

MAKUENI COUNTY CLUSTER PREPARATORY EXAMINATION 2016**565/1****BUSINESS STUDIES****PAPER 1****July / August 2016****TIME: 2 HOURS**

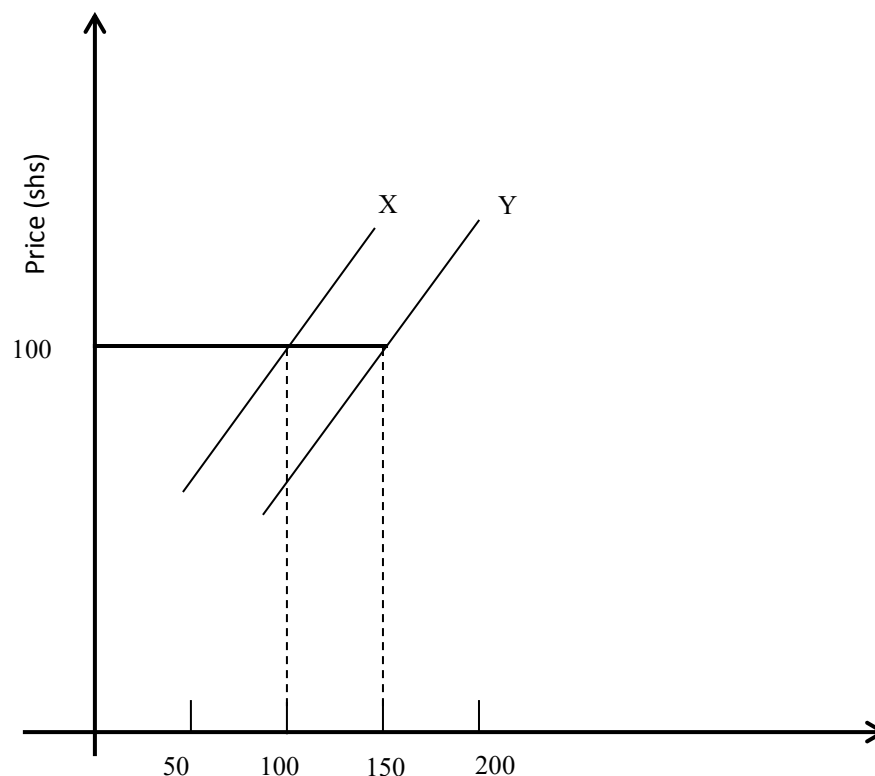
1. State four external forces that may affect a business and its operations. (4 marks)
2. Apex limited has opened a factory in a rural shopping Centre called Baraka. Outline four ways in which the people living in the surrounding areas may benefit from the factory. (4 marks)
3. Highlight four benefits Kenya is likely to get from exploitation of oil recently discovered in Turkana area. (4 marks)
4. Highlight four ways in which a firm can improve the productivity of its human resource. (4 marks)
5. Outline four factors to consider when deciding on a suitable location of an office. (4 marks)
6. In the spaces provided below, state the document to which each of the following statement relate.

Statement	Document
a) Inform the buyer when goods were dispatched and by what means	
b) A request by seller for payment in advance	
c) Used to correct an undercharge in an invoice	
d) Shows details of the transactions between seller and buyer during a given period	

7. Amin plans to join Mwalimu National Sacco. Outline four benefits he is likely to enjoy. (4 marks)
8. Highlight four circumstances under which verbal communication may be ineffective. (4 marks)
9. Outline four reasons why a government may find it necessary to protect consumers (4 marks)
10. Highlight four factors that limit the use of containers in transport. (4 marks)
11. The table below contains descriptions relating to some type of warehouse. In the space provided, write the type of warehouse to which each description refers.

Description	Type
a) Used to store exports and imports	
b) Any body can rent spaces in it for storing goods temporary	
c) Operated for owners exclusive use	
d) Owned and operated by farmers and manufacturers	

12. State four benefits of after – sale services to the consumers. (4 marks)
13. The diagram below shows supply curves of two producers in different countries but of the same product.



- Highlight four reasons why producer Y supplies more than producer X at the same price. (4 marks)
14. Upendo Traders insured their business premises against the risk of fire. Five months later, the premises were completely destroyed by fire. Outline the procedure that they should follow before compensation is made. (4 marks)

15. The following balances were extracted from Mwangaza traders books of accounts.

	Shs.
Opening stock	25,000
Closing stock	35,000
Purchases	190,000
Mark - up	20%

Calculate:

- i) Cost of sales (1 mark)
 ii) Gross profit (1 mark)
 iii) Sales (1 mark)
 iv) Rate of stock turnover (ROSTO) (1 mark)

Highlight four measures that the government may take to attract firms to an area. (4 marks)

16. Show the effect of each of the following transactions to capital, liabilities and assets indicating whether it is an increase (+) a decrease (-) or a nil (0). (4 marks)

Transactions	Capital	Asset	Liability
a) Converted private land into business land			
b) Paid creditors in cash			
c) Sold a business van valued at shs. 600,000 from shs. 400,000 on credit			
d) Sold goods on credit			

17. Give four disadvantages of a long chain of distribution of goods to a buyer (4 marks)

18. For each of the following statements, give the type of unemployment described (4 marks)

Statements / Description	Type of unemployment
a) Arise due to mismatch of skills and labour ,market demands.	
b) A person has absolutely nothing to do	
c) Arises when there is a change in methods of production	
d) Arises when the number of people exceeds those that are required	

19. The following balances were extracted from the books of Kipchoge as at 31st Dec, 2014

	Shs.
Capital	30,000
Bank	3,400
Cash	2,700
Discount received	200
Drawings	300
Land	6,000
Furniture & Fittings	19,000
Sales	4,500

Prepare a correct trial balance as at 31 Dec 2014

(5 marks)

20. Study the ledger accounts given below and write out the transactions that took place affecting the business of Huruma Ltd in January 2008.

a) Dr Sales A/c Cr

Date	Details	Amt.
2008		
Jan 2	Pendo	50,000

b) Dr Cash A/C Cr

Date	Details	Amt.
2008		
Jan 15	Creditors	30,000

c) Dr Purchases A/C Cr

Date	Details	Amt.
2008		
Jan 10	Bank	20,000

d) Dr Equipment A/C Cr

Date	Detail	Amt
2008		
Jan 20	Cash	10,000

e) Dr Debtors A/C Cr

Date	Details	Amt
2008		
Jan 22	Bank	20,000

21. List four items (transactions) which are recorded in a balance of payment account of a country. (4 marks)

22. The cost of consumer goods for a representative of a household is given below:

Year	Price
2010	5000
2011	9000

Determine the increase in consumer price index using 2010 as the base year. (4 marks)

23. State the book of original entry used in recording each of the following transactions of Mrembo Traders. (4 marks)

Transactions	Book of Original entry
a) Mrembo returned goods worth shs. 4,000 to Boni traders	
b) Malindi traders returned goods worth shs. 2000	
c) Sold goods on credit to Mrima primary	
d) Purchased goods on credit from Kilwa for shs. 10,000	

24. As a student of B/studies, advise Mr. Maina on why he should open a current account to suit his business in a local bank. (4 marks)

MAKUENI COUNTY CLUSTER PREPARATORY EXAMINATION 2016

565/2

BUSINESS STUDIES

PAPER 2

JULY / AUGUST 2016

TIME: 2- HOURS

1. a) Give Five reasons why majority of Kenyans fear to borrow money from commercial Banks. (10 marks)
 b) Differentiate between a public corporation and a public limited company. (10 marks)
2. a) Explain five factors that may influence a country to adopt a protectionist policy in international trader. (10 marks)
 b) Explain five factors that may be used to measure the size of a business enterprise. (10 marks)
3. a) The following balances relate to Maendeleo Electrical Enterprise as at 31st December, 2014.

	Sh.
Machinery	1,240,000
Stock	190,000
Debtors	150,000
Motor vehicle	1,100,000
Cash- in- hand	150,000
Creditors	270,000
Bank overdraft	130,000
10 year bank loan	1,200,000
Capital	1,660,000
Drawings	750,000
Net profit	320,000

Required:

Prepare a balance sheet as at 31st December, 2014 clearly showing:

- i) Net capital
 ii) Total current liabilities
 iii) Total current assets
 iv) Total fixed assets
- b) Five ways in which an entrepreneur contributes to the production of goods. (10 marks)
4. a) Explain five factors that may influence the choice of distribution channel for milk. (10 marks)
 b) On first October 2010, Makueni Traders had sh. 110,000 in hand and sh. 500,000 at bank. During the month, the following transactions took place.

October, 2010:

- 2: Cash sales directly banked sh. 70,520
 3: Bought stationery in cash sh. 9,000
 4: Bought stock worth sh. 40,000 and the payment was done by the end of the next month in cash.
 5: Paid Josh, a creditor sh. 188,000 by cheque in full settlement of his account after deductions 6% cash discount
 10: Received a cheque for sh. 117,600 from Esther after allowing her a cash discount of sh. 2,400
 12: Sold goods worth sh. 10,000 to Eric on credit
 16: Paid salaries sh. 62,000 in cash
 20: Withdrew sh. 100,000 from bank for office use
 24: Arnold, a debtor paid his account of sh. 150,000 by cheque less 10% cash discount
 28: The owner took some stock worth sh. 5,000 home for family use
 30: Deposited all the cash into bank except sh. 27,400.

Required:

- Prepare a three column cash book and balance it off. (10 marks)
5. a) Explain five ways large scale organisations are able to reduce their cost of production. (10 marks)
 b) Explain five main causes of inflation in a country. (10 marks)
6. a) Explain five reasons that contribute to low tax revenue by the government through Kenya Revenue Authority. (10 marks)
 b) Mr Utano, a retired civil servant intends to invest his retirement benefits in a retail business. Explain five factors that Mr. Utano should consider before investing his money in the business. (10 marks)

MOKASA JOINT EVALUATION
565/1
BUSINESS STUDIES
PAPER 1
MARCH/APRIL, 2016
TIME: 2 HOURS

1. Outline **four** ways the economic environment influence business activities (4 marks)
2. List **four** personal attributes of an office staff (4 marks)
3. Highlight **four** limitations of the methods used by the consumer to protect themselves against exploitation (4 marks)
4. Outline **four** benefits of bonded warehouses to the government (4 marks)
5. Distinguish between (4 marks)
 - a) Derived demand and joint demand
 - b) Shift and movement along demand curve
6. Highlight **four** ways that may be used by a monopoly to differentiate a product market (4 marks)
7. Outline four ways in which the Central Bank may use to reduce the amount of money in circulation (4 marks)
8. For each of the following transactions, indicate the effect of each transaction on the balance sheet items as either increase, decrease or no change. (4 marks)

Transaction	Effect on Assets	Effects on liabilities	Effect on Capital
Drawings of goods from the business			
The proprietor brought a personal van for the business use			
Borrowed KCB loan to pay a creditor			
Bought stock by cheque			

9. The following transactions relate to the books of Amina traders as at 31st December 2015.

Gross profit	20,000
Commission allowed	200
Carriage on sales	4,000
Discount received	8,000
Salaries	6,000
Rent	2,000
Discount revived	400
Commission received	1,500
Interest on bank loan	500

 Prepare Amina's profit and loss account for the period ended 31st December, 2015. (5 marks)
10. Outline the relationship between scarcity, choice and opportunity cost with respect to satisfaction of human wants. (4 marks)
11. List **four** documents prepared by the buyer in home trade (4 marks)
12. The National Transport Safety Authority (NTSA) is a department within the transport sector in Kenya. Highlight **four** benefits Kenyans enjoy due to the establishment of NTSA (4 marks)
13. Outline **four** reasons why a firm would prefer to locate near the market of its products (4 marks)
14. List **three** withdrawals in the circular flow of income (3 marks)
15. Other than serving as a medium of exchange. Mention **four** other functions of money (4 marks)
16. The following transactions relate to the books of kilimo holdings. Record them in the relevant ledger accounts. (4 marks)
 - (i) 1st January 2015, took a loan with ICDC of kshs. 50,000 receiving by cheque.
 - (ii) 5th January 2015, kelunyo, a debtor paid his account of kshs. 40,000 in cash.
 - (iii) 10th January 2015, took money from bank, kshs. 50,000 for office use
 - (iv) 12th January 2015, bought furniture kshs. 35,500 in cash
17. Give the name of the insurance policy described in the following table (4 marks)

Description	Name of policy
Covers ships while on a specified voyage and time	
Covers a specified peril when the ship is either being loaded, offloaded or serviced	
Covers cargo against loss or damage while being transported by ship	
One policy used to cover a number of ships belonging to one organization	

18. Currently the government is selling state owned businesses to private investors. Highlight **four** benefits of such decisions. (3 marks)
19. State **four** essentials of effective communication (4 marks)
20. Outline **four** advantages of free gifts in product promotion (4 marks)
21. List **four** costs incurred in the distributions of goods (4 marks)
22. Highlight **four** merits of direct tax as a source of revenue to the government (4 marks)
23. Identify the level of occupation described by each of the following information (4 marks)

Description	Occupation
A boy chasing hare for meat	
Britam insurance company selling their policies	
School carpenter making chairs for form ones	
Mr. Zuma counseling form four students	

24. The following information relate to Kamau traders for the month of December 2015.

Dec. 1- sold goods for kshs. 45,000 less 10% cash discount

Dec 5 – Bought goods worth kshs. 4,000 in cash and was allowed a discount of 5%

Dec 7 – a debtor paid kshs. 20,000 in full settlement of a debt of kshs 23,000 by cheque

Dec 15 – Sold goods kshs. 70,000 on credit to jambo traders

Dec 26 – Paid rent kshs. 16,000 by cheque

Required:

Post the above transactions to relevant journals

(4 marks)

25. Unemployment solving has been an agenda to most developing economies. Identify the type of unemployment being solved below.

