of bulk
- iv) Credit facilities
- v) Transport etc

22 type of office etiquette

- i) Respect
- ii) Courtesy
- iii) Loyalty

iv) Diplomacy

23 characteristics of tramps

- i) Have no fixed routes
- ii) Have no definite time schedules in their operations
- iii) Wait for goods to fill before disembarking from the port
- iv) Freight charges vary depending on route and demand for transport.

24 causes of a shift in supply to the left

- i) Deterioration in technology
- ii) Increase in the cost of production
- iii) Exit of firms from the industry
- iv) Poor weather in case of agricultural products
- v) Lack of raw material

25 ways in which manufacturers contribute to consumer protection

- i) Indicating the expiry dates of their products
- ii) Indicating the contents used in making the goods
- iii) Engaging in honest and truthful advertising
- iv) Indicating the retail price of their products
- v) Proper packaging of the goods to avoid contamination. **KAKAMEGA NORTH SUB-COUNTY**

KAKAMEGA NORTH SUBCOUNTY JOINT EXAMINATIONS

565/2 BUSINESS STUDIES (2018)

KCSE Trial Exam

MARKING SCHEME

1. a) Explain five macro factors that a businessman must respond to, to ensure the survival of his business. (10mks)

- i) Competitor: - must use information about competitors to gain advantage
- ii) Legal political: - must adhere to government laws to ensure that it is not deregistered out of business.
- iii) Demographic trends: - matters of population determine the demand for goods, thus influencing how much a business will produce.
- iv) Economic factors: - business must respond to economic factors such as price changes, customer's buying habit to establish what to produce and what price to set for the goods
- v) Technological factors: - technology influences the quality of goods produced as well as the cost of production. Business must respond to changes in technology if it was to survive.

b) Explain five drawbacks of unemployment (10mks)

- i) Rise in social vices e.g. crime, prostitution due to lack of engagement in gainful economic activities.
- ii) Retardation in economic development due to lack of investment funds
- iii) Increase in dependency leading to a fall in savings and eventually lack of investments
- iv) Fall in government revenue due to a low revenue collection base
- v) Increase in government expenditure in an effort to provide social welfare schemes for the unemployed
- vi) Rise in the levels of poverty

2.a) Record the following transactions belonging to Flipside traders in the appropriate ledger accounts balance the accounts and extract a trial balance as at 11th July 2013. (10mks)

1st July 2013 Started business by borrowing Kshs 100,000 which was deposited in the business bank account

3rd July Bought goods worth Kshs 20,000 from Bulls eye traders on credit

6th July Sold goods worth Kshs 15,000 on credit to truthmeter traders

8th July Truthmeter traders returned goods worth Kshs 5,000

10th July Received a credit note of Kshs 3,000 from Bulls eye traders in relation to some returns made

Dr	Bank a/c	Cr	Dr	Bank a/c	Cr
17/7/13 Bank loan	100,000	10/7/13 Bal c/d	100,000	17/7/13 Bank	100,000
Dr	Purchases a/c	Cr	Dr	Bullseye a/c	Cr
3/7/13 Bullseye	20,000	3/7/13 Bal c/d	20,000	10/7/13 P/returns	3,000
				11/7/13 Bal c/d	17,000
				20,000	20,000
Dr	Sales a/c	Cr	Dr	Bank a/c	Cr
11/7/13 Bal b/d	15,000	6/7/13 T/m traders	15,000	6/7/13 Sales	15,000
				8/7/13 S/Returns	5,000
				11/7/13 Bal c/d	10,000
				15,000	15,000
Dr	Sales returns	Cr	Dr	Returns outwards	Cr
8/7/13 Truthmeter	5,000	11/7/13 Bal c/d	5,000	11/7/13 Bullseye	3,000

FLIPSIDE TRADERS

TRIAL BALANCE

AS AT 11/7/2013

Particulars	Dr	Cr
Bank	100,000	
Bank loan		100,000
Purchases	20,000	
Bullseye traders		17,000
Sales		15,000
Truthmeter traders	10,000	
Sales Return	5,000	
Return outwards		3,000

135,000135,000**b) Explain the role played by warehousing as an aid to trade among others (10mks)**

- i) Preserves surplus, stabilizes prices and helps to save huge quantities of goods which would otherwise be wasted.
- ii) Goods can be prepared for sale while in the warehouse in terms of sorting, weighing, packing etc
- iii) Provide temporary accommodation of goods for producers with no sufficient room for storage.
- iv) Acts as a reservoir enabling trade to continue throughout the year
- v) Deferred payment on highly taxed goods enables the importer to look for a market for the goods
- vi) Enables the government to get revenue through duty paid

3. a) The information relates to African Retail Traders for the year ended 31st Dec 1999 (12mks)**Calculate****i) Cost of goods sold**

$$\begin{aligned}
 &= \text{opening stock} + \text{purchases} - \text{closing stock} \\
 &= 285,000 + 1,830,000 - 315,000 \\
 &= 1,800,000
 \end{aligned}$$

ii) Mark-up percentage

$$\begin{aligned}
 &= \frac{\text{Gross profit} \times 100}{\text{Cost of sales}} \\
 &= \frac{600,000 \times 100}{1,800,000} \\
 &= 33 \frac{1}{3} \%
 \end{aligned}$$

iii) Debtors ratio

$$\begin{aligned}
 &= \frac{\text{Debtors} \times 365}{\text{Sales}} \\
 &= \frac{900,000 \times 365}{2,400,000} \\
 &= 136.9 \\
 &= 137 \text{ days}
 \end{aligned}$$

iv) Current ratio

$$\begin{aligned}
 &= \frac{\text{Current Assets}}{\text{Current liabilities}} \\
 &= \frac{\text{stock} + \text{Debtors} + \text{Cash at bank}}{\text{Current liabilities}} \\
 &= \frac{315,000 + 900,000 + 35,000}{438,000} \\
 &= \frac{1,250,000}{438,000} = 3.08: 1 + 3.1: 1
 \end{aligned}$$

b) Explain five ways in which a well-developed transport industry can be of benefit to the economy of a country. (10mks)

- i) Producers able to deliver their produce to the market
- ii) Raw materials can be delivered to the production units thus enabling continuous production
- iii) Facilitates movement of workers and traders
- iv) Facilitates use of new areas to exploit natural resources
- v) Help avoid wastage since surplus can be taken to the market
- vi) Perishable items can easily reach market
- vii) Consumers able to get a variety of products
- viii) Urgent services such as medical services can be provided in the shortest time possible
- ix) Facilitates mass production
- x) Encourage specialization
- xi) Promote development of industries

4. a) briefly explain the following means of written communication (10mks)

Reports i) Detailed presentation of findings, conclusions and recommendations
 ii) It aids decision making

Circulars i) Are many copies of a single letter addressed to very many-making

- Agenda** ii) Used when some message needs to be passed to very many people
 i) It is an outline of the items to be discussed in a meeting
- Minutes** i) Are records of proceedings of a meeting
 ii) Are usually brief since they are written when the meeting is in progress
- Memorandum** i) A means used to pass information between departments in an organization
 ii) It is strictly used for internal communication

b) Explain five types of indirect taxes (10mks)

- i) Sales tax – A tax based on sale of products made by businessmen within the country
- ii) Value added tax – a tax levied on the value that a business adds to its final products
- iii) Export duty – a tax levied on goods exported to other countries, either to discourage export of essential goods or simply to earn revenue
- iv) Import duty – a tax levied on goods imported from other countries
- v) Excise duty – a tax imposed on goods produced and consumed within the country

5.a) Explain five reasons why ethical issues are necessary to a business (10mks)

- i) To ensure that there is no discrimination in such areas as recruitment, promotion, training etc
- ii) To create fairness in competition such that a business does not destroy or discredit other businesses products
- iii) To ensure protection of the environment by avoiding water, air and noise pollution
- iv) To avoid environment degradation through deforestation
- v) To ensure rights of employees are upheld e.g. protection of their health as they work
- vi) To avoid consumer exploitation e.g. trough selling harmful product

b) Outline five advantages of using a credit card to a buyer (10mks)

- i) It is safer to carry the card than cash
- ii) The cardholder is able to get cash when in need at designated cash points
- iii) The card is convenient to carry
- iv) Some cards are acceptable internationally; hence the holder will not need to seek for foreign currency when travelling to other countries
- v) The holder is able to keep track of his expenditure since he gets a statement of all his expenditure at the end of the month from the credit card company
- vi) The credit card increases the credit rating of the holder
- vii) Credit cards enhance the social status of the holder. Members of the public consider credit cards a reserve of the high and mighty

6.a) Explain five ways through which the central bank may promote credit creation among commercial banks (10mks)

- i) Reduction in the bank rate to reduce the cost of borrowing
- ii) Lowering the cash reserve ratio – this enables the commercial banks to have more reserves with which to advance to their customers
- iii) Reduction in the value of compulsory deposits – this also allows commercial banks to retain more money which they eventually lend out
- iv) Use of open market operations – in this case the central bank buys back the securities it may have sold to the public through the commercial banks thus enabling them to lend more
- v) Reduction in the value of the margin. This enables borrowers to give securities of much lower value compared to loans borrowed. This encourages individuals to borrow more
- vi) Relaxation of directives and persuasions – enabling the commercial banks to have freedom to lend to any sector in need of finance

b) Outline differences between a joint stock company and a co-operative (10mks)

Joint stock	Co-operative
i) Registered under companies Act	i) Registered under the co-operatives Act
ii) Managed by a board of directors	ii) Ran by a management committee
iii) No. of shares determines one's voting power	iii) Ran on the basis of one man one vote
iv) Formed by a minimum of 7 shareholders	iv) Formed by a minimum of 10 members
v) Operations guided by the memorandum and articles of association	v) operations guided by a set of laid down co-op principles

**KIGUMO
PRE MOCK
565/1 BUSINESS STUDIES (2018)
KCSE Trial Exam
END OF TERM 1 2018 EXAMINATIONS FORM 4 B/STUDIES
2Hrs**

1. Highlight **four** ways in which the government can ensure a clean environment. (4 Marks)
2. State **four** ways in which commerce facilitates the satisfaction of human wants. (4 Marks)
3. Outline **four** characteristics of an entrepreneur. (4 Marks)
4. State **four** importance of a good business plan. (4 Marks)
5. Highlight **four** reasons that would discourage you from joining a partnership. (4 marks)
6. State **four** disadvantages of a public warehouse. (4 Marks)
7. Outline **four** reasons that can make a firm use competitive advertisement. (4 Marks)
8. Outline **four** features of an oligopoly market. (4 Marks)
9. The demand for rental houses has continued to decline in Kangari market. State **four** factors that could have contributed to this. (4 Marks)
10. Highlight **four** benefits of privatizing government parastatals. (4 Marks)
11. Hamisi started a business on 1st January with a capital of shs.350, 000. During the year the following transactions took place.
 - i. Realized a profit of shs.47,000.
 - ii. Brought into the business equipment valued at Shs. 50,000
 - iii. Made drawings amounting to shs. 20,000.