(4 marks)

(i) Government initiating irrigation projects to ensure continuous production of food

(ii) Retraining teachers to embrace use of technology in teaching and learning

(iii) Government and private sectors inventing job advertisement sites for easy access by job seekers

(iv) Parliament passing legislation that accommodate the disabled people to acquire jobs

MOKASA JOINT EXAMINATION**565/2****BUSINESS STUDIES****PAPER 2****TIME: 2 ½ Hours**

1. (a) Explain **five** circumstances that can cause a business to succeed in their activities. (10marks)
- (b) Explain **five** problems facing the savings and credit cooperative societies in Kenya. (10marks)
2. (a) A prudent tax system must meet certain essential qualities. Explain **five** indicators of a good tax system. (10marks)
- (b) Describe the procedure an insured must take when making an insurance claim. (10marks)
3. (a) Ondari intends to promote his products. Explain **five** factors that he must take into account when deciding on which method to use. (10marks)
- (b) Explain **five** weaknesses of using national income statistics as a measure of social welfare. (10marks)
4. (a) Explain **five** factors that justify the existence of small scale firms in an economy. (10marks)
- (b) Bartenge Enterprises started business on 1st May 2014 with Shs. 250,000 consisting of:
Cash at bank Shs.200, 000, Cash in Hand Shs. 30,000 and Furniture Shs. 20,000.
The following transactions took place during the month of May.
3rd May 2014, Motor Van worth Shs. 85,000 and stock of Shs. 25,000 were bought on credit
6th May 2014, more stock worth shs.10,000 was bought by cash
9th May 2014, withdrew money from bank sh 50,000 for office use
15th May 2014, Sold stock at cost to a customer on credit for shs. 18,500
19th May 2014, received a cheque for the full settlement of a debt owed from the transaction of 15th may 2014
23rd May 2014, paid Shs. 65,000 by cheque for the motor van bought earlier on credit
31st May 2014, paid Shs. 20,000 cash for the stock bought on credit

Required:

- Prepare the balance sheet of Bartenge Holdings as at 31st May 2014. (10marks)
5. (a) Explain **five** problems that are faced by a country with a big population of ageing persons. (10marks)
- (b) Explain **five** differences between banking and non-banking financial institutions. (10marks)
6. (a) Explain **four** reasons why upward communication should be encouraged in an organization. (8marks)
- (b) The following trial balance was extracted from the books of Lule Traders on 30th April 2015

Lule Traders**Trial Balance****As at 30th April 2015**

	Dr (Kshs.)	Cr (Kshs.)
Sales	186,000	
Purchases		115,560
Stock 1.5.2014	37,760	
Carriage outwards		3,260
Carriage inwards	2,340	
Returns	4,400	3,550
Salaries	24,470	
Electricity	6,640	
Rent		5,760
Sundry expenses		12,020
Equipment		24,000
Furniture		6,000
Debtors		45,770
Creditors		30,450
Bank	38,760	
Cash	1,200	
Drawings	20,500	
Capital	<u>128,440</u>	
	<u>348,440</u>	<u>348,440</u>

Stock as at 30.4. 2015 Shs. 49,980

Required:

- a) Trading, profit and Loss account for the year ended 30th April 2015 (8mks)
- b) Balance sheet as at 30th April 2015 (4mks)

KASSU JOINT EXAMINATION - 2016**BUSINESS STUDIES****565/1****PAPER 1**

1. Giving an example in each case, outline the difference between renewable and non-renewable resources (4 marks)
2. State **four** reasons why diagonal communication needs to be encouraged in an organization. (4 marks)
3. Mention **four** benefits enjoyed by a member of a producer cooperative society (4 marks)
4. State **four** measures that the government can use to encourage increase in the country's volume of exports. (4 marks)
5. Highlight **four** positive impacts of the physical environment on the operations of a business. (4 marks)
6. Highlight **four** problems associated with monopoly market structure. (4 marks)
7. Outline **four** role of the mass media in promoting consumer protection. (4 marks)
8. Outline **four** services offered in agency banking as a trend in the banking sector. (4 marks)
9. State the best type of machine one would use to perform the following tasks (4 marks)

	Functions	Name of machine
i)	Used to trim papers into desired sizes	
ii)	To post information to ledgers and to prepare payrolls	
iii)	To transmit printed messages such as letters, maps, diagrams and photographs	
iv)	To destroy sensitive but unwanted documents	

10. The following balance sheet belongs to Nyakwar Atiyo during the period ended 30th June 2000.

Nyakwar Atiyo Traders
Balance sheet
As at 30.06.2000

Assets	Kshs	Capital + Liabilities	Ksh
Machinery	45,000	Capital	65,000
<u>Current assets</u>		Creditors	45,000
Stock	7,750	<u>Short term liability</u>	
Debtors	1,375	Bank loan	10,000
Bank	<u>25,375</u>		
	<u>79,500</u>		<u>79,500</u>

The following transactions took place on July 1 2000.

- (i) Paid creditors Sh 2000 by cheque.
- (ii) Nyakwar Atiyo took stock worth Shs 7500 from the business for his son's birthday.
- (iii) Motor vehicle previously owned by Nyakwar Atiyo values at sh 200,000 was converted into business vehicles.

Required: Prepare the balance sheet of Nyakwar Atiyo traders as at 2nd July 2000.

11. Highlight **four** roles of advertising agencies in product promotion (4 marks)
 12. Distinguish between the following categories of government expenditure. (4 marks)
 - a) Recurrent expenditure
 - b) Capital expenditure
 13. Highlight **four** differences between hypermarkets and departmental stores. (4 marks)
 14. The information below was extracted from the books of Lemayian Traders for the year ended 31. 12. 2015

Opening stock	45,000
Closing stock	15,000
Turnover	340,000
Margin	25%
- Required:*
- (i) Gross profit (2mks)
 - (ii) Purchases (2mks)
15. Distinguish between the following terms as used in National Income (3mks)
 - a) Gross Domestic Product
 - b) Gross National Product
 - c) Per capita Income
 16. Highlight **four** ways in which the government of Kenya promotes entrepreneurial development (4mks)
 17. State **four** channels of distribution for importation of agricultural produce. (4mks)
 18. Outline **four** trends in transport sector. (4mks)
 19. Outline **four** benefits of indirect production. (4mks)
 20. Enter the following transactions in the relevant ledger accounts (4mks)

2015 April 1 Janet Cosmetics started a business with Ksh. 150,000 cash

- „ 3 Bought stock of goods for Sh. 40,000 and paid in cash
 „ 6 Opened a bank account and deposited Sh. 60,000 from the cash till
 „ 9 Purchased an office machine for Sh. 25,000 and paid by cheque

21. Give **four** reasons why a producer may need to have their own warehouse (4mks)
 22. State the name of the source document used to record the following transactions (4mks)

Transaction	Source Document
a) Received goods returned by a buyer who bought them earlier on credit	
b) Making of payment to a casual workers at the end of the week	
c) Bought goods for sale from Gilanis Supermarkets on credit	
d) A customer, Adhiambo, send a cheque for goods she bought earlier on credit	

23. Define the following terms as used in business studies (4mks)
 (i) Annuity
 (ii) Proposer
 (iii) Speculative risk
 (iv) Grace period
24. In the table below fill in the missing figures S,T,U and V. (4 mks)

Business	Assets(shs)	Capital(shs)	Liabilities(shs)
A	20,000	S	5,000
B	42,000	32,000	T
C	U	17,000	53,000
D	18,000	V	6,000

25. Compute the consumer price index (CPI) from the following data giving explanation of your outcome (4mks)
- | Year | Price |
|------|-------|
| 2010 | 300 |
| 2011 | 375 |

KASSU JOINT EXAMINATION - 2016**BUSINESS STUDIES****565/2****PAPER 2**

1. (a) Explain five principles of insurance.
 (b) Study the following table of the demand and supply of product x.

Period 2010	Price / units	Qtn dd / units
July	Shs 300	500
August	Shs 300	400
September	Shs 300	200
October	Shs 300	80
November	Shs 300	50

Explain five factors that may have led to the trend above.

2. (a) Giving the types of unemployment, state the causes of the remedies. (10 marks)
 (b) You are a sales executive with a local bank. Describe five steps that you must follow when sent to the field to promote the products of the bank. (10 marks)
3. (a) Discuss five reasons why a country's economy is showing slow increase in their National Income (10 marks)
4. Explain five problems that are likely to face the process of implementation of well-prepared economic development plans (10 marks)

5. (a) On 1st June 2015, Ndovu Traders had cash in hand of sh.25,000 and sh.56,200 at bank.
 During the month, the following transactions took place:

2015

- June 2 Cash sales, sh.42,000.
 June 5 Received a cheque of sh.70,500 from Kiptala Traders after deducting a6% cash discount.
 June 8 Paid salaries, sh24,000cash.
 June 9 Yegon settled his account of sh.45,000 in cash and was allowed sh.1,800cash discount.
 June 12 Cash sales sh46,500.
 June 18 Paid Tuitoek's debt of sh.100,000 by cheque after deducting 5% cash discount.
 June 24 Withdrew sh.26,000 from the bank for office use.
 June 30 Banked all the cash except sh.25,000.

Prepare a 3-column cashbook and balance it off on 30th June, 2015.

- (b) Explain **five** factors that may hinder effective communication in an organization. (10 marks)
5. (a) Explain **five** factors that influence the choice of a product to produce. (10 marks)
 (b) Discuss **five** errors that may not be noticed in a trial balance. (10 marks)
6. (a) Discuss **five** canons of public expenditure. (10 marks)
 (b) The following information was extracted from the books of Umeme Traders as at 31st December 2009.

	<u>Shs</u>
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 premise	72,000
Motor vehicle	1,080,000
Motor vehicle maintenance	360,000
Premise	648,000
Rent received	144,000
Sundry expenses	122,520

Prepare:

- (i) Profit and loss account for the year ended 31st December 2009. (10 marks)
 (ii) Balance sheet as at 31st December 2009. (10 marks)

NANDI NORTH AND NANDI CENTRAL JOINT EXAMINATIONS 2016

BUSINESS STUDIES

565/1

PAPER 1

1. State **four** auxiliary services to business. (4mks)
2. State **four** trends in office management. (4mks)
3. Outline **four** factors that have lead to the decline in mortality rate in Kenya. (4mks)
4. Highlight **four** ways in which HIV/AIDS prevalence has negatively affected business activities.
5. Outline **four** challenges that a distributor of fresh milk is likely to face in his / her operations. (4mks)
6. Highlight **four** reasons why ethical practices should be observed by the business. (4mks)
7. Differentiate the following terms:-
 - (a) Scarcity and choice. (2mks)
 - (b) Opportunity cost and scale of preference. (2mks)
8. Highlight **four** factors that may positively influence an internal business environment. (4mks)
9. The following balances were obtained from the Books of Mtema Traders as at 31st July 2010

SHS.	
Purchases	18,000
Capital	46,000
Bank	83,500
Advertising	1,500
Furniture	26,000
Debtors	11,000
Stock	25,000
- Prepare a trial balance as at 31st July 2010. (4mks)
10. Outline **four** factors that may reduce the supply of cabbages in the local market. (4mks)
11. Sherry traders had the following assets and liabilities as at 1st January 2004.

SHS.	
Furniture	350,000
Debtors	45,000
Cash	7,000
Creditors	48,000
- For the year ended 31st December 2004,
 - (i) Additional capital was Shs. 24,000
 - (ii) Drawings were Shs. 20,000
 - (iii) Net profit was Shs. 34,000
- Determine the capital as at 31st December 2004. (4mks)
12. Outline **four** circumstances under which a credit note can be issued. (4mks)
13. National income from expenditure approach is calculated as follows:

$$NI = C + I + G + (X - M)$$
 State the meaning of the following: (4mks)
 - (i) C.....
 - (ii) I.....
 - (iii) G.....
 - (iv) X-M:.....
14. Highlight **four** reasons why a wholesaler may decide to sell goods through a retailer instead of selling directly to consumers. (4mks)
15. An entrepreneur may spot a gap in the market which may be converted into a business idea. Name **four** such gaps. (4mks)
16. Outline any **three** types of partnerships. (3mks)
17. List **four** ways in which consumers may be exploited by business organizations. (4mks)
18. Give **four** reasons why human portage remains popular among many communities in Kenya. (4mks)
19. State any **four** categories of telecommunication services. (4mks)
20. Kivory Youth Group wants to start a warehouse service business in their ward. State any **four** essential factors they should consider for their warehouse to function effectively. (4mks)
21. List any **four** varieties of insurance policies that the owners of a supermarket may find useful for the business. (4mks)
22. Chetambe retail shop carried out the transactions given in the table below. For each transaction, state the source of document and respective book of original entry. (4mks)

	Transaction	Source Document	Book of Original Entry
(i)	Sold goods on credit		
(ii)	Informed customer of an under charge		
(iii)	Sold goods for cash		
(iv)	Received allowance for goods returned to supplier		

23. The following was obtained from the Books of Keino Traders.

	SHS.
Opening stock	25,000
Purchases	250,000
Closing stock	30,000
Carriage inwards	15,000
Purchases returns	5,000
Sales	400,000
Sales returns	50,000

Calculate:-

- (i) Cost of goods sold. (3mks)
 (ii) Net sales (1mk)
 (iii) Gross profit (1mk)

24. Mark with a tick to indicate in the appropriate column the financial statement in which each of the items in the table below would appear. (4mks)

Item	Trading Account	Profit & Loss A/c.	Balance Sheet
Opening stock			
Capital			
Carriage in			
Discount received			
Carriage out			
Cost of Sales			
Turn Over			
Bank Overdraft			

25. Outline any **four** indicators of economic development.

(4mks)

NANDI NORTH AND NANDI CENTRAL JOINT EXAMINATIONS 2016

BUSINESS STUDIES

565/2

PAPER 2

1. (a) Outline **five** ways in which an entrepreneur contributes to production of goods. (10mks)
- (b) Discuss **five** statutory measures used by the government to control inflation. (10mks)
2. (a) Explain emerging issues in transport in Kenya. (10mks)
- (b) Record the following transactions in Akili Traders' Three-Column Cashbook and balance it off on 31st January 2015. (10mks)
 - Jan 1 Balance b/d Cash Kshs. 200,000 Dr.
 - Bank – Kshs. 15,000Cr
 - Jan 2 Cash sales Kshs. 145,000
 - Jan 6 Paid for motor expenses Kshs. 2,000
 - Jan 7 Paid salaries in cash Kshs. 50,000
 - Jan 9 Bought stationeries in cash Kshs. 1,000
 - Jan 14 Settled Kalyet's account of Kshs. 60,000 by cheque less 3% cash discount.
 - Jan 18 Received a cheque of 84,600 from Koech after deducting 10% cash discount.
 - Jan 21 Cash sales paid direct into the bank 340,000
 - Jan 23 Kaigat settled his account of 2,600 by cheque after deducting 5% cash discount.
 - Jan 24 Received cheque from the following debtors after deducting 10% discount in each case; Chuma Kshs, 3,000, Buko 28,000 and Matapei 9,000
 - Jan 25 Paid consultancy salaries in cash Shs. 2,000
 - Jan 29 Credit purchase of Shs. 10,000
 - Jan 31 Banked all except 4,200
3. (a) Explain **five** types of indirect taxes. (10mks)
- (b) Outline **five** differences between a public limited company and a public corporation. (10mks)
4. (a) The following trial balance was extracted from the ledgers of Baraka Traders for the year ended 31st December 2015.

BARAKA TRADERS
TRIAL BALANCE
AS AT 31ST DECEMBER 2015

Details	DR(KShs.)	CR (Kshs.)
Sales		855,000
Purchases	420,000	
Sales returns	12,000	
Purchases returns		20,000
Creditors		165,000
Debtors	63,000	
Motor vehicles	480,000	
Cash in hand	65,000	
Furniture	190,000	
Carriage inwards	14,000	
Stock	280,000	
Capital		626,250
Drawing	88,000	
Telephone	6,400	
Insurance	8,200	
Postage	3,850	
Rent	19,600	
Discount Received		4,000
Advertising	12,900	
Discount allowed	7,300	
	1,670,250	1,670,250

On 31st December 2015, the business had closing stock valued at Shs. 60,000.

Required:

- (i) The Trading, Profit and Loss Account for the year ended 31st December 2015. (8mks)
- (ii) A Balance Sheet as at that date. (4mks)
- (b) According to a recent info-track findings, unemployment is a major problem facing the youth in Kenya. Explain **five** measures that the Kenyan government should take to alleviate the problem. (10mks)
5. (a) Explain various methods used by the Kenyan government to improve its exports. (10mks)
- (b) Explain **five** benefits that are enjoyed by business enterprise operating in large scale. (10mks)
6. (a) Explain **five** features of perfect competition market. (10mks)
- (b) Explain **five** benefits of mobile banking to customers. (10mks)

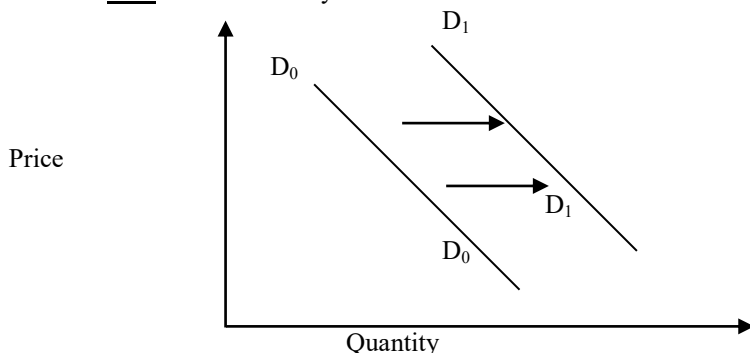
NANDI EAST, NANDI SOUTH & TINDERETSUB-COUNTIES JOINT EVALUATION 2016

BUSINESS STUDIES

565/1

PAPER 1

1. Mention **four** small-scale retailers with shops. (4mks)
2. State **four** methods of government participation in business activities. (4mks)
3. Outline **four** importance of intermediaries in the chain of distribution. (4mks)
4. Highlight **four** features of a fixed deposit account. (4mks)
5. State **four** differences between subsistence production and large-scale production. (4mks)
6. Outline **four** documents needed to start a company. (4mks)
7. Mention **four** factors that may have caused the Demand curve to shift to the right. (4mks)



8. Henry's business had a mark-up of 25%. Calculate his margin. (4mks)
9. State **four** reasons why a Business Plan is important to an entrepreneur. (4mks)
10. State **four** elements of transport. (4mks)
11. Outline **four** uses of national income statistics. (4mks)
12. Outline **four** characteristics of underdevelopment. (4mks)
13. Outline any **four** duties of a manager. (4mks)
14. Highlight any **four** benefits of a bonded warehouse to the government. (4mks)
15. Read the following transactions and state the accounts to be debited or credited. (4mks)
 - (i) Started business with sh. 50,000 in cash.
 - (ii) Sold goods worth sh. 30,000 receiving a cheque.
 - (iii) A debtor, Onyango returned goods to the business worth sh. 5,000.
 - (iv) Withdrew sh. 20,000 from the bank for business use.

Transaction	Debited	Credited
(i)		
(ii)		
(iii)		
(iv)		

16. State the functions of the following documents as used in international trade. (4mks)
 - (i) Consumer invoice
 - (ii) Certificate of origin
 17. Outline any **four** components of external business environment. (4mks)
 18. Outline any **four** barriers to verbal communication. (4mks)
 19. Highlight any **four** demerits of a young population. (4mks)
 20. Outline any **four** sources of finance to the county government of Nandi apart from taxes. (4mks)
 21. List **four** reasons why a business exists. (4mks)
 22. Kenya government has embarked on a policy of establishing industries away from each other. State any **four** benefits that this policy may achieve. (4mks)
 23. The following information relates to Nyangores Traders as at 31st December 2000.

	Shs.
Cash	20,000
Creditors	35,000
Repaid rent	2,000
Bank overdraft	5,000
Premises	50,000
Accrued salary	4,000
- Prepare Nyangores Traders Balance Sheet as at December 2000. (4mks)
24. Outline any **four** current trends in product promotion. (4mks)
 25. State any **four** circumstances under which partnership may be dissolved. (4mks)

NANDI EAST, NANDI SOUTH & TINDERETSUB-COUNTIES JOINT EVALUATION 2016

BUSINESS STUDIES

565/2

PAPER 2

1. (a) In every business, there are documents containing information that forms a basis of making entries in the Books of Accounts. Explain **five** types of these documents. (10mks)
- (b) Explain **five** reasons for the increased use of M-Pesa among Kenyans today. (10mks)
2. (a) Mrs. Baraka, a trader had the following cash transactions starting 1st January 2016.

Jan 1	Balance b/d cash 5,000 bank 15,000
2	Bought goods for sale and paid by cheque 4,000
9	Paid insurance 150 cash
12	Received 250 cash from Mr. Kibet
14	Deposited 1,000 in the bank
16	Received by cheque 2,000 from Mchana
20	Withdrew 7,500 from bank for office use.
23	Paid wages 900 by cheque.
26	Received payment of 7,500 cheque from Joy Enterprises after allowing discount of shs. 100
28	Paid electricity 3,000 cash
30	Paid water 1,500 in cash
31	Settled Korir Traders account of sh. 2,250 and received a 10% discount.

Enter the above transactions in a three-column cashbook. (12mks)

- (b) Explain **four** means of payment provided by the post office. (8mks)
3. (a) Highlight **five** differences between perfect competition market and monopolistic competition market. (10mks)
- (b) Discuss **five** factors that should be considered when buying office equipment. (10mks)
4. (a) Explain **five** ways through which inflation may be controlled other than the use of monetary policy. (10mks)
- (b) Outline **five** circumstances that would make a person prefer a taxi rather than a matatu. (10mks)
5. (a) The table below shows prices and quantity of a crate of tomatoes supplied at Kapsabet Market for the last quarter of year 2015.

Month	Quantities supplied	Price
October	20,000	1,000
November	30,000	1,000
December	35,000	1,000

Explain **five** factors that may have led to the change in quantities supplied. (10mks)

- (b) Outline **five** uses of a computer in an organization. (10mks)
6. (a) Mr. Rotich's car which had been insured against accident with Amaco Insurance was involved in an accident. Describe the procedure he would follow to claim compensation. (10mks)
- (b) The following trial balance was extracted from the Books of Nandi Hills Enterprises for the year ended 31/12/2014.

Nandi Hills Enterprises
Trial Balance
As at 31st December 2014

	Dr	Cr
Capital		250,000
Drawings	33,000	
Opening stock	47,000	
Purchases	300,000	
Sales		420,000
Returns Inwards	4,000	
Returns outwards		7,000
Carriage outwards	10,000	
Carriage inwards	28,000	
Discount allowed	4,000	
Furniture	25,000	
Motor vehicle	145,000	
Creditors		55,000
Discount received		14,000
Premises	100,000	
Debtors	50,000	
	746,000	746,000

Closing stock was valued at shs. 55,000 while depreciation on motor vehicles was shs. 15,000.

Required:

- (i) Trading, Profit and Loss Account for the year ended 31st December 2014. (6mks)
- (ii) Balance Sheet as at 31st December 2014. (4mks)

KANGEMA / MATHIOYA SUB-COUNTIES JOINT EVALUATION 2016
BUSINESS STUDIES
565/1
PAPER 1

1. Below are some factors that influence the operation of a business. By use of a tick indicate in the appropriate column the Business environment associated with each of the factors. 4mks

Factor	Micro	Macro
a) Political factors		
b) Economic recession		
c) Business structures		
b) Human resources		

2. Give four basic factors of production with their respective rewards. 4mks

Factors of production	Reward
i)	
ii)	
iii)	
iv)	

3. Outline four advantages of warehousing to a consumer 4mks
 4. Outline four sources of oligopoly power. 4mks
 5. In the table below classify the accounts as personal, nominal, real or private. 4mks
- | <i>Account</i> | <i>Account type</i> |
|------------------|---------------------|
| Machinery | |
| Kamau(creditor) | |
| Electricity bill | |
| Rent income | |
6. On 1st of October 2009 Sambu bought goods on credit quoted at Kshs.240,000. Terms of sales were 20% trade discount and 10% cash discount if payment was made on 29TH October 2009. Calculate the amount paid if payment was made on 26th October 2009. 4mks
 7. For each of the following sources document name the relevant day book. 4mks

Source Document	Daybook
Invoice issued	
Credit note received	
Cheque received	
Invoice received	

8. Diana, Peter and James have been running a business as a partner without a written agreement. Advice them on the following matters as per the partnership Act. 4mks
- Profit and loss sharing
 - Salary to partners
 - Loans given to the business by the partner
 - Admission of a new partner
9. State whether each of the following transactions increased, decreased or had no effects on the balance sheet totals. 4mks

Transactions	Effect on balance sheet totals
a) Bought office equipment in cash	
b) Paid a creditor by cheque	
c) Used business cash to pay dowry	
d) Converted private room for business	

10. State four emerging trends in Matatu PSV transport sector in Kenya. 4mks
 11. State four circumstances under which photocopying may be used to reproduce documents in a school. 4mks
 12. The following is a cash book that was extracted from Manyatta traders for the month of February 2009.

Manyatta Traders
Cash book for the month of February 2009

Date	Particulars	Disc. All	Cash	Bank	Date	Particulars	Disc.rec	Cash	Bank
2004 Feb 1	Bal b/d		2,000	5,000	2004 Feb 15	Bank C1		15,000	
12	Wanjala	1,000	19,000		26	Njeru	850		17,000
15	Cash C1			15,000	27	Bal c/d		6,000	3,000
		1,000	21,000	20,000			850	21,000	20,000
28	Bal b/d		6,000	3,000					

Describe the transactions which took place on the dates given below. 4mks

- i) February 1
- ii) February 12
- iii) February 15
- February 26

13. State four specific objectives of advertising as a tool of sales promotion. 4mks

14. Apart from government borrowing, outline four other sources of government revenue. 4mks

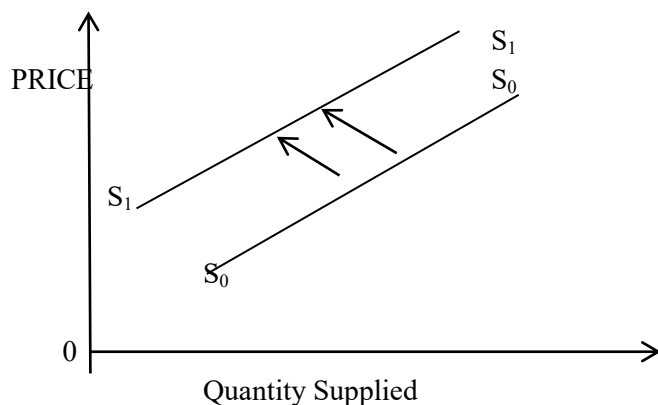
15. Give four reasons that make insurance companies decline to insure acts of nature. 4mks

16. Using the accounting equation, fill in the missing figures in the following table. 4mks

	Liabilities(shs)	Assets (shs)	Capital(shs)
a)	45,820		28,700
b)	43,737	211,000	
c)	348,170		170,340
d)		148,390	108,930

17. Identify four barriers to international trade that are imposed by governments. 4mks

18. The diagram below shows a shift in supply curve from S_0S_0 to S_1S_1 4mks



State four factors that may account for the above shift. 4mks

19. Give four basic characteristics of a business idea. 4mks

20. The table below shows the age distribution of a country.

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

State four negative economic implications of this age distribution to a county.

4mks

21. Identify four factors that may lead to an increase in the level of national income of a country.

4mks

22. Mention four adverse effects of inflation.

4mks

23. Outline four functions of Kenya Bureau of standards.

4mks

24. Identity four circumstances under which sign language may be used to communicate.

4mks

25. The central bank is a banker to the government. Outline four banking services it provides to the Kenya government.

4mks

KANGEMA / MATHIOYA SUB-COUNTIES JOINT EVALUATION 2016**BUSINESS STUDIES****565/1****PAPER 1**

1. a) Explain five principles that guide the operations of an insurance company. 10mks
 b) Explain five features that differentiate a private limited company from a public limited company. 10mks
2. a) Outline five differences between monopolistic competition and monopoly types of markets. 10mks
 b) The following balances were extracted from the books of mathioya- kangema traders on 1st Jan 2015

Capital	920,000
Building	300,000
Machinery	250,000
Debtors	100,000
Creditors	200,000
Bank	280,000
Stock	190,000

The following transactions took place during the year ended 31st Dec 2015.

- i) Sold goods for Shs. 160,000 receiving sh. 100,000 through a cheque and balance was to be settled the following year.
 ii) Sold machinery worth sh.150,000 for sh. 100,000 and payment was made through the bank
 iii) Sh. 50,000 was withdrawn from the bank for office use.

Required:

Prepare MathioyaKangema balance sheet as at 31st Dec 2015 showing the ledger balances in the appropriate classes.

3. a) Explain five advantages of division of labour and specialization in the production process 10mks
 b) Outline five characteristics of an economic union form of integration. 10mks
4. a) Explain five limitations of using per capita income in measuring people standard of living. 10mks
 b) Explain five problems that a country could face in development planning. 10mks
5. a) The table below shows the market demand for commodity B from year 2000 to year 2005 in a given town. Highlight five factors that may have contributed to the trend in demand. 10mks

YEAR	Quantity demanded(kgs)
2000	100,000
2001	98,000
2002	90,000
2003	85,000
2004	60,000
2005	55,000

- b) The Kenyan government has been imposing taxes on various commodities. Give five reasons for this taxation.

10mks

6. a) Wholesalers can be classified based on their method of operation. Describe four types of whole salers under this classification. 8mks
 b) The trial balances shown below was extracted from the ledger accounts of Maendeleo Traders as at 31st Dec 2015.