Determine Hamisi's final capital. (4 Marks)
12. Outline **four** factors that should be considered when buying an office machine. (4 Marks)
13. State **four** advantages of mail order businesses. (4 Marks)
14. Mention **four** disadvantages of containerization in transport. (4 Marks)
15. Highlight **four** challenges that are faced by developing countries in calculating national income. (4Marks)
16. State **four** factors that should be taken into account when deciding on the types of goods and services to produce. (4 Marks)
17. Outline the way different parties are interested in the information contained in the balance sheet. (4Marks)
18. State **four** factors that influence the transaction motive of holding money. (4 Money)
19. Highlight **four** roles that are played by banking in the economy of a country. (4 Marks)
20. The following information relates to Marumi Traders on 1st July 2015.

	shs.	
Opening stock	40000	
Closing stock	55000	
Purchases	200000	
Margin	25%	

Required: Draw Marumi Traders' trading account. (4 Marks)
21. Outline **four** advantages that may be attributed to a high population growth rate. (4 Marks)
22. Highlight **four** reasons that may make an insurer not to compensate an insured. (4 Marks)
23. Highlight **four** advantages of using cell phones within and outside an organization. (4 Marks)
24. Highlight **four** reasons why the Kenya Consumer Organization has been ineffective. (4 Marks)
25. Outline **four** advantages of source documents. (4 Marks)

**KIGUMO
PRE MOCK
KCSE Trial Exam
565/2
BUSINESS STUDIES
PAPER 2
MARCH/APRIL 2018
2½ Hours**

Answer any five questions in this paper.

- 1(a) Explain **five** circumstances under which a manufacturer would find it necessary to sell his product direct to consumer. (10 Marks)
 (b) Explain **five** factors a manager would consider before buying office equipment for the organization. (10 Marks)
- 2(a) Explain **five** benefits that will accrue to the Kenyan government when drilling of Turkana oil wells will be completed. (10 Marks)
 (b) Highlight **five** reasons why the government may find it necessary to participate in business activities. (10 Marks)
- 3(a) With the aid of a diagram, explain the effects of changes in consumer incomes on the demand curve. (10 Marks)
 (b) Highlight **five** ways in which the transport industry contributes to development of the Kenyan economy. (10 Marks)
- 4(a) Explain **five** ways in which the central bank may control the supply of money in the country. (10 Mks)
 (b) The following trial balance relates Hazina Traders as at 31st December 2015.

**Hazina Traders,
Trial Balance,
As at 31st December 2015.**

Particulars	Dr.(Sh)	Cr(Sh)
General expenses	120,000	
Rent	46,000	
Telephone	48,000	
Salaries	360,000	
Sales and purchases	2,600,000	4,000,000
Discounts received		36,000
Sales returns	40,000	
Motor Vehicle	500,000	
Debtors	300,000	
Land and Buildings	2,000,000	
Cash at bank	120,000	
Cash in hand	12,000	
Capital		1,950,000
Drawings	<u>80,000</u>	
Creditors		<u>24,0000</u>
	<u>6,226,000</u>	<u>6,226000</u>

Additional information:

Stock as at 31st December was ksh. 100,000.

- (i) Prepare trading, profit and loss account. (7 Marks)
 (ii) Calculate return on capital. (3 Marks)
- 5(a) Explain **five** limitations of using per capita income to compare standards of living in different countries. (10 Marks)
 (b) Outline **five** causes of unemployment in Kenya. (10 Marks)
- 6(a) Explain four macro-environmental factors that might adversely affect the performance of a business. (8 Marks)
 (b) On 1st March 2014, Kendi had cash in hand sh.7800 and a bank overdraft of shs.23,400. During the month, the following transactions took place:
- March 3: Cash sales sh6,500 paid direct into the bank.
 " 4: Bought goods for shs.15,000 and paid by cheque.
 " 6: Cash sales sh.50, 000.
 " 9: Received a cheque for Sh.76, 500 from Amolo in settlement of his debts.
 " 13: Paid insurance premium sh. 16,000 in cash.
 " 14: Paid Kamotho by cheque Sh.9,700 in full settlement of his account having deducted 3% cash discount.
 " 17: Cash sales Sh.150, 000 paid direct to bank.
 " 21: Withdrew Sh 30,000 from bank for office use.
 " 23: Received a cheque of sh 23,750 from Rotich in full settlement of his account less 5% cash discount.
 " 25: Paid wages of shs. 20,000 in cash.
 " 26: Cheque received from Amolo was dishonored.

“ 30:Banked all cash except Sh 3,000.
Prepare a three-column cash book duly balanced.
Marks)

(12

**KIGUMO
MARKING SCHEME FORM 4
B|STUDIES PP 1 TERM 1 2018.**

1. Ways in which government can ensure a clean environment.

- Through formulating and passing laws that will prevent gradation of the natural environment.
- Through provision of funds that will be used in research into better methods of production that are environmentally friendly.
- By encouraging and promoting the conservation of the forest cover
- Through training of personnel and fostering of education on environmental conservation issues.
- Through awards to individuals, firms or institutions that play a key role in the conservation of the natural environment.

2. Ways in which commerce facilitates the satisfaction of human wants.

- Commerce facilitates rendering of services and change of ownership of goods from the seller to the buyer thus the buyer/consumer uses the goods to satisfy his/her wants.
- It brings goods closer to the final consumer through conveyance to enable the buyer acquire the goods for use.
- By engaging in trade, one is able to get money which can be used to buy goods and services to satisfy one's wants.
- Commerce Involves banking which provide the medium of payment for goods and services, thus consumer can buy goods for consumption.

3. Characteristics of an entrepreneur.

- He/she is a risk taker in his/her business.
- He/she is responsible for the profit/loss of the business.
- He/she owns the business.
- He/she is responsible for acquiring and organizing other factors of production.
- He/she is responsible for marketing the goods/services produced in the business.

4. Importance of a business plan.

- A good plan shows how capital will be acquired and allocated.
- It guides the entrepreneur to avoid mistakes.
- The plan motivates one to achieve the set targets.
- It is usually required by financiers who are to finance the project.
- A plan removes worries and uncertainties when starting a business.
- It is use to evaluate the business by comparing the set goals and the achieved results.

5. Disadvantages of a partnership.

- There is sharing of profits.
- One may be reworked especially if he or she is an active partner.
- Some partners may have unlimited liabilities.
- There is a high possibility of disagreements among partners.
- The decision-making process may be slow.
- If one partner makes a decision on behalf of others, it will be binding to all.
- It may be difficult to keep the secrets of the business.

6. Disadvantages of a public warehouse.

- It is expensive to hire a public warehouse.
- They may be located far away from traders thus inconveniencing the trader and increasing the costs of storing goods.
- A trader hiring a public warehouse does not have to/ control over it.
- The procedure to clear and remove goods from a public warehouse is slow and long.
- Some of the public warehouses could be used to store illegal goods.
- The warehouse may lack special equipment or machines that a trader may require.

7. Reasons for using competitive advertisement.

- If the firm wants to attract more buyers.
- To retain already existing customers.
- If the company is launching a new good r service into the market.
- To interact or fight off a new competitor in the market.
- To correct information about the product which could be circulating in the market.
- To build a company's overall image.

8. Features of an oligopoly market.

- There are a few sellers in the market.
- Can be pure oligopoly where products are identical or differentiated through branding.
- There is firm rivalry where each firm try to outdo the other for a bigger share of the market.
- Firms are price givers or makers.
- There are barriers to entry so that the firms cannot enter the market.

9. Factors contributing to decrease in demand.

- Emigration of people from Kangari town leading to decline in population.
- Cases of insecurity in Kangari making people to fear the place.
- Rise in cost of housing in the place making people to opt for other affordable places.
- The weather in Kangari may discourage people from seeking residence there.
- Decline in people's income in the area making people to prefer village life.

10. Benefits of privatizing government parastatals.

- It encourages private ownership of businesses in the country.
- There will be improved management in the running of the businesses.
- Privatization deals with the problem of corruption, misuse of funds and mismanagement or of resources in parastatals.
- It encourages healthy competition among the businesses into the country.
- It will reduce the tax burden of financing the poor performing parastatals.

11. Final capital=Initial capital + A.I +Profits –Drawings

$$FC=350000+ 47000+50000-20000$$

$$FC= 447000-20000$$

$$Fc=Ksh.427000$$

12. Factors to be considered when buying an office machine.

- The effect of the machine on the workers.
- The cost of the machine.
- The suitability of the machine.
- The presence of office staff with the skills required to operate the machines.
- Available space/room to keep the machines/equipment.
- The likelihood of the machine being outdated or obsolete.
- The adaptability of the machines to future changes.

13. Advantages of mail order businesses.

- Offer goods to those who are far away.
- Since they do not sell on credit, they do not incur bad debts.
- A small office is required and therefore the owner does not require big premises.
- There is no need to employ salesmen to attend to customers.
- The owner may not need to acquire many transport vehicles.

14. Disadvantages of containerization in transport.

- They are expensive to buy or modify to suit special types of cargo.
- They can be used to smuggle illegal goods.
- Containers may not be used if the load to be carried is small.
- Special lifting machinery is required to lift the containers.
- When transported by road, the containers may require special trucks.
- Since they are large, the trucks move slowly and therefore may not be used to transport urgently required goods.
- They may lead to unemployment where capital replaces labour.
- The large trucks used on the road increase road damage and may increase accidents.

15. Challenges facing developing countries in calculating national income.

- The problem of subsistence sector which is non-monetary and difficult to get accurate figures from this sector.
- Sometimes there are a lot of illegal activities generating income but which will not be considered.
- It is not easy to value government expenditure as some services are not sold in the open market e.g security.
- Lack of accurate data and information particularly from the private sector.
- Price fluctuations may bring about different values for goods and services.
- In some methods used in calculating national income there is the problem of double counting.

16. Factors to consider when deciding on the types of goods and services to produce.

- The demand for the product or service in the market.
- Nature of the competition in the market.
- The government policy such as taxation, subsidy or banning the production of a particular product.
- Availability of factors of production such as raw materials, equipment, tools and labour.
- The cost involved in the production.

- The culture of the people involving beliefs, attitudes and norms.
 - The environmental factors, particularly the impact of production on the environment.
- 17. Parties interested in the information contained in the balance sheet**
- Buyers-to be sure of the continued existence of the business.
 - The managers-To compare the profitability of the business with others and the performance of the business at different times.
 - The shareholders- To know whether their funds are invested wisely or not.
 - The government-For taxation purposes.
 - Financiers-To determine whether or not to finance the business in future.
 - Potential investors-To see if the business is viable for investment or not.

18. Factors that influence transaction motive of holding money.

- The individual level of income.
 - The intervals between receipts of payments.
 - Level of prices for goods and services/inflation.
 - Business motive-e.g. a small firm will require less money for its operations.
- 19. Roles that are played by banking in the economy of a country.**
- Banks provide direct employment of the people leading to higher standards of living.
 - They provide means of payment such as cheque thus facilitating trade.
 - They lend money to individuals and entrepreneurs for investment for investment purposes.
 - The banks publish very useful information in form of magazines for investment purposes.
 - They invest in development projects such as housing.
 - They encourage savings which can later be used for investment purposes.
 - They provide safe place for keeping money for individuals, entrepreneurs and organizations.
 - They provide revenue to the government through taxation.

20. Marumi Traders

Trading Account

For the period ended 30th June 2016.

Opening stock		Sales	
40000		246667	
Add purchases			
<u>200000</u>			
Goods available for sale	240000		
Less closing stock			
<u>55000</u>			
Cost of sales			<u>246667</u>
185000			
Gross profit c/d	61667		
	<u>246667</u>		

21. Advantages of high population.

- There is increased labour supply in the market.
- Many people provide market for goods and services.
- There is enhancement of innovation and invention to meet the demand of bigger population.

- Labour mobility is promoted as people tend to move to other areas in search of work.
 - It encourages better utilization of resources and idle resources are maximumly exploited among the people.
- 22. Reasons that may make an insurer not to compensate an insured.**
- If the insured does not have insurable interest in the property insured.
 - If the policy was in arrears at the time of occurrence of risk.
 - If the insurer finds out that the cause of occurrence of risk was intentional.
 - If the policy was already terminated at the time of occurrence of risk.
 - In case the insured becomes insolvent.

23. Advantages of using cell phones in and outside an organization.

- One gets immediate feedback.
- It is fast and can be used to send urgent messages.
- There is personal appeal.
- The sender has an opportunity to convince and persuade the recipient.
- It is not very expensive particularly for making calls of a short duration of time.
- It can be used even when both the sender and the recipient are far apart.

24. Reasons for the ineffectiveness of the Kenya Consumer Organization.

- Inadequate funds to sustain lengthy courses
- Ignorance of consumers regarding their rights
- Many consumers are reluctant to forward their complaints to the organization.
- Inadequate support from the government in terms of finance and operation logistics.

25. Advantages of source documents.

- They provide information to be recorded in the books of account.
- They act as evidence that a particular transactions took place.
- Source documents are used for auditing purposes.
- They minimize fraud as several people handle and verify them when preparing other financial statements.
- They minimize mistakes or errors that may be made when preparing final statements at the end of each trading period.

KIGUMO
565/2
BUSINESS STUDIES
MARCH/APRIL 2018
FORM 4 PP 2
MARKING SCHEME

1(a) Reasons why a manufacturer would sell directly to consumer.

- Where the products are technical in nature.
- Where the products are expensive and manufacturers fear losing them through intermediaries or the middle men are not able to stock them.
- Where the manufacture has his own retail outlet.
- Where the products are produced according to consumers' specifications.
- Where consumers are localised in one geographical area or the manufacturer is close to them.
- Where products are perishable and the manufacturer wants to deliver them fast to deliver them fast to the customers.

(b) Factors that a manager would consider before buying office equipment for the organisation.

- Cost of the machine.
- Durability of the machine.
- Availability of spare parts.
- Availability of Service personnel.
- Effect on staff morale.
- Extent of use-Whether the equipment can serve more than one purpose.
- Manpower to operate the equipment.
- Availability of power.
- Possibility of hiring instead of buying.
- Availability of complementary materials.

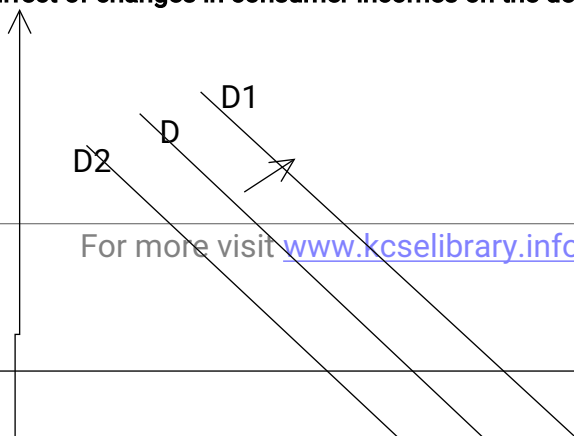
2(a) Benefits Kenya will get through exploitation of oil.

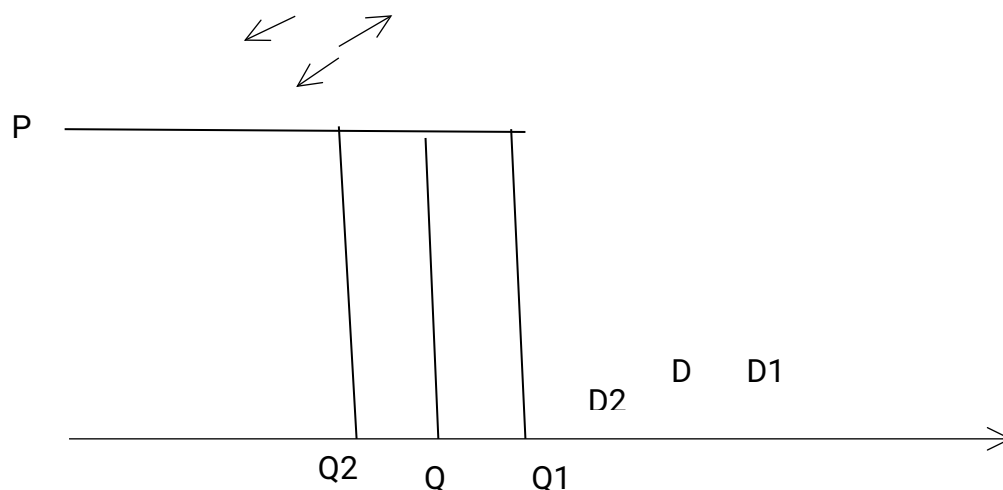
- Creation of employment to Kenyans.
- Earning revenue through sale of oil thus boosting the economy.
- Opening up Turkana region which is a remote place.
- Growth of Turkana town and other surrounding towns which improves the standards of living of locals

(b) Reasons why the government may find it necessary to participate in business activities.

- To provide goods and services that are too sensitive to be left in the hands of the private sector
- To attract foreign investment by initiating major development project.
- To prevent exploitation of consumers by private business people especially in the provision of essential goods and services which private individuals are not able to due to large amount of capital required.
- To stimulate economic development in the country.
- To ensure equitable distribution of essential goods and services.

3(a) Effect of changes in consumer incomes on the demand curve.





The original demand curve is DD and the original price is DP associated with quantity OQ.

- An increase in income of consumers causes a shift of the demand curve from DD to DD associated with Quantity OQ.
- A decrease in income of consumers causes a shift of the demand curve from DD to DD associated with Quantity OQ.
- A decrease in consumer's income causes a shift of demand curve from DD to D₂D₂ associated with quantity OQ.

(Diagram 8 ticks x1/2 =4mks explanation 6mks)

b) Ways in which the transport industry contributes to the development of the Kenyan economy.

- Linking consumers to producers
- Employment creation
- Promotes specialisation
- Making goods and services more useful
- Improving peoples standards of living
- Availing a wide market for products
- Increased production
- Avoiding wastage
- Promoting development of industries.