Maendeleo Traders
Trial Balance
As at 31st Dec 2015

Details	Dr	Cr
	Shs	Shs
Sales and purchases	301,000	680,000
Returns	35,000	24,000
Discounts	3,500	4,000
Insurance	8,000	
Office expenses	85,000	
Carriage inwards	55,000	
Carriage outwards	8,500	
Rent Received		50,000
Salaries and	180,000	
Stock wages(1 st Jan 2015)	45,000	
Creditors		60,000
Debtors	50,000	
Premises	400,000	
Capital		493,000
Bank loan		360,000
Land	500,000	
	1,671,000	1,671,000

Stock on 31st Dec. 2015 was sh. 30,000

Required:

Prepare Maendeleo Traders trading, Profit and Loss account for the period ended 31st Dec. 2015. 12mks

KERICHO SUB-COUNTY JOINT EVALUATION 2016**BUSINESS STUDIES****565/1****PAPER 1**

1. Outline four benefits that Kipngetich a student would get from studying Business studies. (4 marks)
2. State four circumstances when cash may be used as a means of payment. (4 marks)
3. State three steps involved in the satisfaction of human wants. (3 marks)
4. State four equipments that can be used in a school to reproduce exams. (4 marks)
5. Highlight four major challenges that may face a developing country in its quest to adopt containerization as a method of transport. (4 marks)
6. Describe the following types of warehouse.
 - i) Bonded warehouse
 - ii) Public warehouse
 - iii) Consumers warehouse
 - iv) Private warehouse
7. Using the balance sheet equation fill in the missing figures into the following tables.

	Capital (Shs)	Liabilities (shs)	Assets (Sh)
a)	21,920		30,341
b)		2,192	19,840
c)	3,773	1,591	
d)		73,000	100,920

8. Kenya will soon start exploiting oil in Turkana. State four challenges that is likely to be faced in exploiting oil in Kenya. (4 marks)
9. State three features of an insurable interest. (3 marks)
10. Differentiate between 'breaking bulk' and 'accumulating bulk' (4 marks)
11. Highlight four benefits of globalization to a business enterprise. (4 marks)
12. Give two reasons why a three column cash book is used as a journal and a ledger. (4 marks)
13. Nyeri county has lately been experiencing a decline in the birth rate, State four reasons for this decline. (4 marks)
14. The table below represents the supply of milk for eight weeks in the month of January and February 2009.

Week	1	2	3	4	5	6	7	8
Litres	195	215	290	340	375	430	485	505

- Outline four causes of the trend in the table. (4 marks)
15. State four services offered by a commercial bank to its consumers. (4 marks)
16. Give four examples of Direct taxes. (4 marks)
17. Outline four ways in which firms contribute to National income of a country. (4 marks)
18. Outline for Barriers to International trade. (4 marks)
19. Give four reasons for observing ethical practices in product promotion. (4 marks)
20. Outline four benefits of using whatsapp in communication. (4 marks)
21. Highlight four transactions that can be recorded through the General journal (Journal proper) (4 marks)
22. If the price of 1kg of flour was shs 45 per kilogram in 2003 and in 2004 the price rose to shs 50. Calculate the consumer price index (CPI). (4 marks)
23. State four benefits that subsistence produced may get by participating in exchange of goods. (4 marks)
24. The balances given below were extracted from the ledger accounts of penny profit traders as at 30th June, 2005. Prepare profit and loss account and determine the Net profit or loss made by the business for the period ended 30th June 2005.

Shs	
Insurance	15,000
Rent received	50,000
Discount received	25,000
Discount allowed	10,000
Salaries and wages	30,000
Carriage outwards	20,000
25. Highlight four importance of entrepreneurship. (4 marks)

KERICHO SUB-COUNTY JOINT EVALUATION 2016**BUSINESS STUDIES****565/2****PAPER 2**Answer any FIVE questions.

1. a) Explain FIVE ways in which external environment can negatively affect a business. (10 marks)
- b) Describe FIVE features of a less developed country. (10 marks)
2. a) The following information relates to the business of Kipsisigs Traders for the week ended 29th Feb 2016.

Feb 24th	Started business with shs 24,000 in thebank.
Feb 25 th	Bought goods worth shs 18,000 by cheque.
Feb 26 th	Sold goods for cash shs 18,900
Feb 28 th	Cash sales worth Kshs 5,625
Feb 29 th	Paid commission Kshs 900 in cash.

Required

- b) Prepared ledger accounts and balance them off. (10 marks)
- b) Explain five benefits that could accrue to a customer who buys goods from a department store. (10 marks);
3. a) Explain five ways in which inflation can be controlled by the government. (10 mks)
- b) Explain five disadvantages of persuasive advertising to consumers. (10 mks)
4. a) Describe five circumstances when a country may be forced to control her imports. (10mks)
- b) Explain five roles played by licensing as a government regulatory tool. (10 mks)
5. a) The following Trial balance was prepared from the books of Kaitui Traders as at 31 st Dec. 2015.

Kaitui Traders
Trial balance

	Dr	Cr
Land and buildings	500,000	
Capital		940,000
Plant and machinery	200,000	
Motor vehicles	300,000	
10 yr bank loan		200,000
2 year LCDC loan		100,000
Stock	100,000	
Debtors	60,000	
Creditors		60,000
Accrued expenses		20,000
Cash at bank	100,000	
Cash at hand	20,000	
Drawings	40,000	
	1,320,000	1,320,000

Prepare

A balance sheet as at 31.12.2015

- i) Determine
 - Working capital.
 - Capital employed
 - Borrowed capital
 (10 marks)
- ii) Explain five roles played by intermediary in the chain of distribution.
6. a) Explain five services that the central bank of Kenya offers to commercial banks. (10 marks)
- b) Explain five measures being used by the government to control high rate of unemployment in Kenya. (10 marks)

NTIMA JOINT EVALUATION 2016**BUSINESS STUDIES****565/1****PAPER 1**

1. Identify four gaps that may exist in a market that may lead to a business opportunity. (4 marks)
2. State four features of land as a factor of production. (4 marks)
3. Highlight four reasons as to why many organisations are preferring open office layout. (4 marks)
4. Outline four reasons why shopping malls have become popular in Kenya. (4 marks)
5. Indicate with a tick (V) whether the following items fall in the internal or external business environment. (4 marks)

Factor	Internal	External
a) Price levels in the country		
b) Business employers		
c) Cultural practices		

6. List four money transfer services offered by commercial banks in Kenya. (4 marks)
7. Highlight four circumstances under which a partnership business would be preferred to a sole proprietorship. (4 marks)
8. Identify the element of transport to which each of the following items relate. (4 marks)
 - (a) Diesel
 - (b) Port
 - (c) School bus
 - (d) Lake
9. Mwiti has a retail shop in Meru town valued at Ksh. 1,500,000. He insured the business with an insurance company for sh. 1,000,000 against fire. After six months a fire broke out and destroyed 80% of the business. Determine the amount of compensation that he can claim from the insurance company. (4 marks)
10. Identify the type of advertising described by each of the following : (4marks)

Description	Type of advertising
a) Meant to promote a company's name or image	
b) Uses popular personalities to advertise	
c) Aims at promoting the sales of a new or existing product	
d) Aims at giving full information about a product	

11. Outline four factors that may lead to decline in supply of a commodity. (4marks)
12. State four problems that may be experienced by a country that is overpopulated. (4marks)
13. State four users of a balance sheet. (4marks)
14. On 1st July 2012, Meru traders had the following balances:

	shs.
Computer	45,000
Capital	136,000
Creditors	20,000
Furniture	80,000
Bank	26,000
Cash	5.000

The following transactions took place on 2nd July 2012 :

- purchased a motor van for sh.400,000 on credit from Shah motors
- paid a creditor sh. 13,000 by cheque
- bought furniture for sh.8000 by cheque

Prepare a balance sheet as at 2nd July 2012 after the above transactions had taken place. (4 marks)

15. Record the following transactions in Kanana's Ledger accounts. 2014

Jan 1 : Credit sales to Mawira Ksh.60,000

Jan 2 : Credit purchases from Mutua Ksh. 120,000 (4 marks)

16. State four positive effects of inflation in a country. (4 marks)
17. Highlight four causes of unfavourable balance of payments. (4 marks)
18. Identify the source document used to make entries in the following journals. (4 marks)

Journal	Source document
a) Sales journal	
b) Returns inwards journal	
c) Petty cash book	
d) Cash payment journal	

19. State four factors that hinder economic development in most African countries. (4marks)
20. The following information relates to Muindi Traders.
- | | |
|--------------------|---------|
| Stock (1/1/2011) | 30,000 |
| Stock (31/12/2011) | 15,000 |
| Purchases | 150,000 |
| Mark up | 20% |
- Prepare the trading account for the period ended 31/12/2011. (4marks)
21. Highlight four benefits that accrue to a firm that expands its scale of operation. (4marks)
22. Identify four ways in which goods are prepared for sale in a warehouse. (4 marks)
23. List four examples of direct taxes. (4 marks)
24. Highlight four channels that can be used to export goods from Kenya to South Africa. (4marks)
25. List four assumptions of the circular flow of income in a two sector closed economy. (4 marks)

NTIMA JOINT EVALUATION 2016**BUSINESS STUDIES****565/2****PAPER 2**

1. a) Explain five problems encountered when measuring national income of a country. (10 marks)
b) Explain five reasons why a country imposes taxes on her citizens. (10 marks)
2. a) Explain five ways of improving the efficiency of a warehouse. (10 marks)
b) The following transactions related to Kioko Traders for the month of May 2012
 May 2: Sold goods on credit to Asunta sh.24, 000 and Janet sh.32, 000
 May 8: Bought goods on credit from Patel Traders sh.80, 000
 May 12: Asunta returned goods worth sh.4, 000
 May 15: Purchased goods on credit from Karoki sh.68, 000 and Petero sh.62, 100
 May 20: Goods worth sh. 12,000 were returned to Patel Traders and goods worth sh.6, 000 to Karoki
 May 23: Goods sold on credit to Asunta sh. 16,000, Tom sh.22000 and Joseph sh.26, 000 May 27: Goods returned by Janet sh.4, 000
 May 30: Purchased a motor vehicle on credit worth sh. 1,000,000 from General motors Prepare the relevant journals. (10 marks)
3. a) Explain five features of a monopoly. (10 marks)
b) Explain five benefits that may accrue to a community involved in home trade. (10 marks)
4. The following balances were extracted from the books of Mutwiri Traders for the year ended 31st December 2011.

	Shs.
Gross profit	76,200
Stock (31 st Dec.)	160,400
Cash	210,120
Motor vehicle	1,206,000
Capital	1,207,120
Equipment	401,200
Furniture	188,800
Creditors	248,400
Debtors	151,800
Discount received	52,800
Salaries	24,800
Carriage outward	28,800
Rent income	25,200
Advertising	44,400
Insurance	18,800
Bank overdraft	825,400

Required:

- (i) Prepare a profit and loss A/C for Mutwiri Traders for the year ended 31 st Dec.2011. (5 marks)
- (ii) Prepare a balance sheet as at 31 st Dec.2011. (5 marks)
- b) Using a diagram illustrate the effects of a rightward shift in supply curve on equilibrium price and quantity. (10 marks)
5. a) Explain five reasons why a business may replace an old machine with a new one. (10marks)
b) Explain five factors that hinder entrepreneurial activities in a country. (10marks)
6. a) Explain five reasons for trade restrictions by a country. (10marks)
b) Explain five reasons why a country should undertake development planning. (10marks)

GATUNDU SOUTH FORM FOUR 2016 EVALUATION EXAM**BUSINESS STUDIES****565/1****PAPER 1**

1. Highlight four ways in which business studies may be of benefit to an individual. (4 Mks)
2. Outline four features of economic resources. (4 Mks)
3. Highlight four characteristics of labour as a factor of production. (4 Mks)
4. List four sources of business idea. (4 Mks)
5. Highlight four elements of a carbon copying in the reproduction of documents. (4 Mks)
6. Outline four differences between hire purchase and installment buying. (4 Mks)
7. Mention four current trends in forms of business units. (4 Mks)
8. Outline four duties of commercial attaches. (4 Mks)
9. Highlight four advantages of human portorage. (4 Mks)
10. Outline four ways that the government can use to influence the quantity of a commodity supplied. (4 Mks)
11. List four factors that determine the size of a firm. (4 Mks)
12. Outline four factors that a producer would consider when selecting a distribution channel. (4 Mks)
13. Outline four challenges that may be encountered when measuring national income using income approach. (4 Mks)
14. The following information was obtained from the records of Biashara traders as at 31st December 2014.

	Sh.
Long term loan	20,000
Debtors	6,000
Cash at bank	24,000
Creditors	14, 000
Furniture	40,000
Stock	10,000

Prepare Biashara Traders balance sheet as at 31st December 2014.

15. Highlight four advantages of trade restriction. (4 Mks)
16. The following information was extracted from the books of Sunrise Enterprise on 30th June 2012

Item	Shs
Purchases	200,000
Opening stock	44,000
Closing stock	52,000
Mark - up	20%

Prepare the Trading account of Sunrise Enterprise for the year ended 30th June 2012.

17. Outline four circumstances under which sign language would be appropriate. (4 Mks)
18. Highlight four possible consequences that may arise due to poor arrangement of goods in a warehouse. (4 Mks)
19. Outline four factors that may hinder economic developments. (4 Mks)
20. Highlight four reasons that may necessitate insurance companies to re-insurance. (4 Mks)
21. Outline four advantages of window display as a method of product promotion. (4 Mks)
22. Outline four negative effects of an ageing population in an economy. (4 Mks)
23. On 1 April 2014, Kama Traders had Sh 200,000 in cash and Sh 70,000 bank overdraft.

During the month the following transactions took place.

April 10	A debtor settled his account of sh 500,000 by cheque less 5% cash discount.
April 15:	Settled Jane's account of sh 90,000 by cheque less 3% cash discount.
April 30:	Banked all cash except sh 40,000.

Enter the above information in the cash book given. (4 Mks)

Cash book

Dr					Cr				
Date	Details	Discount Allowed	Cash	Bank	Date	Details	Discount Received	Cash	Bank

24. Highlight four advantages of a fixed deposit account. (4 Mks)
25. State four sources of monopoly power. (4 Mks)

GATUNDU SOUTH FORM FOUR 2016 EVALUATION EXAM**BUSINESS STUDIES****565/2****PAPER 2**

1. (a) Explain five external business environments and how they influence a business negatively. (10 Mks)
- (b) Describe five types of unemployment. (10 Mks)
2. (a) Explain five services a wholesaler may offer to a manufacturer. (10 Mks)
- (b) Outline five measures that a country may take to correct her Balance of payments (B.O.D) deficit. (10 Mks)
3. (a) Explain any five principles of insurance. (10 Mks)
- (b) Highlight five measures that the Kenya government should take to control the high rate of inflation. (10 Mks)
4. (a) Explain five services commercial banks may offer to a customer. (10 Mks)
- (b) Explain five factors that influence the level of national income. (10 Mks)
5. (a) Outline five differences between a public limited company and a cooperative society. (10 Mks)
- (b) Describe five channels that may be used to distribute an exported agricultural product. (10 Mks)
6. (a) Explain four services that facilitate communication. (8 Mks)
- (b) The following trial balance was prepared from the books of Joska Traders as at 31st Dec 2014.