(Any 5 explained x 2 mks =10marks)

4(a) ways in which central bank may control the supply of money in the country.

- Use of bank rates
- Use of liquidity ratio.
- Cash ratio
- Open market operation
- Selection control
- Moral caution

**(b) Hazina Traders,
Trading profit and loss account for the period ended 31-12-2015**

Dr

cr

	Sh		Sh
Purchase	2600 000	Sales	4,000,000
Less Closing Stock	100,000	Less Sales Returns	40,000
Cost Of Sales	2,500,000	Net Sales	3,960,000
G.P Cld	1,460,000		
	3,960,000		3,960,000
Expenses		Gp B/D	1,460,000
General Expenses	120,000	Disc Received	36,000
Rent Expenses	46,000		
Telephone Expenses	48,000		
Salaries	360,000		
Net Profit c/d	922,000		
	1,496,000		1,496,000

(@Entry a tick, total 14 ticks x1/2 =7 mks)

$$\text{ii) Return on capital} = \frac{\text{Net profit} \times 100}{\text{Capital}} = \frac{922,000 \times 100}{1,950,000} = 47.28\%$$

(3mks)

5a) Limitations of per capital income to compare standards of living in different countries.

- Inequality in income distribution.
 - Different interpretations of national income.
 - Use of different currencies
 - Different goods and services
 - Different needs and tastes
- (any 4 explained x2 mks)

(b) Causes of unemployment in Kenya

- Use of inappropriate technology
 - Rapid population growth
 - Inadequate co-operative factor
 - Seasonality in production
 - Lack of market for products
 - Inappropriate education system
- (any five explained x 2 = 10mks)

6(a) Macro environmental factors that might adversely affect the performance of a business.

- Economic factors e.g high price levels, low incomes and high interest rates
- Demographic factors e.g decline in birth rates / migration
- Legal political factors – unfavourable govt policies
- Unfavourable culture
- Unfavourable competition.
- Physical factors. (any four explained to show direction 1x 2 =8mks)

b) Three column cash book

Date	Details	Disc All	Cash Sh	Bank Sh	Date	Details	Disc Rec	Cash Sh	Bank Sh
2016 March 1	Bal B/D		7800		2016 March 1	Bal B/D			23,400
3	Sales			6500	2	Purchases			15,000
6	Sales		50,000		13	Insurance		16,000	
9	Amolo			76,500	14	Kamotho	300		9,700
17	Sales			150,000	21	Cash			30,000
21	Bank		30,000		25	Wages		20,000	
23	Rotich	1250		23,150	26	Amolo			18,000
30	Cash			48,800	30	Bank		48,800	
					31	Bal C/D		3,000	209,450
		1250	81800	305,550			300	87,800	305,550

(24 Ticks @ ½ Mark Total 12 Marks)

LANG'ATA SUB-COUNTY

565/1

BUSINESS STUDIES

PAPER 1

TIME: 2 HOURS

PRE-MOCK 2018

FORM 4

1. Identify **four** importance of learning business studies to the state (4mks)
2. Identify **four** ways in which a firm can help in environmental conservation (4mks)
3. State **four** new developments in office management (4mks)
5. Outline **four** channels Angels cyber may use when purchasing computers from Top tech companies in Japan. (4mks)
6. Identify **four** aspects of a healthy business environment (4mks)
7. The following information was extracted from Mwambia traders as at 30th December 2017

Sh	
Furniture	220,000
Debtors	140,000
Premises	300,000
Machinery	300,000
Cash	10,000
Bank overdraft	110,000
Creditors	30,000

Calculate capital for Mwambia traders Ltd. As at 30th December 2017.

(4mks)

8. Distinguish between the following terms; (4mks)
 - a) Material and non-material goods
 - b) Free and economic goods
9. State **four** circumstances under which the state would privatize a state-owned enterprise (4mks)
10. Highlight **four** features of a re-insurance company (4mks)
11. Highlight **four** circumstances under which upward communication can be used in an organization (4mks)
12. The following information relates to Rwimbah Traders LTD. In the year ended 31/12/2017.

Net profit	65,000
Additional capital	150,000
Closing capital	350,000

If the opening capital was sh. 191,000 determine the drawings for the year

(4mks)

13. Highlight **four** reasons for drawing the population structure in an economy (4mks)
14. Highlight **four** ways through which the state is putting in place to bring security to the matatu transport sector (4mks)
16. Fill in the relevant characteristics of an entrepreneur to the description given.

Description	Characteristic
a) Struggles with determination to solve problems	
b) Aggressive in implementing ideas	
c) starts his own business and operates it on his own	
d) has a strong belief in himself in his own abilities	

17. Prepare relevant ledgers from the following transactions relating to Eldo Traders

(4mks)

- i) 3rd Feb 2017: bought a computer from Moi Avenue traders worth Shs. 40,000 and paid by cheque.
- ii) 4th Feb: Sold stock worth Shs. 20,000 Credit to Japtoo traders
Japtoo traders returned goods worth Shs. 5,000 to Eldo Traders.

iii) Eldo traders received a cheque of Shs. 15,000 from Japtoo traders.

18. Distinguish between the following terms

(4mks)

- a) GDP and GNP
- b) National income and per capita income

19. Highlight **four** methods used to delocalize firms in an economy

(4mks)

20. Awinoe sells her goods at mark up of 2/5. For the year ended 31st Dec. 2017, her trading activities were as follows.

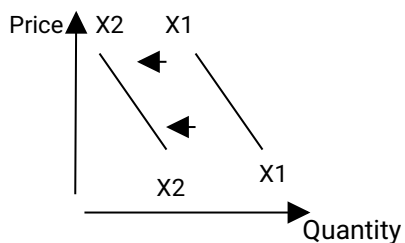
Opening stock	Shs 50,000
Purchasing	Shs 30,000
Closing stock	Shs 20,000

- a) Margin percentage (2mks)
- b) Rate of Stock turnover (2mks)

21. Give **four** aims for Government participating in business activities

(4mks)

22. The diagram below shows a shift in demand curve



State **four** possible reasons for the change in X1 to X2 above.

(4mks)

23. Complete the table below

(4mks)

Source Document	Book of original entry
Received Receipt	
Credit note retained /copy	
	Purchases journal
	Sales journal

24. The following information was extracted from the books of Samoei traders on 31/12/2017

	Shs.	
Stock (1/1/2017)	600,000	
Purchases	1,800,000	
Sales during the year		2,600,000
Mark up	25%	
Stocks (31/12/2017)	X	

Required: Prepare Samoei traders trading account

(4mks)

25. Highlight **four** characteristics of a time deposit account

(4mks)

LANG'ATA SUB-COUNTY

565/2

BUSINESS STUDIES

PAPER 2

TIME: 2 HOURS

PRE-MOCK 2018

*Kenya Certificate of Secondary Education (K.C.S.E.)***Answer any five questions.**

1. a) Identify five circumstances under which communication may be ineffective. (10 marks)
 b) One of the main objectives of vision 2030 is to drastically reduce the rate of unemployment in the economy. Explain five ways through which the government may achieve this. (10 marks)
2. a) Explain five benefits of using cheques as a means of payment (10 marks)
 b) As a County Governor, explain five ways in which the National Income statistics will be of benefit to you (10 marks)
3. a) Apart from taxation, explain five other ways the Government raises its finances. (10 marks)
 b) Describe five steps taken in personal selling (10 marks)
4. a) Distinguish between bonded warehouse and a free warehouse (10 marks)
 b) Record the following transactions relating to Kibaki stores in the General Journal 2017: (10marks)
 Oct 2: A photocopier worth Shs.93,000 were purchased on credit from Lisa paper works.
 Oct 3. Office furniture worth Shs.70,000 were sold on credit to Poa place for Shs.80,000.
 Oct 8. A machine whose book value was Shs.120,000 was sold to Tetu traders for Shs.95,000 on credit
 Oct 10. An old motor vehicle worth Shs.270,000 was sold to Iten traders on credit.
5. a) Explain five characteristics of Life Assurance (10marks)
 b) Explain five ways in which the Government may increase the amount of money in circulation in an economy (10 marks)
6. a) Explain four benefits a general line textile manufacturer may enjoy by specializing in the production of a single product. (10 marks)
 b) Record the following transactions in a three column cashbook and balance it off as at 30th June 2017.
 2017
 June 2. KCB loan received by cheque Sh. 250,000
 June 4. Cash sales amounting to Sh. 30,000.
 June 6. Bought stock worth Sh. 70,000 and paid by cheque less 8% discount.
 June 9. Received Sh. 25, 0000 from Lonyangapuo a debtor by cheque after allowing a 2% discount.
 June 10. The proprietor took Sh. 10,000 cash for his son's birthday party.
 June 12. Withdrew Sh.48,000 from the bank for office use.
 June 15. Murgor settled his account of Sh. 45,000 by cheque.
 June 18. Paid wages Sh. 10,000 cash.
 June 20. Murgor's cheque was dishonored.
 June 27. Sold goods worth Sh.68,000 receiving Sh.28,000 cash and the rest by cheque.
 June 30. Transferred all cash to the bank Except Sh.8,000.

LANG'ATA SUB-COUNTY

PRE-MOCK 2018

BUSINESS STUDIES

PAPER 1

1. Identify four importance of learning business studies to the state. (4 marks)
- Solutions**
- Students acquire knowledge on how to be environmentally aware/care for the environment
 - Learn skills on how to acquire resources and use these skills to create goods and services for the country
 - These goods can be exported to earn foreign exchange
 - Goods created can help to reduce the volume of imports and thus check the BOP's problems
 - Learners acquire practical skills on how to start and run businesses therefore create employment for themselves
- 1 x 4=4 marks**
(4mks)
2. Identify four ways in which a firm can help in environmental conservation
- Solution**
- By recycling its wastes products
 - By avoiding dumping of wastes around its business premises
 - Use of environmentally friendly sources of energy
 - Initiating community waste disposal programmes
 - Joining joint recycling projects with similar firms
 - By treating its effluents
 - By initiating afforestation and re-afforestation programmes
 - By enacting waste disposal laws
 - Educating the public on the need to conserve the environment
 - Holding open days to demonstrate on how to care for the environment i.e. tree planting days 1 x 4=4 marks
3. State **four** new developments in office management. (4mks)
- Performance contracting
 - Offices are located outside the town CBD
 - Use of identification badges
 - Electronic staff log in and out system
 - Use of communication and information technology
4. Outline **four** types of indirect taxes. (4mks)
- Sales tax
 - Value added tax (VAT)
 - Export Duty
 - Import Duty
 - Excise Duty
5. Outline **four** channels Angels cyber may use when purchasing computers from Toptech Company in Japan.
- Foreign producer----Wholesaler----Retailer----Local consumer
 - Foreign Producer----Wholesaler----Local consumer
 - Foreign Producer----Retailer----Local consumer
 - Foreign Producer----Agent----Wholesaler----Retailer----Local Consumer
 - Foreign----Local Consumer
6. Identify four aspects of a healthy business environment (4mks)
- Proper waste collection and disposal
 - Proper sanitation
 - Ideal treatment and disposal of Industrial effluent
 - Adequate ventilation in buildings
 - Safety standards of the buildings in which the business is located
 - Landscaping including planting of grass, flowers and trees
 - Conducive legal and legislative policies
 - Fair and equitable taxation system
 - Removal of unfair practices e.g zero tolerance on corruption
 - Regulation of consumption for local and imported goods and services (1x 4=4mks)

7. The following information was extracted from Mwambia Traders as at 30th December 2017.

	Sh
Furniture	220,00
Debtors	140,000
Premises	300,000
Machinery	300,000
Cash in hand	10,000
Bank overdraft	110,000
Creditors	30,000

Calculate capital for Mwambui Traders Ltd. As at 30th December 2017.

(4 mks)

Solution

Capital=assets-liabilities

Assets=220,000+140,000+300,000+300,000+10,000=970,000

Liabilities=110,000+30,000=140,000

= sh.830, 000

8. Distinguish between the following terms;

a) Material and non-material goods

Material goods- Goods that are tangible e.g food, books, chairs etc.

Non material- Goods that are intangible (services) egteaching,nursing,warehousing etc.

b) Free and economic goods

Free goods- Those goods that are available in abundance / gifts of nature / have no monetary value e.gair,sunshine,mountains etc.

Economic-Goods that are scarce and have monetary value/require human effort to acquire them egvehicles,TV,buildingsetc

9. State four circumstances under which the state would privatize a state-owned enterprise

(4 mks).

a) If its running at a loss

b) if it is the government policy

c) If the Govt want to have more time to run its administrative issues

d) If it wants to attract investors

e) To raise more revenue

f) To improve efficiency in terms of minimizing wastage and maximizing output

g) If the Govt wants to reduce spending on salaries and other costs used in running these public enterprises.

1x4=4mks

10 Highlight four features of a re-insurance company

(4marks)

Solution

a) Commands large financial resources/base

b) Are legally empowered to insure other insurance companies

c) The government has a stake in re-insurance companies

d) Re-insurance companies deals with corporate insurance clients

e) Re-insurance companies usually guarantees compensation

1 x 4=4

marks

11 Highlight **four** circumstances under which upward communication can be used in an organization.When subordinates are communicating to supervisors by,

(4

Bank 40,000
Sales a/c
Jeptoo 20,000
sales returns 5,000
Bank 15,00
Jeptoo 5,000

Jeptoo 15,000
Jeptoo a/c
Sales 20,000
Sales returns a/c

Computer 40,000

18. Distinguish between the following terms

a) GDP and GNP

GDP-Total monetary value of all goods and services produced in a country over one year

GNP- Total monetary value of all goods and services produced by individuals of a given country irrespective of whether they are producing it in their country or outside

b) National income and Per capita income

NI- Total income received by the owners of factors of production over a given period of time usually one year

Per capita income- Average income per head per year in a given country/

National income

Total population

19. Highlight four methods used to delocalize firms in an economy

(4mks)

a) Provision of tax holidays

b) Provision of free or cheap land

c) Providing good infrastructure

d) Giving govt subsidies

e) tax reduction

f) Provision of incentives

g) Intensifying security in rural areas

1x4=4 mks

20. Awino sells all her goods at mark up of 2/5. For the year ended 31st Dec.2017,her trading activities were as follows:

Opening Stock Shs. 50,000

Purchases Shs. 30,000

Closing Stock Shs. 20,000

Calculate:

a) Margin percentage (2mks)

Margin= $\frac{2}{5+2} \times 100 = 28.57\%$

b) Rate of stock turn over(2mks)

ROSTO=COGS/AV STOCK

Cogs= $50,000 + 30,000 - 20,000 = 60,000$

Av stock= $\frac{50,000+20,000}{2} = 35,000$

ROSTO= $\frac{60,000}{35,000} = 1.714$ times

21 Give **four** aims for Government participation in business activities

- Prevent exploitation of the public by private business persons

- Stimulate economic development in the country

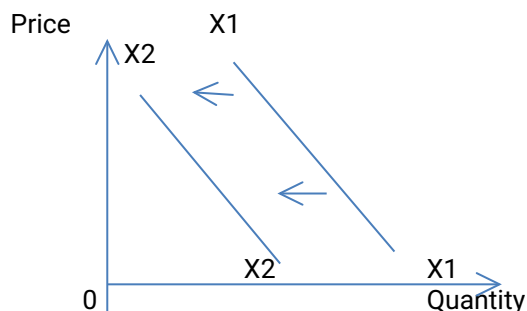
- Prevent foreign dominance

- Create employment

- Attract foreign investment

- To provide essential goods and services

22. The diagram below shows a shift in demand curve.



State **four** possible reasons for the change in **X1** to **X2** above.

(4mks)

- Decrease in prices of related commodities
- Unfavorable government policy
- A decrease in population
- Future expectation of price reduction
- Unfavorable terms of sale
- A decrease in consumers level of incomes

23 Complete the table below.

(4mks)

Source Document	Book of Original entry
Received Receipt	Cash payment/ Three column cashbook
Credit note retained/copy	Sales Return Journal
Purchases Invoice/received	Purchases Journal
Sales invoice/retained	Sales Journal

24. The following information was extracted from the books of Samoei traders on 31/12/2017.

	Shs
Stock (1/1/2017)	600,000
Purchases	1,800,000
Sales during the year	2,600,000
Mark up	25%
Stocks (31/12/2017)	X

Required: Prepare Samoei traders Trading account

(4mks)

Samoei Traders			
Trading account			
For the period ended 31/12/2017			
		Sh.	Sh.
Op. Stock	600,000	Sales	2,600,000
Purchases	1,800,000		
	2,400,000		
Less Cl. Stock	320,000		
	2,080,000		
Gross profit	520,000		

2,600,000

2,600,000

25 Highlight four characteristics of a time deposit account (4 marks)

- Earns interest at an agreed rate
- There is usually a minimum amount that is required to operate this A/C
- A certificate of deposit usually issued to the depositor as evidence of the contract
- On expiry of the deposit period the A/C holder can withdraw all the money together with interest or even renew the contract
- If the A/C holder withdraws the money before the expiry of the agreed deposit period he or she loses the accrued interest
- Deposits held in the A/C can be used as security for a loan

1 x 4=4

marks

LANG'ATA SUB-COUNTY

PRE-MOCK 2018

565/2

BUSINESS STUDIES

MARKING SCHEME

Paper 2

1. a). Identify **five** circumstances under which communication may be ineffective. (10marks)

- a) Negative attitude-when the receiver develops negative attitude during communication
- b) Language-when the sender uses a language which the receiver does not understand
- c) Noise-when there is noise during communication
- d) Poor choice of the channel-when there is poor choice of channel
- e) Poor listening/failure to listen by the recipient
- f) Where the language is ambiguous
- g) Poor expression of the message/ inaudibility by the sender
- h) Failure to plan/unpreparedness by the sender before communicating
- i) Where the timing is inappropriate in calling e.g. very early in the morning

Any correct 2 x 5=10 marks

b). One of the main objectives of vision 2030 is to drastically reduce the rate of unemployment in the economy.

Explain **five** ways through which the government may achieve this.

(10marks)

- Transforming agriculture sector/rural sector to curb rural to urban migration
- Transforming education/training with the relevant skills
- Establishing an employment policy making it easy for people to get jobs i.e. youth fund
- Lending/setting up a fund to assist the unemployed to start income generating activities
- Exporting labor/assist unemployed people to acquire jobs abroad in countries with labor deficiency.
- Encouraging the informal sector/jua kali sector in order to stimulate economic activities
- Improve infrastructure in order to stimulate economic activities
- Protect local infant industries/projects by injecting funds/selling/increased production activities
- Reviving collapsed industries/ projects by injecting funds/selling/increased production activities
- Put in place income /wage policy to harmonize/eliminate wage differentials in the economy
- Population policy to control growth/have a labor policy that the economy can absorb
- Attract (local/foreign) investment through vision incentives to grow the economy/accept donor funding in some sector i.e. industrialization

Any correct 2 x 5=10 marks

2. a). Explain **five** benefits of using cheques as a means of payment. (10marks)

- Cheques can be recorded for future reference
- Cheques are convenient to carry about compared to currency and notes
- Cheques can be used as a source document for making entries in books of original entry
- Cheques cannot be easily forged
- Cheques are safer to carry compared to currency(notes and coins)
- They can be used as evidence of a business transaction in case of doubts

Any correct 2 x 5=10 marks

b). As a County Governor, Explain **five** ways in which the National income statistics will be of benefit to you. (10marks)

- Assessing the performance of the county overtime.
- Aid in planning for the county economy i.e identifying which sector needs funding.
- Helps in making decisions in the county.
- Act as indicators of the standard of living.
- To compare the standard of living between different counties.
- Helps to identify the best performing sector in the county

Any 5*2 = 10marks (well explained in relation to county)

3. a). Apart from taxation, explain **five** other ways the Government raises its finances.