Joska Traders
Trial balance
As at 31st Dec. 2014.

	Dr Shs	Cr Shs
Sales		90,000
Purchases	60,000	
Returns Inwards	8,000	
Returns Outwards		2,000
Carriage Inwards	4,000	
Carriage Outwards	300	
Stock (Jan 2014)	10,000	
Rent	6,000	
Creditors		10,000
Debtors	29,000	
Interest expense	1,800	
General expense	700	
Capital		17,800
	<u>119,800</u>	<u>119,800</u>

KIRINYAGA CENTRAL SUB-COUNTY EFFECTIVE FORTY JOINT EXAMINATION – 2016

BUSINESS STUDIES

565/1

PAPER 1

1. Outline **four** types of business activities. (4 marks)
2. Highlight **four** disadvantages of specialization. (4 marks)
3. Outline four circumstances that would make an office manager to replace an existing machine with a modern one. (4 marks)
4. Outline **four** qualities of an office worker. (4 marks)
5. Give **four** benefits of operating a small scale retail business over a large scale retail business. (4 marks)
6. Ndovu bought 200 blankets at Sh.500 each on credit. The terms of sale were 20% trade discount, 10% quantity discount and 5% cash discount if payment is made within two weeks. Calculate the amount paid if payment is made after one week. (4 marks)
7. Outline **four** circumstances under which a sole proprietorship may be dissolved. (4 marks)
8. State **four** functions of commercial attachées. (4 marks)
9. State the unit of carriage for each of the following modes of transport. (3 marks)

Mode of transport	Units of carriage
(a) Sea	
(b) Portage	
(c) Road	

10. State **four** reasons why short message services (SMS) is replacing letters as a way of communication. (4 marks)
11. Outline **four** reasons why an ageing population may not be desirable to a country. (4 marks)
12. List **four** reasons why a producer would not need a lot of warehousing facilities. (4 marks)
13. Highlight **four** insurance policies that a business person may find useful for his/her business. (4 marks)
14. Highlight **four** circumstances under which it may be appropriate to use personal selling to promote products. (4 marks)
15. Indicate whether each of the following factors influence demand or supply of a commodity. (3 marks)

Factor	Demand or Supply
(a) Changes in the prices of inputs.	
(b) Change in tastes and preferences.	
(c) Changes in technology.	

16. Highlight **four** characteristics of a perfect competitive market. (4 marks)
17. Highlight **four** problems which may be encountered when measuring national income using output approach. (4 marks)
18. On 1st July 2012, Mara traders had Sh.6,000 cash in hand and bank overdraft of Sh.2,000. During the month the following transactions took place:

2012

July 2: Received cheques from debtors totaling to Sh.50,000

July 5: Paid rent Sh.2,000 cash.

July 15: Withdrew Sh.5,000 from the bank for personal use.

July 25: Banked all the cash except Sh.1000

Prepare a Two-column Cash Book for the month.

(5 marks)

19. The following is an extract of a bank account of Komu traders for the month of June 2015.

Bank account					
2015			2015		
		Shs			Shs
June 1	Balance b/d	200,000	June 5	Salim traders	50,000
June 10	Kombo	10,000	June 20	Electricity	5,000
			June 25	Cash	20,000
			June 30	Balance c/d	<u>135,000</u>
		<u>210,000</u>			<u>210,000</u>

State the transactions that took place on the following dates:

- (a) June 5:.....
- (b) June 10:.....
- (c) June 20:.....
- (d) June 25:.....

20. State **four** advantages of using subsidiary books of accounts. (4 marks)
21. State **four** banking services that the Central Bank of Kenya provides to the government. (4 marks)
22. The average consumer price for a 90kg bag of maize for the year 2012 and 2013 is shown below.

Year	2012	2013
Prices	Ksh.3000	Ksh.4000

- Calculate the increase in Consumer Price Index using 2012 as the base year. (4 marks)
23. Outline **four** causes of balance of payments disequilibrium. (4 marks)
24. Highlight **four** ways in which Kenya is likely to benefit from preparing a proper development plan. (4 marks)
25. The following information was extracted from the books of Amani traders on 31st December 2014.

	Shs
Commission received	22,000
Sales	763,500
Loan interest	52,500
Purchases	474,000
General expenses	30,000
Drawings	96,000
Rent	120,000
Salaries owing	72,000
Electricity pre-paid	85,000

Prepare Trial Balance of Amani traders for the month ended 31st December 2014. (5 marks)

KIRINYAGA CENTRAL SUB-COUNTY EFFECTIVE FORTY JOINT EXAMINATION – 2016**BUSINESS STUDIES****565/2****PAPER 2**

1. (a) Kibugi Wholesalers intends to construct a warehouse. Explain **five** measures that Kibugi wholesalers should take to ensure smooth functioning of the warehouse. (10 marks)
- (b) Explain **five** ways in which commercial banks facilitate payment on behalf of their customers. (10 marks)
2. (a) Your school intends to place an order with Elimu Company limited for the supply of some urgently required laboratory equipment. Explain **five** reasons why it would be advisable for the school to use e-mail instead of telephone when placing the order. (10 marks)
- (b) Most third world countries have been experiencing inflation. Explain **five** negative effects of inflation in the countries. (10 marks)
3. (a) Country X is experiencing high levels of unemployment. Explain **five** measures that she may take to solve the unemployment problems. (10 marks)
- (b) Explain **five** advantages of buying goods on hire purchase terms. (10 marks)
4. (a) Karoki a newly employed Clerk has been assigned the task of filing documents. Explain to him **five** characteristics he should consider when choosing a filing system. (10 marks)
- (b) Using a diagram illustrate the effects of a positive shift of a demand curve on the equilibrium point, price and quantity. (10 marks)
5. (a) Explain **five** circumstances under which a manufacturer would prefer to sell his products direct to consumers instead of selling through middlemen. (10 marks)
- (b) The headline for yesterday's newspaper was "Mwangaza company limited has been dissolved!" Explain **five** circumstances that could have led to the dissolution. (10 marks)
6. (a) Explain any **five** reasons why the government and other organizations are engaged in consumer protection. (10 marks)
- (b) The following trial balance was extracted from the books Mzalendo traders on 30th April 2005.

	Dr(shs)	Cr(shs)
Sales		115,560
Stock 1/5/2004	37,760	
Carriage outwards	3,260	
Carriage inwards	2,340	
Return inwards	4,400	
Return outwards		3,550
Salaries	24,470	
Electricity	6,640	
Rent	5,760	
Sundry expenses	12,020	
Equipment	24,000	
Furniture	6,000	
Debtors	45,770	
Creditors		30,450
Bank	38,760	
Cash	1,200	
Drawings	20,500	
Capital		128,440
	348,440	348,440

Stock at 30th April 2005 was 19,980

Required:

Prepare: (a) Trading, profit and loss account for the year ended 30th April 2005.

(10 marks)

KAHURO / MURANG'A EAST JOINT EXAMINATIONS 2016

BUSINESS STUDIES

565/1

PAPER 1

1. Outline **four** characteristics of direct production. (4mks)
2. Highlight **four** challenges faced by consumer organizations in carrying out their mandate of consumer protection. (4mks)
3. In the spaces provided, indicate whether each of the following statements relate to preference shares or ordinary shares.

<u>Statement</u>	<u>Types of shares</u>
(i) Has voting rights
(ii) Rate of dividend is fixed
(iii) Considered first in liquidation
(iv) Represent ownership
4. Highlight **four** characteristics of economic resources. (4mks)
5. State **four** ways in which the Kenyan currency qualifies as good money. (4mks)
6. List **four** causes of structural inflation. (4mks)
7. Highlight **four** positive effects of a declining population. (4mks)
8. Highlight **four** uses of a Bill of Lading in international trade. (4mks)
9. State **four** ways in which the nature of goods would influence the choice of transport. (4mks)
10. Outline **four** features of a re-insurance company. (4mks)
11. Below are some of the factors that influence the operations of a business. Indicate with a tick (✓) in the appropriate column the business environment associated with each of the factor. (4mks)

	Factors	Internal Environment	External Environment
(i)	Customers preference		
(ii)	Objectives of the business		
(iii)	Exchange rates		
(iv)	Personnel knowledge and skills		

12. Using a well labelled diagram, illustrate movement along the demand curve. (4mks)
13. Highlight **four** functions of Kenya Bureau of Standards. (4mks)
14. The following information relates to Amani Traders for the period ended 30th April 2012.

	Shs.
Opening stock	45,000
Closing stock	?
Purchases	720,000
Sales	980,000
Sales returns	30,000
Carriage inwards	20,000
Margin	20%

Prepare Amani Traders' Trading Account. (5mks)

15. Highlight **four** methods that are used by a monopolistic firm to differentiate products. (4mks)
16. Nyandudo is employed as a filing clerk in Jagoni Hospital. Highlight **four** challenges the hospital is facing in it's filing from Nyandudo's incompetence. (4mks)
17. Give **four** circumstances when it would be appropriate to use signs and gestures to communicate in business. (4mks)
18. Indicate using a tick (✓) the type of balance that each of the following accounts usually has.

	Account	Debit balance	Credit balance
(i)	Capital		
(ii)	Returns inwards		
(iii)	Rent received		
(iv)	Cash in hand		

19. Outline **four** types of expenditure included in measuring national income. (4mks)
20. List **four** factors that may influence the methods of distribution of agricultural products from the farm. (4mks)
21. For each of the following transactions, state the source document and the book of original entry in which the transactions would be recorded. (4mks)

	Transaction	Source Document	Book of original entry
(i)	Goods returned to a supplier		
(ii)	Sale of goods on credit		
(iii)	Payment to a creditor		
(iv)	Purchase of goods on credit		

22. Outline the challenges that less developed countries are likely to experience as they implement their development plans. (4mks)

23. For each of the following situations, name the most suitable means of payment to be used.

(4mks)

	Situation	Most suitable means
(i)	A trader wishes to pay fifty of his creditors using one cheque for supplies received.	
(ii)	Paying school fees for a student from Nyeri who is at Nairobi School.	
(iii)	Paying Insurance Premiums monthly to CIC for a Life Cover.	
(iv)	Wairimu wishes to instantly transfer Shs. 50,000 from her account to another account.	

24. Chumo industries want to open a warehouse for her products. Give the management some advice on **four** factors it should consider in establishing the warehouse. (4mks)

25. Identify **three** ways of generating a business idea. (3mks)

KAHURO / MURANG'A EAST JOINT EXAMINATIONS 2016**BUSINESS STUDIES****565/2****PAPER 2**

1. (a) Explain **five** guidelines that should be considered when designing a good tax system. (10mks)
 (b) Abdula, a manufacturer exhibited his goods at a local trade show. However, his sales did not increase significantly thereafter. Outline **five** reasons that may have led to lack of significant sales increase. (10mks)
2. (a) Kazungu has located his manufacturing firm away from the source of raw materials he uses. Explain **five** challenges he is likely to experience as a result of the location. (10mks)
 (b) On 1st July 2011, Mananga had cash at Bank sh. 136,500 and cash in hand sh. 3,250. During the month, the following transactions took place.
- July 2: Cash sales Sh. 42,630 paid directly into bank.
 July 3: Received a cheque for Sh. 14,100 from Murungi in full settlement of a debt.
 — 8: Bought goods for Sh. 26,240 and paid by cheque.
 12: Cash sales 42,450.
 14: Paid Ochako by cheque Sh. 23,750 in full settlement of his account less 5% cash discount.
 15: Paid wages Sh. 24,000 in cash.
 16: Withdrew sh. 36,000 from bank for office use.
 18: Bought stationary in cash Sh. 750.
 20: Cheque received from Murungi was dishonoured.
 28: Paid salaries by cheque for Sh. 48,600.
 30: All cash was banked except Sh. 5,000.
- Required:** Prepare a Three-Column Cashbook duly balanced. (10mks)
3. (a) Outline **five** differences between perfect competition market and oligopolistic markets. (10mks)
 (b) Explain **five** measures that a country may take to correct a balance of payment deficit. (10mks)
4. (a) Outline **five** circumstances under which the government of a country would encourage high population. (10mks)
 (b) Explain **five** monetary policy measures that the government may take to control demand pull inflation. (5mks)
5. (a) Highlight **five** differences between an open plan office and enclosed office layout. (10mks)
 (b) Explain **five** activities that may be carried out in the process of distributing goods. (10mks)
6. (a) Explain **five** factors that may negatively affect the demand for a product in the market. (10mks)
 (b) The following trial balance was extracted from the Books of Kabati Traders on December 31st 20-2.

	Dr Shs.	Cr Shs.
Sales		370,400
Purchases	290,000	
Returns	15,000	10,000
Carriage in	6,000	
Carriage out	4,200	
Advertising	12,000	
Commission		23,000
Cash	50,800	
Discounts	4,900	16100
Salaries and wages	22,500	
General expenses	8,300	
Machinery	405,000	
Stock	27,500	
Capital		390,900
Debtors	56,200	
Creditors		73,250
Bank overdraft		18,750
	902,400	902,400

Stock on 31st December 20-2

Sh. 35,000

Prepare the Trading, Profit and Loss Account for the period ended 31st December 20-2 and a balance sheet as at that date. (10mks)

KAHURO / MURANG'A EAST JOINT EXAMINATIONS 2016**BUSINESS STUDIES****PAPER 1****Marking scheme**

1. Characteristics of direct production.
 - Production usually in small scale.
 - Production usually for own consumption.
 - Use simple methods of production.
 - Low quality produce/products.
 - Encourage individualism.
 - Does not encourage specialization and division of labour.
 - Low volume of goods produced. (4 x 1 = 4mks)
2. Challenges facing consumer organizations
 - Lack of adequate support by the government.
 - Lack of sufficient information from consumers.
 - Ignorance on the side of consumers about their rights.
 - Lack of adequate funds / capital to support their programmes.
 - Lack of initiative / apathy by the consumers. (4 x 1 = 4mks)
3. (a) Ordinary shares
 - (a) Preference shares
 - (b) Preference shares
 - (c) Ordinary shares (4 x 1 = 4mks)
4. Characteristic of economic resources.
 - (a) Have money value
 - (b) Have alternative uses.
 - (c) Can change possession.
 - (d) Scarce in supply.
 - (e) Have utility.
 - (f) Can be combined to produce other goods.
 - (g) Can be complementary. (4 x 1 = 4mks)
5. Characteristics of Kenyan currency.
 - It is light in weight hence portable.
 - It is scarce.
 - It is difficult to forge.
 - It is generally accepted as a medium of exchange.
 - It is divisible in different denominations.
 - It is fairly stable in value. (4 x 1 = 4mks)
6. Causes of structural inflation.
 - Shortage of resources.
 - Lack of skilled manpower.
 - Poor infrastructure.
 - Poor allocation of resources.
 - Poor or outdated technology. (4 x 1 = 4mks)
7. Positive effects of a declining population.
 - Reduced unemployment.
 - Reduced government expenditure.
 - Reduced pressure on the available resources.
 - Better standards of living incase the country was experiencing over-population.
 - Reduced crime rate / social evils.
 - Reduced dependency ratio. (4 x 1 = 4mks)
8. Uses of Bill of Lading.
 - It acts as an evidence that goods have been actually received by the ship.
 - It acts as a contract of carriage between the shipper and the exporter.
 - It is used in customs clearance.
 - It enables the importer / his agent to collect goods from the ship.
 - It shows the freight charges. (4 x 1 = 4mks)
9. Ways in which the nature of goods influence choice of transport.
 - If goods are perishable a fast means is required / appropriate.
 - If goods are fragile a smooth means is required.
 - If goods are highly valued a safe and secure means is required.
 - If goods are bulky an appropriate means should be used.
 - If goods are urgently needed, a faster means will be used. (4 x 1 = 4mks)

10. Features of a re-insurance company.

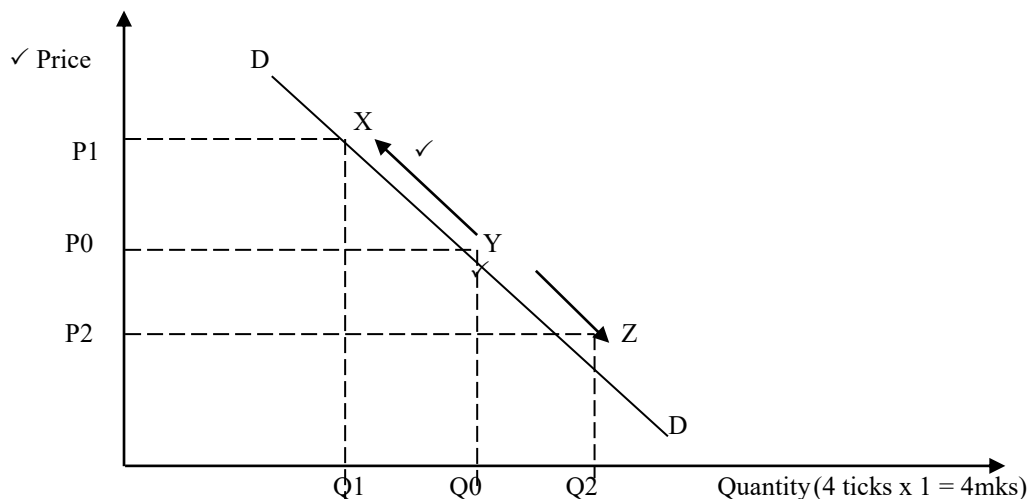
- Commands large financial resources.
- The company guarantees compensation.
- Deals with corporate insurance clients.
- Government has a stake in a re-insurance company.
- Empowered by law to insure other insurance companies.

(4 x 1 = 4mks)

11.

Factors	Internal environment	External environment
(a)		√
(b)	√	
(c)		√
(d)	√	

12.

13. Functions of Kenya Bureau of standards.

- Formulating standards of quality and safety.
- Prosecuting traders who violate the set standards.
- Putting stamps of approval on goods that have met established standards.
- Testing samples of products to ascertain their quality.
- Disseminating information to consumers about quality of goods.
- Publishing journals, magazines and periodicals.
- Research and development of standards.
- Making regular inspection of business premises to ensure standards are met.

(4 x 1 = 4mks)

14.

AMANI TRADERS
TRADING ACCOUNT
FOR THE PERIOD ENDED 30/4/2012

Opening stock	45,000 ✓	Sales	980,000 ✓
Add: Purchases	720,000 ✓	Less: Returns inwards	<u>30,000</u> ✓
Add: Carriage inwards	<u>20,000</u> ✓	Net sales	950,000 ✓
Goods available for sale	785,000 ✓		
Less: Closing Stock	<u>(25,000)</u> ✓		
Cost of sales	760,000 ✓		
Gross profit c/d	190,000 ✓		
	<hr style="width: 100%;"/>		
	950,000		<hr style="width: 100%;"/>
	<hr style="width: 100%;"/>		950,000
			<hr style="width: 100%;"/>

(10 x ½ = 5mks)

15. Methods used to differentiate goods by a monopolistic firm.

- Branding
- Packaging in different sizes.

- Pricing
- Blending into different colours.
- Persuasive advertising.
- Designing.
- Trade marks / salient features. (4 x 1 = 4mks)

16. Challenges the hospital faces due to incompetence of the filing clerk.

- Insecurity of documents / loss of documents.
- Difficult to retrieve / access documents.
- Untidy documents / spoilage of documents.
- Loss of guarantee for future reference.
- Lack of confidentiality / privacy / secrecy.
- Untidy/unpleasant work place/office. (4 x 1 = 4mks)

17. Circumstances when it is appropriate to use signs and gestures in business.

- When the recipient is deaf.
- When silence is vital e.g. in hospital.
- Where the environment is noisy e.g. in factories.
- Where communicating confidential message.
- Where there is need to emphasize a point.
- Where there is a language barrier. (4 x 1 = 4mks)

18.

- (a) Credit
- (b) Debit
- (c) Credit
- (d) Debit (4 x 1 = 4mks)

19. Expenditures included in measuring national income.

- Government expenditure
- Personal expenditure
- Investment
- Imports (4 x 1 = 4mks)

20.

- Nature of product e.g. perishable, fragile.
- Government policy
- Nature of the market.
- Cost of distribution. (4 x 1 = 4mks)

21.

	Source Document	Book of original entry
(a)	Credit note received	Purchases returns journal
(b)	Invoice issued / sales invoice	Sales journal
(c)	Receipt	Three column cash book / cash payments journal
(d)	Invoice received / purchases invoice	Purchases journal

(8 x ½ = 4mks)

22. Challenges likely to be faced by less developed countries as they implement their development plans.

- Failure to get expected funding.
- Natural calamities.
- Conflict among the executing parties.
- Lack of political will.
- Inadequate domestic resources.
- High rate of inflation.
- High population growth rate.
- Where the development plan is over ambitious. (4 x 1 = 4mks)

23. Means of payment most suitable for situations

- (a) Credit transfers
- (b) Bankers cheques / Bank drafts
- (c) Standing orders / Bankers order
- (d) EFT – Electronic Funds Transfer (4 x 1 = 4mks)

24. Factors considered when establishing the warehouse.

- Should be in an ideal location to receive and release goods.
- Should have well trained and qualified staff.
- Should have good inventory recording system.
- Should be near a good transport and communication systems.
- Should be secure.

- Should have necessary equipment.
- Should be spacious.
- Ensure legal procedures are followed.
- Proper building and structure appropriate for the type of goods to be stored.(4 x 1 = 4mks)

25. Ways of generating business idea.

- By building on ones hobbies, skills and interests.
- Identifying a market gap / market niche.
- Improving on an existing business.
- By combining and copying two existing ideas.
- Through reading newspapers, journals, books etc.
- Recycling waste materials.
- Carrying out market research.
- Listening to what people say.
- By brainstorming.
- Through vocational training and experience. (3 x 1 = 3mks)

KAHURO / MURANG'A EAST JOINT EXAMINATIONS 2016**BUSINESS STUDIES****PAPER 2****Marking scheme**

1. (a) Guidelines to be considered when designing a good tax system. (5 x 2 = 10mks)
- Equity: The tax system should be equitable in that it does not impose greater burden on some citizens.
 - Convenient: It should be convenient to both the tax payers and the collectors in terms of when, where and how it is collected.
 - Certainty: The tax payer should know what their actual tax liabilities are.
 - Flexibility: It should be flexible to fit in with changing economic conditions.
 - Economy: The tax yield should be greater than the cost of collection.
 - Diversity: it should be diversified in order to cover wide base.
- (b) Reasons that may have led to lack of significant sales increase when Abdula exhibits his goods in a local trade show.
- Low attendance at the exhibition.
 - People attending the exhibition may not have comprised of potential customers.
 - The quality of his goods may not have been impressive.
 - The cost of the goods may have been beyond the reach of potential customers.
 - The product may not have been culturally acceptable.
 - The economic environment may not have been conducive.
 - There might have been other manufacturers with similar goods.
 - People attending the exhibition were not convinced / poor salesmanship / poor exhibition.
2. (a) Challenges Kazungu is likely to experience as a result of locating the factory far from the source of raw materials.
- Damaged raw materials: as they are transported for long distances.
 - Interruption of production: due to lack of continuous supply of raw materials arising from their delay.
 - Competition for the raw materials: with other producers who have advantages over Kazungu as they may be located near the source.
 - High storage cost: due to stocking large quantities of raw materials to avoid would be stock-outs.
 - Loss of stock: Due to spoilage / theft while the raw materials are on transit.

MARANGA TRADERS**(b) CASH BOOK FOR THE MONTH OF JULY 2011**

Date 2011	Details	Fo lio	D. A	Cash	Bank	Date 2011	Particulars	Fo lio	D.R	Cash	Bank
July 1	Balance b/d			3,250	136,500	July 8	Purchases				36,240✓
2	Sales			✓	✓	14	Ochako		1,250		23,750✓
3	Murungi				42,630✓	15	Wages	✓		24,000✓	
12	Sales				14,100✓	16	Cash				36,000✓
16	Bank			42,450		18	Stationary		750✓		
29	Nyoje			✓		20	Murungi				14,100✓
30	Cash			36,000		28	Salaries				48,600✓
				✓	51,950✓	30	Bank			51,950✓	
						31	Bal c/d			5,000✓	109490✓
				81,700	245,180				1,250	81,700	245,180

(20 x ½ = 10mks)

3. (a) Differences between perfect competition market and oligopolistic markets (5x2 = 10mks)

Perfect Competition	Oligopolistic market
<ul style="list-style-type: none"> • Has many sellers and buyers. • Deals in homogenous products. • Actions of one firm has no effect on the market. • Has perfectly elastic demand curve. • Price is determined by interplay of demand and supply. 	<ul style="list-style-type: none"> • Has few sellers and many buyers. • May deal in differentiated products. • Actions of one firm may affect the market. • Has kindled demand curve. • Price is determined by the firms through price wars, collusions and non-price competition.

- (b) Measures a country may take to correct a balance of payment deficit. (5 x 2 = 10mks)

- Increasing the volume of exports: This may be done through provision of export incentives e.g. export compensation scheme.
- Reducing the volume of imports: This is done through increasing import duty and exchange controls.
- Devaluation of currency: i.e. lowering the value of a country's currency relative to other currencies. This makes exports cheaper, hence more exports are made.
- Diversification of exports: i.e. increasing the range of commodities to be exported.
- Borrow funds from international bodies or other countries.
- Get assistance of funds from IMF and the World Bank.

4. (a) Circumstances under which the government of a country would encourage high population (5 x 2 = 10 marks)

- When the government wants to have enough labour force.
- When the government wants to have high security i.e. high population enhance security.
- When the government wants to have enough market i.e. high population provide enough market.
- When the government wants its resources to be fully utilized.
- When the government have enough resources to cater for high population.

(b) Monetary policy measures that the government may take to control demand-pull inflation in the country (5 x 2 = 10mks)

- Increase bank rates to reduce demand for loans / amount of money in circulation.
- Selling government securities to reduce excess money in circulation.
- Increase cash / liquidity ration to reduce money available for lending.
- Increase compulsory deposit to reduce amount of money in circulation.
- Use selective measure to discourage lending.
- Moral suasion / persuasion – government appealing to commercial banks to limit their lending in order to reduce money supply.

5. (a) Differences between an open office plan and enclosed office layout (5 x 2 = 10 marks)

Open Office Layout	Enclosed Office Layout
<ul style="list-style-type: none"> • A large room where employees work from. • No privacy for confidential discussions. • Low construction and maintenance cost as it requires few partitions. • Minimum staff movement thus saves time when passing information. • Close supervision discourages absenteeism. • Noise from machines and employees may cause interruptions. • Does not give prestige to officers. • Air conditioning, lighting, heating in the room may not be conducive to all. 	<ul style="list-style-type: none"> • Small cubicles occupied by one or two officers. • Provides privacy for confidential discussions. • High construction and maintenance cost as it requires many partitions. • Time wastage as staff move from one office to another to pass information. • Encourages absenteeism due to lack of close supervision. • Limited interruptions from machines and employees. • Gives prestige / status to officers. • Air conditioning, lighting and heating can be regulated to suit the need(s) of the officer(s).

(b) Activities that may be carried out in the process of distributing goods (5 x 2 = 10 marks)

- Transport – movement of goods from one place to another.
- Warehousing / storing – keeping goods until the time they would be required.
- Insurance – ensuring security of the goods as they are stored or being transported by taking an insurance cover.
- Preparation of goods for sale – involves activities such as blending, sorting, branding, packing etc.
- Communication – passing messages / information from one person to another.
- Trading – passing ownership from one person to another through buying and selling.

6. (a) Factors that may negatively affect the demand for a product in the market (5x2=10 marks)

- Negative taste and preferences towards the commodity.
- Low prices of substitutes.
- Increase in price of its complimentaries.
- Low levels of population.
- Unfavourable government policies e.g. increased taxes.
- Increase in price of the product.
- Future expectation of a fall in the price of the product.

(b)

Kabati Traders
Trading Profit and Loss Account ✓
For the Period ended 31st December 20-2

	Sh.	Sh.		Sh.	Sh.
Opening stock		27,500 ✓	Sales	370,400 ✓	
Add: Purchases		290,000 ✓	Less:		
Add: Carriage inwards	6,000 ✓	<u>296,000</u>	Returns in	<u>15,000</u> ✓	355,400
Less: Returns out	<u>10,000</u> ✓				
COGAFS		313,500 ✓			
Less: Closing Stock		35,000 ✓			
Cost of sales		278,500 ✓			
Gross profit c/d		76,900 ✓			
		<u>355,400</u>			<u>355,400</u>
Carriage outwards		4,200 ✓	Gross profit b/d		76,900 ✓
Advertising		12,000 ✓	Commission		23,000 ✓
Discount allowed		4,900 ✓	Discount Received		16,100 ✓
Salaries and wages		22,500 ✓			
General expenses		8,300 ✓			
Net profit		<u>64,100</u> ✓			<u>116,000</u>
		<u>116,000</u>			<u>116,000</u>

Kabati Traders
Balance Sheet ✓
As at 31st December 20-2

Machinery	405,000 ✓	Capital	390,900 ✓
Stock	35,000 ✓	Add:	
Debtors	56,200 ✓	Net Profit	<u>64,100</u> ✓
Cash	50,800 ✓		455,000 ✓
	<u>547,000</u>	Creditors	73,250 ✓
		Bank Overdraft	<u>18,750</u> ✓
			<u>547,000</u>
			(30x 1/3 = 10mks)

CENTRAL KENYA NATIONAL SCHOOLS JOINT MOCK - 2016

BUSINESS STUDIES

565/1

PAPER 1

1. State **four** reasons why consumers have to make a choice between competing need. (4mks)
2. Highlight **four** advantages of having inland container depots (ICDS) in Nairobi, Kisumu, Eldoret and Malaba. (4mks)
3. State **four** various sources of public finance. (4mks)
4. Highlight **four** gaps in society that may give rise to a business opportunity. (4mks)
5. Highlight **four** reasons why mail order business is not very popular in Kenya. (4mks)
6. Outline **four** favourable factors for a business to thrive. (4mks)
7. A supplier writes a credit note to a trader state **three** reasons that could have led to this. (3mks)
8. Write the account to debit and credit in the following transactions written below. (4mks)

	Transaction	A/c to debit	A/c to credit
(a)	Returned damaged goods to supplier		
(b)	Received rent by cheque.		
(c)	Took cash for personal use.		
(d)	Customer returned ordered goods.		