- Profits and dividends earned from government direct investments.
- By borrowing from either internal or external sources
- Proceeds from sale of government property
- Interest on loans advanced by the government to firms
- License fees paid by those who want to operate business
- Rent and rates paid by those who want to operate business
- Fines imposed by courts on offenders

Any 5*2=10marks(well explained)
(10marks)

b). Describe **five** steps taken in personal selling

(10marks)

- Identifying prospective customers
- Preparing the presentation
- Establishing customer contacts
- Arousing interest in the product
- Dealing with objections
- Closing the sale
- After sale service

(Should be well explained and ordered 2 marks each)

4. a). Distinguish between a bonded warehouse and a free warehouse. (10marks)

Bonded warehouse	Free warehouse
They store dutiable goods	Goods stored are not subject to duty
Normally situated at the harbors/ports/airports	Can be located in the interior or anywhere
Closely monitored by the government	Not very closely monitored by the government
Allows the government to inspect goods stored	Goods stored may not be inspected by the government
Used to control inflow of goods into the country (i.e type of goods and quality)	Is not used to control inflow of goods into the country(i.e type of goods and quality)

2 x 5=10 marks – the points should be correctly matched to earn a mark

b). Record the following transactions relating to Kibaki stores in the General Journal (narration not required). (10marks)

2017:

Oct 2: A photocopier worth shs. 93,000 were purchased on credit from Lisa paper works.

Oct 3: Office furniture worth shs. 70,000 was sold on credit to Poa place for Shs. 80,000

Oct 8: A machine whose book value was shs 120,000 was sold to Tetu traders for Shs. 95,000 on credit

Oct 10: An old motor vehicle worth sh. 270,000 was sold to Iten traders on credit.

General journal	Particulars	Dr(shs)	Cr (shs)
Date 2017 Oct 2	Photocopier a/c Lisa paper works a/c	93,000	93,000
Oct 3	Poa place a/c Office furniture a/c Gain on disposal a/c	80,000	70,000 10,000
Oct 5	Tetu traders a/c Loss on disposal a/c Machine a/c	95,000 25,000	120,000
Oct 10	Iten traders a/c Vehicle a/c	270,000	270,000

5. a). Explain **five** characteristics of Life Assurance.

(10marks)

- Not a contract of indemnity
- Long term contract
- Has surrender value
- Can be assigned to beneficiaries
- Covers life
- Its value depends on the ability of the assured to pay premium
- May be used as security to acquire loan
- Has maturity date
- May be a savings plan

(Any 5 well explained=10mks)

b). Explain **five** ways in which the Government may increase the amount of money in circulation in an economy. (10marks)

- Use of OMO, by purchasing back treasury bills and government bonds issued
 - reducing the cash liquidity ratio requirement
 - Reducing Bank interest rates
 - Reducing the amount of compulsory deposit requirement.
 - By Directive and request to commercial banks and money lending institutions on a lower interest rates they should charge.
- Any 5*2 = 10marks (well explained)

6 a). Explain **four** benefits a general line textile manufacture may enjoy by specializing in the production of a single product. (8marks)

- Will lead to high quality products produced
 - Enhances invention and innovation in the production of the product.
 - Will lead to greater use of machines/technology
 - will lead to more quantity being produced.
 - their workers becomes more expertise in the production of textiles.
- Any 4*2=8mks (Well explained in relation to specialization of the manufacturer))

b). Record the following transactions in Muema's three column cashbook and balance it off as at 30th June 2017.

(12marks)

2017

June 2. KCB loan received by cheque Sh. 250,000

June 4. Cash sales amounting to Sh. 30,000.

June 6. Bought stock worth Sh. 70,000 and paid by cheque less 8% discount.

June 9. Received sh. 25,000 from Mr. Lonyangapuo a debtor by cheque after allowing 2% cash discount.

June 10. The proprietor took Sh.10,000 cash for his son's birthday party.

June 12. Withdrew Sh.48,000 from the bank for office use.

June 15. Murgor settled his account of shs. 45,000 by cheque.

June 18. Paid wages Sh.10, 000 Cash.

June 20. Murgor's cheque was dishonored.

June 27. Sold goods worth Sh. 68,000 receiving Sh.28,000 cash and the rest by cheque.

June 30. Transferred all cash to the bank Except Sh.8,000.

MUEMA'S THREE COLUMN CASH BOOK

Date	Details	Disc allowd	Cash	Bank	Date	Details	Disc Rec	Cash	Bank
2017					2012				
June1	Bal b/d		40,000		June1	Bal b/d			150,000

2	KCB loan			250,000	6	Purchases	5,600		64,400
4	Sales		30,000		10	Drawing		10,000	
9	Lonyangapuo	500		24,500	12	Cash (C)			48,000
12	Bank (C)		48,000		18	Wages		10,000	
15	Murgor			45,000	20	Dish. Cheque			45,000
27	Sales		28,000	40,000	30	Bank 'C'		118,000	
30	Cash 'C'			118,000					
					30	Bals C/d		8,000	171,100
		500	146,000	478,500			5,600	146,000	478,500
30	Bals b/d		8,000	171,100					

MOMALICHE JOINT EXAMINATION
565/1
BUSINESS STUDIES
PAPER 1
MARCH - 2018
TIME: 2 HOURS
Kenya Certificate of Secondary Education (K.C.S.E)

1. Give four features of basic human wants. (4mks)
2. Define the following terms appropriately. (4mks)
 - a) Mortality rate
 - b) Fertility rate
 - c) Life expectancy
3. Infant mortality rate
4. Distinguish between Debentures and Preference shares (5mks)
5. State the type of document described below. (4mks)
 - a. Show from which country the goods are coming from.
 - b. Written by an exporter authorizing his bank to sell goods on his behalf
 - c. Allow importer to get goods on credit and cannot be changed by the importer without exporters permission. Help in quicker clearance and it is issued by country's official abroad.
6. Indicate whether the following items are falling in real, nominal or private accounts. (3mks)

Account

 - (a) Sales
 - (b) Carriage inwards
 - (c) Fixture and fittings
 - (d) Stock
 - (e) Cash
 - (f) Capital
7. Outline four characteristics of multiple shops (4mks)
8. Highlight four ways in which the central bank acts as a banker to the government. (4mks)
9. State four negative effects of high taxation in Kenya. (4mks)
10. Write whether the following transactions will have an increase, decrease or no effect on the balance sheet totals. (4mks)

Transaction**Effect**

- a. Withdrew stock for personal use
- b. Paid a creditor by cheque
- c. A debtor paid by cash
- d. Received a loan by cheque

11. Give Meshack four reasons why he should not introduce division of labour in his factory.

(4mks)

12. Highlight four roles played by personal secretary

(4mks)

13. In a well labelled illustration, show a shift in the supply curve.

(5mks)

14. Given the following information of Elisha Traders

(4mks)

Land and Building.	490,000	
Machinery	300,000	
5 year loan	110,000	
2 year loan	80,000	
Creditors	90,000	
Debtors		100,500
Stock	75,600	
Cash	40,000	
Bank overdraft	69,900	

Calculate,

- a) Working capital (1mk)
- b) Current ratio (1mk)
- c) Capital owned (1mk)
- d) Borrowed capital (1mk)

15. Outline four trends in forms of business units.

(4mks)

16. State four reasons that can lead to the termination of an insurance policy.

(4mks)

17. State four essential elements in communication.

(2mks)

18. Record the following transaction in the General journal.

June 1st bought furniture on credit from Wahu traders 25,000/=

June 2nd exchange a motor van book value 240,000 for a machine valued at 280,000/=

June 3rd sold furniture valued at 15,000 on credit to Erick for 13,400/=

June 4th bought a van from c.m.c worth 390,000 paing 300,000 cash the rest to be paid later.

(4mks)

19. State four disadvantages of delocalization of firms.

(4mks)

20. State four assumptions of circular flow of income in a two sector economy

(4mks)

21. Highlight four roles of advertising agencies in product promotion

(4mks)

22. Outline four benefits of commercial production

(4mks)

23. Outline four reasons for one to hire human porter age instead of a pick-up to transport goods.

(4mks)

24. Highlight four features of perfect competitive market.

(4mks)

25. Name four documents that originate from the seller in the home trade.

(4mks)

26. State four limitations of trial balance.

(4mks)

MOMALICHE 2 CYCLE 5 EXAMINATION

565/2

BUSINESS STUDIES

Paper 2

MARCH 2018

TIME: 2 ½ HOURS**Business Studies**

Paper 2

- 1(a) Every institution has office staff which should have certain prescribed code of behaviour. Explain five office etiquette of an office staff.
(10mks)
- (b) Explain five methods that government uses to protect consumers.
(10mks)
2. (a) Explain five insurance policies that the proprietor of Umoja Supermarket may take to his business.
(10mks)
- (b) Explain five negative effects of inflation. (10mks)
3. (a) Describe five channels used to distribute manufactured goods in Kenya.
(b) Highlight five differences between a co-operative and a public limited company.
(10mks)
4. (a) Explain five consideration that the county government should look into before Incurring any expenditure.
(10mks)
- (b) The following transactions were extracted from the books of NKUNDI enterprise for the month of August.
- (i) August 1st cash in hand Ksh.13,000 and at bank Ksh.28,000.
 - (ii) August 3rd cash sales amounting to Ksh. 15,000.
 - (iii) August 5th received Ksh. 7,800 from Mwenda after deduction of 2 ½ % cash discount.
 - (iv) August 7th paid Kananu Ksh.17,000 by cheque in full settlement of her account of Ksh.17,500.
 - (v) August 9th received Ksh.19,000 from Kawira after allowing 5 % cash discount.
 - (vi) August 10th Deposited Ksh.15,000 into the bank from the cash till.
 - (vii) August 11th took Ksh.9,500 cash for personal use.
 - (viii) August 15th paid Barazaksh. 8,800 after deducting 12% cash discount by cheque.
 - (ix) August 20th Banked some cash leaving Ksh.12,300 in the cash till.
- Required: Prepare a three column cash book for Njundi Enterprise duly balanced.
(10mks)
5. (a) Kwanza limited operates as monopolist. Explain five possible factors that made this firm acquire monopoly power.
(10mks)
- (b) A flower farmer in Njoro has secured market for her flowers in a foreign market.
Explain five reasons why the farmer should use air to transport his flowers.
6. (a) Explain four factors that lead to business success. (8mks)
- (b) The following trial balance was extracted from the books of Hekima Traders as at 30th June 2010.

Details	Dr.(sh)	Cr(sh)
Premises	1,500,000	
Debtors & creditors	20,000	30,000
Cash (bank)	90,000	
Cash (hand)	10,000	
Purchases and sales	140,000	320,000
Stock 1 st June 2010	45,000	
Salaries and wages	50,000	
Discounts	6,000	
Commissions		2,000
Power & lighting	12,000	8,000
Returns	15,000	19,000
Carriage inwards	5,400	
Carriage outwards	2,300	
Capital		1,543,700
Furniture	27,000	
	1,922,700	1,922,700

Stock on 30th June 2010 was worth shs. 22,000

Required:

Prepare a trading, profit and loss account for the year ending 30th June 2010.
(12mks)

MOMALICHE JOINT EXAMINATION**Marking scheme****565/1****BUSINESS STUDIES****PAPER 1****MARCH - 2018****TIME: 2 HOURS****Kenya Certificate of Secondary Education (K.C.S.E)****1. State four features of basic human wants. (4mks)**

- Necessary for survival
- They are universal
- They are felt needs
- They cannot be postponed

2. Define the following terms appropriately. (4mks)

- Mortality rate - Number of deaths within a given area over a period of time. Death rate per 1000 people in a population.
- Fertility rate - average number of children per women in child bearing age. Productivity of a country's population
- Life expectancy – average age of death of people in a certain area.
- Infant mortality rate – number of deaths of children aged one year and below per 1000 infant per year.

3. Distinguish between the following (5mks)

Debentures	Preference shares
a. Is a loan capital	a. Is a share capital
b. Held by outsiders	b. Held by quasi owners
c. get interest before preference	c. get dividends after debentures
d. paid first in case of winding up	d. paid after debentures in case of winding up
e. earn interest	e. earn dividends

4. State the type of document described below. (4mks)**Type of document**

- Show from which country the goods are coming from. certificate of origin
- Written by an exporter authorizing his bank to sell goods on his behalf letter of hypothecation
- Allow importer to get goods on credit and cannot be changed by the importer without exporters permission. letter of credit
- Help in quicker clearance and it is issued by country's official abroad. consumer invoice

5. Indicate whether the following items are falling in real, nominal or private accounts. (3mks)**Account**

- Sales nominal
- Carriage inwards nominal
- Fixture and fittings real
- Stock real
- Cash real
- Capital private

6. Outline four characteristics of multiple shops (4mks)

- Many shops in different locality - sell similar goods.
- Shops have similar outward appearance.
- Buying is centralised.
- Selling is decentralised - goods not selling in one shop can be moved to another shop.

7. Highlight four ways in which the central bank acts as a banker to the government. (4mks)

- Received finance on behalf of the government.
- Undertake various government transactions for goods/ service
- Advance loans to the government on behalf of the government.
- Repays foreign loans on behalf of the government
- Safeguard government finance.

8. State four negative effects of high taxation in Kenya. (4mks)

- Defer savings
- Discourage work.
- Humber investment
- May cause inflation.

- e. May not be equitable
- f. Interfere with resource allocation
- g. Can be expensive to collect.

9. Write whether the following transactions will have an increase, decrease or no effect on the balance sheet totals.

(4mks)

Transaction	effect
a. Withdrew stock for personal use	decrease
b. Paid a creditor by cheque	decrease
c. A debtor paid by cash	no effect
d. Received a loan by cheque	increase

10. Give Meshack four reasons why he should not introduce division of labour in his factory.

(4mks)

- a. Monotony of work.
- b. Work lose craftsmanship
- c. Bring a lot of dependence
- d. Machines use may create unemployment.
- e. Bring people together create social problem

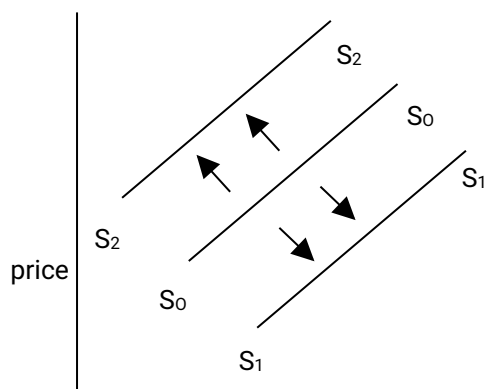
11. Highlight four roles played by personal secretary

(4mks)

- a. Receiving information.
- b. Filing of information
- c. Take minutes for the seniors
- d. Maintain petty cash book
- e. Receive calls for the boss
- f. Make calls for the seniors.

12. In a well labelled illustration, show a shift in the supply curve.

(5mks)



13. Given the following information of Elisha Traders

	Quantity
Land and Building.	490,000
Machinery	300,000
5 year loan	110,000
2 year loan	80,000
Creditors	90,000
Debtors	100,500
Stock	75,600
Cash	40,000
Bank overdraft	69,900

Calculate,

- a. Working capital = CA – CL
 $216100 - 159900$
 $= 56200$
- b. Current ratio
 CA : CL
 $216100: 159900$
 $= 1.35: 1$ (1mk)
- c. Capital employed (1mk)
 $= FA + WC \text{ or } CO + BC$

= 49000+ 300000+ 56200

= 846200

- d. Capital owned (1mk)
- i. = A- L
 - ii. 1011100 – 349900
 - iii. = 661200

- e. Borrowed capital
(1mk) 110000 + 80000
= 190000

14. Outline four trends in forms of business units.

(4mks)

- a. Globalization
- b. Privatization
- c. Unit trusts
- d. Franchising
- e. Cartels
- f. Holding companies.

15. State four reasons that can lead to the termination of an insurance policy.

(4mks)

- a. Lapse of time
- b. Surrendering of the policy
- c. Insured fails to pay premiums
- d. Occurrence of a risk and compensation
- e. Death of the insured
- f. Maturity of the policy failure to be truthful
- g. For property insurance e.g car disposal or sell of the property to another party.

16. State four essential elements in communication.

(2mks)

- a. Sender
- b. Message
- c. Channel
- d. Receiver
- e. Get back

17. Record the following transaction in the appropriate book of original entry.

- June 1st bought furniture on credit from Wahu traders 25,000/=
- June 2nd exchange a motor van book value 240,000 for a machine valued at 280,000/=
- June 3rd sold furniture valued at 15,000 on credit to Erick for 13,400/=
- June 4th bought a van from c.m.c worth 390,000 paing 300,000 cash the rest to be paid later.

(4mks)

DATE	DETAILS	DEBIT	CREDIT
June 1 st	furniture Wahu	25000	25,000
(Purchase of furniture on credit)			
Jun 2 nd	Machine Motor Van	280,000	240,000
	Gain on exchange	40,000	
(Exchange of motor van for machine)			
Jan 3 rd	Erick Lesson on disposal Furniture	1,600	13,400 15,000
(Sale of furniture at a loss)			
June 4 th	Motor van Cash c.m.c	390,000	300,000 90,000
(Van bought party by cash)			

18. State four disadvantages of delocalization of firms.

(4mks)

- a) Spread of population
- b) Depletion of resources in rural areas
- c) Use of alot of resources to develop rural areas
- d) Such areas may lack some amenities

- e) Security in such areas may not be guaranteed
- 19. State four assumptions of circular flow of income in a two sector economy (4mks)**
- a. All incomes earned by firms are spent on factors services
 - b. All incomes earned by household are spent on goods and services
 - c. Economy is closed (no international trade)
 - d. Existence of only two sectors in the economy
 - e. No government intervention
- 20. Highlight four roles of advertising agencies in product promotion (4mks)**
- a. Product promotion
 - b. Advertise on behalf of their clients
 - c. Design logos, trade marks etc
 - d. Advise their clients on selling techniques
 - e. Choose appropriate media of advertising
- 21. Outline four benefits of commercial production (4mks)**
- a. Earns revenue to the government
 - b. Earns foreign exchange
 - c. High output
 - d. Encourage specialization
 - e. High quality products
- 22. Outline four reasons for one to hire human portorage instead of a pick-up to transport goods. (4mks)**
- a. Cheaper than a pick-up
 - b. Carrier small language
 - c. Convenient over short distance
 - d. Flexible
- 23. Highlight four features of perfect competitive market. (4mks)**
- a. Wide knowledge of market
 - b. Homogeneous goods
 - c. No transport cost
 - d. No government intervention/interference
- 24. Name four documents that originate from the seller in the home trade. (4mks)**
- a. Catalogue
 - b. Qutation
 - c. Acknowledgement note
 - d. Invoice
 - e. Credit note
 - f. Debit note
- 25. State four limitations of trial balance. (4mks)**
- a. Error of commission
 - b. Compensating errors
 - c. Complete reversal of entries
 - d. Error of principle