9. Highlight **four** advantages of delocalization of industries. (4mks)
10. The following information relate to Sika Investment Ltd for the year ended 30th June 1997.

	Sh.
Opening stock	185,000
Sales	240,000
Expenses	180,000
Purchases	410,000
Net profit	140,000
Closing stock	205,000
Machinery	500,000
Debtors	150,000
Cash at hand	25,000
Accrued rent	140,000
AFC loan (10yrs)	150,000
Capital	415,000
Bank overdraft	60,000
Bank	110,000
Creditors	85,000

Required:Prepare Sika Investment Ltd balance sheet as at 30th June 1997.

(5mks)

11. Indicate the type of insurance losses described by the following circumstances.
 - (a) Matter insured is not completely destroyed but cost of salvage is more than the wreckage. (1mk)
 - (b) Loss occurring by deliberate action of the ship master to save the screw. (1mk)
 - (c) Loss occurring on a ship accidentally. (1mk)
 - (d) Loss occurring and the matter insured is completely lost. (1mk)
12. Indicate the type of journal in which each of the following transactions would be recorded. (4mks)

	Transaction	Type of journal
(i)	Goods previously sold on credit were returned	
(ii)	Goods bought on credit.	
(iii)	Goods sold for cash.	
(iv)	Motor vehicle sold on credit.	

13. State the law relating to each of the following:
 - (i) Demand:
 - (ii) Supply.
14. State **four** factors to be considered when deciding on office layout. (4mks)
15. Highlight **four** ways in which the Central Bank acts as a Banker to the government. (4mks)
16. Identify the legislation meant to protect consumers that each of the following description refers to. (4mks)

Description	Legislation
(a) Ensures that traders or producers do not cheat consumers by giving false descriptions of goods.
(b) Prohibits traders and manufacturers from including substance that might harm consumers in a product.
(c) Ensures that all weighing equipments are correct and accurate.

(d) Ensures that the landlord's do not overcharge their tenants.

17. Outline **four** problems that a country may face when measuring her national income using the income approach. (4mks)
18. List down **four** securities that are traded at Nairobi stock exchange market. (4mks)
19. The following information relates to Kuwa's business for the year ended 31st May 2010.
- | | |
|-------------------|-----------|
| Net profit | Sh.20,000 |
| Working capital | Sh.30,000 |
| Return on capital | 20% |
| Employed | |
- Determine the value of:
- (i) Capital employed. (2mks)
- (ii) Fixed assets. (2mks)
20. Outline **four** factors that may account for predominant direct production in developing countries. (4mks)
21. Outline **four** reasons why a business person may prefer written communication to verbal communication. (4mks)
22. The following information relates to Murang'a traders for the year ended 30th September 2006.
- | | |
|---------------------------------|---------|
| | Sh. |
| Stock 30 th Sep 2006 | 124,000 |
| Stock 1 st Oct 2005 | 200,000 |
| Purchase for the year | 380,000 |
| Sales | 440,000 |
| Return inwards | 20,000 |
| Carriage inwards | 4,000 |
| Carriage outwards | 1,500 |
- Prepare the business trading account for the year ended 30th Sep 2006. (4mks)
23. Identify **four** indicators of economic development in a country. (4mks)
24. Highlight the role of consumer organizations in consumer protection. (4mks)
25. State **four** methods usually used in trade restrictions. (4mks)

CENTRAL KENYA NATIONAL SCHOOLS JOINT MOCK - 2016

BUSINESS STUDIES

565/2

PAPER 2

1. (a) The following transactions took place in the business of Darasile Traders in Kisumu year 2013.
- July 1st: Started business with capital in cash Kshs.150,000.
 July 2nd: Opening a bank account and deposited Kshs.30,000.
 July 3rd: Bought buildings in cash Kshs.60,000.
 July 4th: Borrowed a loan in cash Kshs.20,000.
 July 5th: Bought stationery by cheque worth Kshs.6,000.
 July 6th: Repaid part of the loan by cheque Kshs.10,000.
- Required:*
- (i) Record the above transactions in their various ledger accounts. (6mks)
 (ii) Prepare a trial balance. (4mks)
- (b) Explain **five** features of a good filling system. (10mks)
2. (a) Describe **five** ways in which non-banking financial institutions differ from the commercial banks. (10mks)
 (b) Explain **five** importance of a business plan to an upcoming entrepreneur. (10mks)
3. (a) Outline the factors that the government should consider when deciding on a good tax system. (10mks)
 (b) Outline **five** differences between private limited companies and public corporation. (10mks)
4. (a) Outline **five** benefits that Kenya will reap after the completion of the Lamu Port and Lamu South Sudan-Ethiopia corridor (Lapset) project whose construction is underway. (10mks)
 (b) Other than monetary policy, outline other **five** measures that can be used to control inflation. (10mks)
5. (a) Explain **five** causes of unemployment in Kenya today. (10mks)
 (b) Explain **five** insurance policies that the owner of a private school may find useful for his or her school. (10mks)
6. (a) Highlight **five** differences between a tied shop and a single shop. (10mks)
- (b) On 1st November 2012, Sigora Co. Ltd had a balance of Sh.12,000 at the bank and Sh.2500 in hand. During the month the following transactions took place.
- Nov 1st: Cash sales Sh.2500, cash purchase Sh.1750.
 3rd: Paid the following accounts by cheque.
 Kiproop Sh.1500 less 5% cash discount.
 Sigei Sh.2000 less 5% cash discount.
 Nasiku Sh.2100 less 3% cash discount.
 5th: Received the following amounts from debtors
 Ondiek Sh.1200 in cash.
 Jane Sh.3850 in cash and Mueni by cheque Sh.2050 after allowing her Sh.300 cash discount.
 14th: Paid office cash to the bank Sh.2000.
 17th: Cash sales Sh.8500.
 8th: Bought goods worth Sh.300 0 on credit from Mwau enterprises.
 22nd: Mueni paid her account of Sh.5000 by cheque less 10% cash discount.
 28th: Withdrew all the money from the bank for office use except Sh.1000.
 29th: Paid salary cash Sh.8000.
 30th: A cheque received from Mueni on Nov 5th was dishonoured.

Required:

Prepare Sigora Co. Ltd three column cash book.

(10mks)

CENTRAL KENYA NATIONAL SCHOOLS JOINT MOCK - 2016**BUSINESS STUDIES****565/1****Marking scheme**

1.
 - Due to unlimited need of consumers.
 - Due to different taste / preferences of the consumer.
 - Due to government policy on goods.
 - Due to different prices of goods.
 - Limited resources or income.
 - Due to different cultures and beliefs.
2.
 - It makes the containers and their use accessible to importer's and exporters from land.
 - Facilitate easier handling of containers in Kenya by discongesting container traffic at the port.
 - ICD's makes it possible for door to door delivery of goods to be undertaken in land.
 - The business men in the interior do not need for more specialized packing as if goods were to be transported in smaller packages thus reducing packing cost.
3.
 - Taxes
 - Fines
 - License fee
 - Borrowing from external sources.
 - Public debts
 - Sales of government assets
4.
 - In availability of products.
 - Poor quality products.
 - Insufficient quantities.
 - Unaffordable prices
 - Poor services.
5.
 - There are high cost of advertising.
 - Inspection of goods by the customer is not possible.
 - The variety of goods that can be sold is limited.
 - No personal contact between buyer and seller.
 - Suitable only for the iterate.
 - Problems arising in the post office may affect the business.
6.
 - Availability of raw materials.
 - Availability of land for location and expansion.
 - Adequate security.
 - Availability of market.
 - Clean natural environment.
7.
 - Due to mathematical errors leading to overcharge.
 - Price overcharges.
 - Unordered items in the invoice
 - Failure to deduct the allowed discounts.
 - Return of damage goods.
8.

Debit	Credit
Purchase return	Purchase
Bank	Rent income
Drawings	Cash
Sales	Sales return
9.
 - It minimises the damage that may arise in case of sabotage.
 - Development of auxiliary sources.
 - Reduces level of pollution.
 - Brings about balance regional growth.
 - Reduces rural - urban migration.
 - Reduce congestion in the urban areas.

- Creates employment opportunities to the rural people.
- Development of the infrastructure in the rural areas.

10 Sika Investment Ltd
Balance sheet
As at 30th June 1997

<u>Fixed assets</u>		Capital	415,000
Machinery	500,000	+Net profit	<u>140,000</u>
<u>Current Assets</u>			555,000
Stock	205,000	<u>L.T.L</u>	
Debtors	150,000	AFC loan	150,000
Bank	110,000	<u>C.L</u>	
Cash	25,000	Bank overdraft	60,000
		Accrued rent	140,000
		Creditors	85,000
	<u>990,000</u>		<u>990,000</u>

$$1/2 \times 10 = 5 \text{ mks}$$

11. (a) Contrucctive total loss
(b) General average loss
(c) Particular average loss
(d) Actual total loss
- 12.
- Sales return journal
 - Purchase journal
 - Cash receipt journal
 - General journal
13. Demand - All other factors remaining constant, the lower the price of a commodity the higher the quality demanded and vise versa.
Supply - All factors held constant, the lower the price of a commodity the lower the quality supplied and vise versa.
- 14.
- Staff to be accommodated.
 - Minimal movement.
 - Easy supervision of staff.
 - Proximity to equipment.
 - Working space.
- 15.
- Keeping government accounts.
 - Managing government borrowing.
 - Financial advisor to the government.
 - Receiving payment of behalf of government.
16. Trade description act.
Goods and drug act
Weight and measures act
Rent and tribunal control act.
- 17.
- Fluctuation of prices.
 - Inclusion of transfer payment.
 - Inaccurate data.
 - Existence of large scale subsistence sector.
 - Difficult to obtain accurate figures from people working abroad.
- 18.
- Preference shares.
 - Treasury bills.
 - Treasury bonds.
 - Ordinary shares

19. (a) $RO.C.E = \frac{N.P}{C.E} \times 100$

$$\frac{20}{100} = \frac{20,000}{C.E} \quad (1 \text{ mk})$$

$$C.E = \frac{20,000 \times 100}{20}$$

$$= 100,000 \quad (1 \text{ mk})$$

(b) $C.E = F.A + W.C$

$$100,000 = x + 30,000 \quad (1 \text{ mk})$$

$$x = 100,000 - 30,000$$

$$x = 70,000 \quad (1 \text{ mk})$$

20.

- Reliance on poor technology which cannot facilitate production for market.
- Low incomes
- Poor resource endowment.
- Lack of appropriate skills
- Inadequate market for goods

21.

- It can be retained for future reference.
- Suitable for confidential messages.
- Can be reproduced.
- Can be re-read.

22.

Muranga Traders Trading A/C			
Dr	For the year ended 30 /9 / 06		Cr
Opening stock	200,000	Sales	440,000
Purchase	380,000	- Return inward	<u>20,000</u>
+ Carriage in	4,000	Net sales	420,000
	<u>384,000</u>		
C.O.G AS	584,000	Gross loss c/d	40,000
- Closing stock	124,000		
C.G.S	460,000		
	<u>460,000</u>		<u>460,000</u>

$$8 \times \frac{1}{2} = 4 \text{ mks}$$

23.

- Shifting from agricultural to manufacturing.
- Reduction in illiteracy.
- Increase in technology and improvement in entrepreneurial ability.
- Improvement in health facilities.
- Reduction in the gap between the poor and the rich.

24.

- Collecting complains from consumers.
- Seeking legal redress against offenders.
- Educating consumer's on their rights.
- Taking consumer complains to the relevant government bodies of KEBS.

25.

- Custom import duty.
- Quotas.
- Total ban
- Trade agreements.
- Administrative controls.
- Foreign exchange control.

CENTRAL KENYA NATIONAL SCHOOLS JOINT MOCK - 2016

BUSINESS STUDIES

565/2

Marking scheme

Dr		Capital A/C				Cr	
Date	Details	F	Amount	Date	Details	F	Amount
6/7/13	Bal c/d		15,000	1/7/13	Cash		150,000

Dr		Cash A/C				Cr	
Date	Details	F	Amount	Date	Details	F	Amount
1/7/13	Capital		150,000	2/7/13	Bank		30,000
4/7/13	Loan		20,000	3/7/13	Building		60,000
				6/7/13	Bal c/d		80,000
			170,000				170,000

Dr		Bank A/C				Cr	
Date	Details	F	Amount	Date	Details	F	Amount
2/7/13	Cash		30,000	2/7/13	Stationery		6,000
				6/7/13	Loan		10,000
				6/7/13	Bal c/d		140,000
			30,000				30,000

Dr		Loan A/C				Cr	
Date	Details	F	Amount	Date	Details	F	Amount
6/7/13	Bank		10,000	5/7/13	Cash		20,000
6/7/13	Bal c/d		10,000				
			20,000				20,000

Dr		Stationery A/C				Cr	
Date	Details	F	Amount	Date	Details	F	Amount
5/7/13	Bank		6,000	6/7/13	Bal c/d		60,000

Dr		Buildings A/C				Cr	
Date	Details	F	Amount	Date	Details	F	Amount
3/7/13	Cash		60,000	6/7/13	Bal c/d		60,000

Darasarite Trades

Trial Balance

As at 6 /72013

Name of accounts	Debit (sh)	Credit (sh)
Capital		150,000
Cash	80,000	
Bank	14,000	
Loan		10,000
Stationery	6,000	
Building	60,000	
	160,000	160,000

(b) Features of a good fitting system.

- Simplicity - Simple to understand and operated.
- Suitability - Appropriate to the needs of the business concerned.
- Elastic - Flexible to cater for future changes.
- Safety: Provide protection to documents against loss, misplacement on theft.
- Accessible - Information can be easily retrieved.
- Economic - It should not be expensive to start and maintain.

(5 x 2 = 10 mks)

2.