MOMALICHE 2 CYCLE 5 EXAMINATION**Business Studies**

Paper 2

MARKING SCHEME

1. (a) – Courtesy – One should be polite/pleasant
 - Diplomacy – One should be able to convince others people tactfully.
 - Judgment – One should be able to consider all possibility/come up with the right decisions.
 - Initiative – One should be able make proper decisions/be creative in ideas.
 - Respect – One should show due regard to others.
 - Loyalty – One should be committed/devoted to his/her work.
 - Honesty – One should be sincere/truthful.
 - Punctuality – One should observe working hours/time consciousness.
- (b) – Trade description Act – to guard against misleading /false advertisement.
 - Food and drug Act – to ensure products sold to consumers are not harmful.
 - Public health Act – to ensure safety and health standards are met.
 - Weight and Measures act – To ensure goods of the right weight and measurement are accurate.
 - Hire purchase Act – to guard against unfair repossession of goods.
 - Kenya bureau of standards act – to ensure standards of goods are maintained.
 - By encouraging formation of consumer associations to cater for the interest of consumer.
 - Rent and tribunal Act – which ensures that landlords don't exploit their tenants by charging them unreasonable rates.
 - Licensing to protect consumers from being sold harmful and illegal goods.
 - Price control Act – to protect consumers from being overcharged.
2. (a) – Theft /burglary – to protect the owner from loser that may be arise form Theft/burglary.
 - Fidelity guarantee – to cover losses suffered thro' worker's dishonesty.
 - Workman's compensation – to assist the workers who may be injured in the bus.
 - Fire – to compensate the owner of losses arising from fire.
 - Personal accident cover – Insures accident to the owner of the supermarket in the Course of his duty.
 - Good /cash on transit – Insures against losses of goods /cash while on transit.
 - Medical cover policy – Insurance will compensate for medical claim of employee.
 - Motor vehicle – to cover bus' vehicle in case of accident.
- (b) Reduction in profit – Rise in prices of commodities reduces salerol, hence reduces profit.
 - May lead to industrial unrest – As worker pressure for high wages to compensate declining money value/increase in cost of living.
 - Wastage of time – As business/firm and individual waste time shopping for reasonable prices.
 - Balance of payment deficit as most people will opt for cheaper imported than local expensive.
 - Discourage saving as people fear to loose the value of their money overtime.
 - Decline in the standard of living since the purchasing power of consumer decreases. This will reduce their standards of living.
 - Weakens the value of currency hence failing as store of wealth.
3. (a) (i) Manufacture –consumer
 (ii) Manufacturer –retailer –consumer.
 (iii) Manufacturer –wholesaler –consumer
 (iv) Manufacturer –retailer - wholesaler – consumer.
 (v) Manufacturer –agent – consumer.
 (vi)Manufacturer –agent – retailer - consumer
 (vii) Manufacture –agent – wholesale – retailer – Consumer.

(b)	Co- operative society	Public limited co.
	-Requires Min. of ten member.	- Requires a minimum of seven members.
	- One man one vote.	- The no. of shares determines the voting.

<ul style="list-style-type: none"> - Registered under co-operative Act. - Formation is usually very easy. - Serves various sectors of the economy. - Usually intensely monitored by the government including financial support. - Main source of capital in members' contribution. - Cost of shares in very low. - Aimed at uplifting members living stds. 	<ul style="list-style-type: none"> -Registered under the companies Act. - Formation requires long legal procedures - Limited by the objective clause -It is independent from government supervision. - Main source of capital is sale of shares to the public. - Cost of share is relatively high - Aimed at making profit.
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4. (a) Sanction – The expenditure must be approved by the relevant authority.
- Maximum social benefit – Any expenditure must be incurred in such a way that majority of the people reap max. benefit out of it.
 - Flexibility – The expenditure should be able to change/meet the prevailing economic situation.
 - Economy – The expenditure must be focused in the most economical way by avoiding any possible waste.
 - Proper financial management – Public fund should have proper records and should also be audited.

(b)

NKUNDI ENTERPRISES LTD
FOR THE YEAR ENDED
28TH AUGUST 2010

Date	Details	Folio	Disc Allow ed	Cash	Bank	Date	Details	Folio	Disc Receiv ed	Cash	Bank
2010	Sh	Sh	Sh	Sh	Sh	2010			Sh	Sh	Sh
Aug 1.	Balb/d			13,000	28,000	Aug 7	Kananu		500		17,000
Aug 3	Sales			15,000		Aug 10	Bank	C1		15,000	
Aug 5	Mwenda		200	7,800		Aug 11	Drawing s			9,500	
Aug 9	Kawira		1000	19,000		Aug 15			1,200		8,800
Aug 10	Cash	C1			15,000	Aug 20	Baraza	C2		18,000	
Aug 20	Cash	C2	1,200	54,800	<u>18,000</u> 61,000		Bank		1,700	<u>12,300</u> 54,800	<u>35,200</u> 61,000
							Bal c/d				0

- 5(a) – Control of an important factor of production which other forms may not be able to access.
- Legal restrictions. Other firms might not be allowed by the government/law to operate a competing bus.
 - Restrictive practices used by monopolist entry.
 - High initial capital which other firms might not be able to raise.
 - Size of the market ie. Small market that can serve one supplier.
 - Ownership of copy right and patent rights.
- (b) – There is less handling of flower since airplane may more direct to final destination.
- Air transport in secure /safe for good in transit.
 - Smoothness of transport makes ideal for flowers.
 - Appropriate for long distance.
 - Remote places can be met reached by charter plan.
- 6(a) –Ability to manage people.
- Proper location/availability of customers
 - Availability of raw materials or stock of goods.
 - Adequate finance.
 - Lack of competition.
 - Commitment to the business
 - Proper management of finances.

- Proper debt management
- Good public relations
- Being creative and innovative
- Proper market research.

(b) HEKIMA TRADERS
Trading, profit & loss account for the period ending 30th June 2010

<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Opening stock</td> <td style="text-align: right;">45,000</td> </tr> <tr> <td>Add Purchases</td> <td style="text-align: right;">140,000</td> </tr> <tr> <td>Add carriage in</td> <td style="text-align: right;">5,400</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>145,000</u></td> </tr> <tr> <td>Less Ret O.</td> <td style="text-align: right;"><u>19,000</u></td> </tr> <tr> <td></td> <td style="text-align: right;">171,400</td> </tr> <tr> <td>Less closing stock</td> <td style="text-align: right;"><u>22,000</u></td> </tr> <tr> <td>Cost of sales</td> <td style="text-align: right;">149,400</td> </tr> <tr> <td>G.P. c/d</td> <td style="text-align: right;"><u>155,600</u></td> </tr> <tr> <td><u>305,000</u></td> <td></td> </tr> <tr> <td colspan="2">Expenses</td> </tr> <tr> <td>Discount allowed</td> <td style="text-align: right;">6,000</td> </tr> <tr> <td>Salaries & wages</td> <td style="text-align: right;">50,000</td> </tr> <tr> <td>Power & lighting</td> <td style="text-align: right;">12,000</td> </tr> <tr> <td>Carriage outward</td> <td style="text-align: right;"><u>2,300</u></td> </tr> <tr> <td>N.P c/d</td> <td style="text-align: right;"><u>95,300</u></td> </tr> <tr> <td><u>165,600</u></td> <td></td> </tr> </table>	Opening stock	45,000	Add Purchases	140,000	Add carriage in	5,400		<u>145,000</u>	Less Ret O.	<u>19,000</u>		171,400	Less closing stock	<u>22,000</u>	Cost of sales	149,400	G.P. c/d	<u>155,600</u>	<u>305,000</u>		Expenses		Discount allowed	6,000	Salaries & wages	50,000	Power & lighting	12,000	Carriage outward	<u>2,300</u>	N.P c/d	<u>95,300</u>	<u>165,600</u>		<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Sales</td> <td style="text-align: right;">320,000</td> </tr> <tr> <td>Less return inwards</td> <td style="text-align: right;">15,000</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>305,000</u></td> </tr> <tr> <td><u>305,000</u></td> <td></td> </tr> <tr> <td>G.P brought down</td> <td style="text-align: right;">155,600</td> </tr> <tr> <td>Add comm. Received</td> <td style="text-align: right;">18,000</td> </tr> <tr> <td>Discount received</td> <td style="text-align: right;">2,000</td> </tr> <tr> <td><u>165,600</u></td> <td></td> </tr> <tr> <td><u>165,600</u></td> <td></td> </tr> </table>	Sales	320,000	Less return inwards	15,000		<u>305,000</u>	<u>305,000</u>		G.P brought down	155,600	Add comm. Received	18,000	Discount received	2,000	<u>165,600</u>		<u>165,600</u>	
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<u>305,000</u>																																																					
Expenses																																																					
Discount allowed	6,000																																																				
Salaries & wages	50,000																																																				
Power & lighting	12,000																																																				
Carriage outward	<u>2,300</u>																																																				
N.P c/d	<u>95,300</u>																																																				
<u>165,600</u>																																																					
Sales	320,000																																																				
Less return inwards	15,000																																																				
	<u>305,000</u>																																																				
<u>305,000</u>																																																					
G.P brought down	155,600																																																				
Add comm. Received	18,000																																																				
Discount received	2,000																																																				
<u>165,600</u>																																																					
<u>165,600</u>																																																					