(a) Differences between NBFIs and commercial banks.

- NBFIs do not provide current A/C while commercial banks provide current A/C facilities.
- NBFIs provide long-term loans while commercial banks provide medium and short term loans.
- NBFIs are not regulated (supervised) by central bank while commercial banks are regulated by central bank.
- NBFIs provide finance strictly to specific sectors while commercial banks do not restrict their financial provision (Assistance)
- NBFIs do not participate in clearing since they do not have cheque facilities, while commercial banks participate in clearing house.
- NBFIs do not provide facilities for safe keeping of valuable items while commercial banks provide safe keeping facilities.
- Commercial banks exchange foreign currency while NBFIs do not exchange foreign currency.

(b) Importance of a business plan.

- Helps in avoiding occurrence of mistakes.
- Identification of strength and weakness of a business.
- Determination of the amount of finance required.
- Appropriate allocation of resources.
- It's a requirement by financiers.
- It's a tool for control in evaluating the performance of business by comparing the planned activities with actual performance.
- Adaptability: It gives a business room to accommodate any unforeseen changes that may occur in future.
- Acts as a motivating factor to the employees.

3.

(a) Principles of a good tax system.

- Equity:- A good tax system should ensure that there is fairness in payment of tax.
- Certainty - The tax that an individual or firm is supposed to pay should be clear in terms of amount, time and manner in which it should be paid.
- Economy:- The cost of collecting and administering tax should be lower than the revenue to be collected.
- Convenience:- The tax levied should be convenient to both contributor and the collector.
- Flexibility:- A good tax system should be readily adoptable to changing circumstances such as change in price levels.
- Diversity:- A good tax system should be diversified so that it meets revenue requirements of the country.

(b) Difference between private Ltd company and public corporation.**Private Ltd company**

- (i) Formed under the company Act
- (ii) Owned by shareholders.
- (iii) Management is appointed by shareholders.
- (iv) Its profit motivated.
- (v) Profits are shared by the shareholders
- (vi) Capital is provided by the shareholders.

Public corporation

- (i) Formed under act of parliament.
- (ii) Owned by government jointly with private investors.
- (iii) Management is appointed by the government.
- (iv) Main motive is to offer essential services to the public
- (v) Profit go to the government.
- (vi) Capital is provided by the government

4.

(a) Benefits of the Lamu Project whose construction is underway.

- It will reduce over-dependence on Kenya's main port of Mombasa thus decongesting it and reducing delays.
- It will provide job opportunities to many Kenyan.
- Increase trade co-operation between Kenya and the neighboring countries.
- It will open (develop) Kenya's largely under developed Northern region.
- Reduced cases of insecurity in the Northern Kenya.

(b) Measures of controlling inflation other than the monetary policy.

- Reducing government spending :- Which has an effect of having more money in circulation which may bring about demand - pull inflation.
- Increase in income taxes - The government may increase tax rates so as to reduce consumer's disposable income, this lowers the levels of spending thereby controlling demand - pull inflation.
- Reducing tax on production - This will reduce the cost of production leading to reduced prices which helps in controlling cost - push inflation.
- Subsidising production - When the government subsidise the production cost which lead to reduced prices. This way cost-push inflation will be curbed.
- Producing commodities that are in short supply - With increased supply, prices are likely to go down thereby controlling inflation.
- Controlling wages and salaries to reduce to reduce cost of production through reduced wages and salaries cost-push inflation is curbed.
- Price control - The government sets price limit beyond which various commodities should not sell at.
- Restricting imports - This is to curb imported inflation.
- Restricting terms of hire purchase and credit terms of sales.
- Controlling of exports - The government may either restrict or totally ban the exportation of the said product.

5.

(a) Causes of unemployment in Kenya.

- Rapid population growth - The population is growing at a faster rate at which the economy is expanding.
- Use of inappropriate technology in production i.e use of capital intensive methods instead of labour intensive.
- Inappropriate education system which impact skills that does not match with the realities of the labour market.
- Seasonality in production. Seasonal variation creates unemployment during off peak season.
- Lack of adequate market for goods which discourage production of goods and services.
- Inadequate cooperant factors imputs.
- Rural to urban migration contributes to rural under development.

(b) Insurance policies that the owner of a private school may find useful.**(i) Fire insurance.**

He/she may cover properties such as buildings (classrooms) against fire. This type of insurance cover loss or damage of property caused by fire.

(ii) Burglary / Theft cover.

This policies cover losses arising from activities of robbers and thieves e.g robbers may break into the school buildings and carry away various items including money. The school would be compensated for both losses of items and damages on the buildings by robbers.

(iii) Workmen's compensation policy / employer's accident liability. It covers employees who many suffer injuries while on official duty.**(iv) Public liability policy.**

This policy covers losses, injuries or damages caused accidentally by a business or its employees to the members of the public.

(v) Fidelity guarantee policy.

He / she may protect the school against losses arising from activities of dishonest employees e.g money lost or stolen by accountants or school bursar.

(vi) Motor vehicle insurance policies.

These policies may be useful aimed at covering school buses from losses arising from accident.

6. (a) Tied shop

1. The proprietor is normally the manufacturer
2. It sells products from a single manufacturer's.
3. The shops usually have the some designs.
4. Prices of good's are determined by the manufacturer.
5. The operator are usually trained by the
6. Dealership can be withdrawn by the manufacturer if the operator stock competing products.

Single shop

1. Owner by individuals
2. It sells product's from different manufacturer.
3. The design of the shop is according to the owner's wish
4. Prices of goods are determined by different manufactures or shop owners.
5. The operator's are not trained by the manufactures.
6. The owner is at liberty to stock whatever he or she wishes to stock.

b)

Dr						Three Column Cash Bank						Cr	
Date	Details	F.F	Disc allowed	Cash	Bank	Date	Details	L.F	Dis/Rec.	Cash	Bank		
Nov. 1	Balance	c/d		2,500	12,000	Nov 1	Purchase			1,750			
1	Sales			2,500		3	Kiproop		75		1425		
5	Ondiek			1,200			Sigei		100		1900		
5	Jane			3,850			Nasiku		63		2037		
5	Mueni		300		2,050	14	Bank	C		2,000			
14	Cash	C			2,000	18	Cash	C			14188		
17	Sales			8500		29	Salary			8,000			
22	Mueni		500		4,500	30	Mueni				2050		
28	Bank	C		14188		30	Balance	c/d		20988			
30	Balance	c/d			1050								
			800	32738	21600				238	32738	21600		

KAMDARA JET EXAMINATION
BUSINESS STUDIES
565/1
PAPER 1

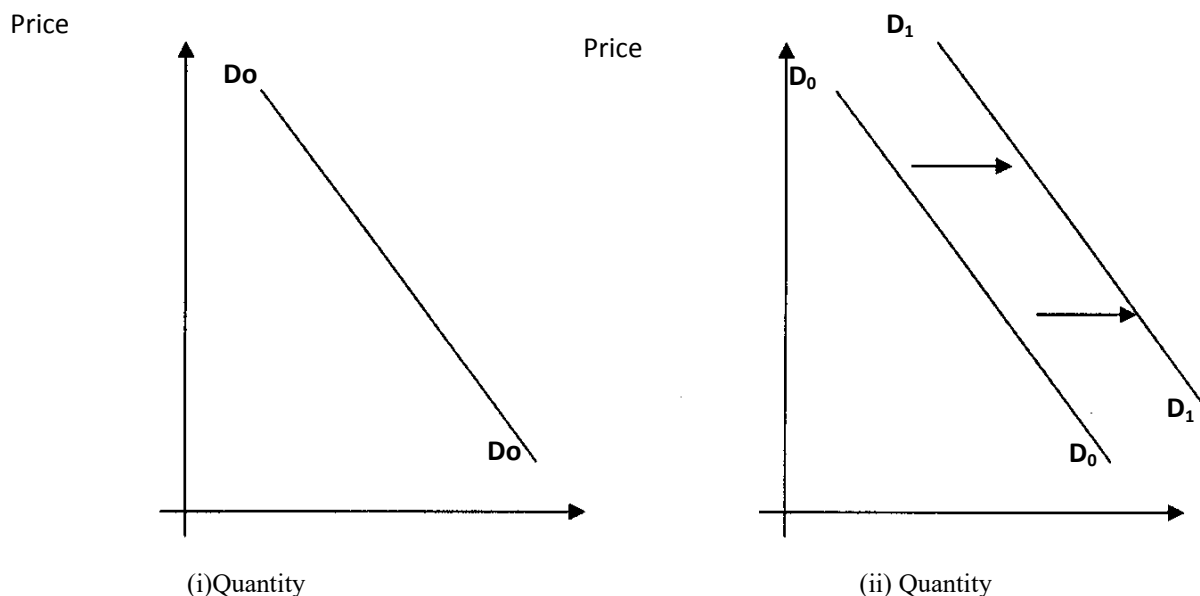
1. State **FOUR** reasons why consumers satisfy basic wants before secondary wants (4 marks)
2. State **FOUR** factors determining the supply of labour in an economy (4 marks)
3. Jitegemeo, a very young entrepreneur would like to start a business in Makadara center. Outline **four** factors that would show the existence of a business opportunity within the center (4 marks)
4. Highlight **four** monetary policy measures used to regulate circulation of money in an economy (4 marks)
5. Highlight **four** ways in which ethical practices in business ensures that consumers are not exploited (4 marks)
6. Outline **four** consequences of a poor filing system in an organization (4 marks)
7. Highlight **four** features that distinguish co-operative societies from other forms of business units (4 marks)
8. Highlight **four** measures to alleviate the balance of payment problems (4 marks)
9. The following information was extracted from Mawembili traders for the year ended 31st December, 2015

	KSH
Machinery	460,000
Cash in hand	80,000
Debtors	130,000
Creditors	60,000
Prepaid salaries	20,000
4 year loan	280,000
Accrued rent	30,000

Required:

Prepare a balance sheet of Mawembili traders as at 31st December, 2015

10. Study the diagrams below and answer the question that follows:-



(i) Quantity

(ii) Quantity

State the factors that may cause the above change from diagram (i) to (ii)

(4 marks)

11. Give **four** reasons why railway transport is not competitive in Kenya. (4 marks)
12. The following balances were extracted from the books of Asena Enterprises on 30th June, 2006.

	Shs.
Gross profit	120,000
Rent Income	100,000
Dividends received	200,000
Salaries	300,000
Carriage outwards	10,300
Discount allowed	21,000

Prepare Asena's Enterprises profit and loss account for the year ended 30th June, 2006.

(4 marks)

13. Indicate the source document and the book of original entry in which each of the following transactions should be recorded

No	Transactions	Source document	Book of original entry
a)	Purchase of goods on credit		
b)	Payment of cash to a creditor		
c)	Sale of goods on credit		
d)	Sale of fixed asset for cash		

14. Atemo is the head of the marketing team at ABC Company that has recorded tremendous increase in volume of sales over the last four years. Highlight **four** attributes that she possess. (4 marks)
15. Outline **four** features of a monopolistic market (4 marks)
16. state **four** positive implications of a large population in a country (4marks)
17. Outline **four** circumstances under which an Insurance company may re- Insure. (4 marks)
18. State **four** importance of development planning. (4 marks)
19. Record the following transactions in a two column cash book and balance it off as at January 12th2008 (4mks)
- January 1 Started business with capital sh. 10,000 cash and sh. 25,000 bank overdraft
- 2 bought stock in cash sh. 6,000
- 3 cash sales sh. 2,500
- 7 bought stock worth sh. 5,000 on credit
- 12 withdrew cash from bank for office use sh. 4,000

20. The following are types of internal and external environments Technological, Business structure, Demographic and physical. In the table below, write the type of environment that suits the description. (4 marks)

Description	Environment
i) A duty roster of workers in an organization	
ii) An increase in demand of an organizations product as a result of an increase in population.	
iii) An organization engaging the services of G4 Security.	
iv) Use of e-commerce in the marketing of the organization's product.	

21. Mention four circumstances under which verbal communication would be used in an organization. (4 marks)
22. In each of the following cases, state the type of inflation described. (4 marks)
- a) The unrest in Libya has resulted to an increase in the price of oil. _____
- b) The price of bread has gone up to Shs.60 due to Increase in the price of Wheat. _____
- c) A lot of Money in circulation has led to the general increase of price. _____
- d) A rise in price due to uneven growth in Some sectors of the economy. _____
23. State FOUR economic effects of taxation to a country's economy. (4 marks)
24. State **four** merits of storing goods in a public warehouse (4mks)
25. Highlight FOUR circumstances under which a seller would require a buyer to pay cash with order. (C.W.O) (4marks)

KAMDARA JET EXAMINATION
BUSINESS STUDIES
565/2
PAPER 2

1. (a) Explain **five** factors that may contribute to low level of National Income. (10 mks)
- (b) Explain **five** reasons for trade restriction (10 mks)
2. (a) Explain **five** advantages that may be associated with operating a tied shop. (10 mks)
- (b) Explain **five** challenges of a young population. (10 mks)
3. (a) Explain **five** circumstances under which a pro-forma invoice may be used (10 mks)

(b) Kisii Traders had the following balances as at 31st December 2014.

	<u>Shs</u>
Bank Loan 3 years	472,500
Buildings	540,000
Creditors	227,000
Debtors	116,900
Furniture	408,170
Gross profit	520,600
Motor vehicle	900,000
Discount allowed	142,000
Lighting	25,200
Interest on loan	1,200
Closing stock	72,500
Rent Received	120,000
Repairs on buildings	60,000
Repairs on furniture	72,030
Repairs on motor vehicle	300,000
General expenses	102,100
Capital	1,400,000

Prepare:

- (i) Profit and loss account for the year ended 31st December 2014.
- (ii) Balance sheet as at 31st/12/2014. (10 Marks)
4. (a) Explain **five** reasons that may make an insurance company refuse to compensate the insured in the event that a risk occurs. (10Marks)
- (b) Explain **five** circumstances under which a manufacturer would sell his goods directly to a consumer. (10 Marks)
5. (a) Explain **five** differences between direct tax and indirect tax. (10 Marks)
- (b) Explain **five** ways in which advertising agencies assist in sales promotion. (10Marks)
6. (a) The use of **motor cycle** transport is becoming very popular in both rural and urban areas of Kenya. Explain the limitations a business that relies on its use is likely to encounter. (10Marks)
- (b) The following information relates to Malindi Traders for the year ended 31st December 2015.

	Shs
Total current assets	587,500
Total Fixed assets	720,000
Total current liabilities	32,500
Total long term liabilities	357,500
Net Profit	50,000
Capital	625,000
Sales	1,000,000
Opening stock	50,000
Closing stock	25,000
Margin	20%

Calculate:

- (i) Working capital (2 mks)
- (ii) Current ratio (2 mks)
- (iii) Mark-up percentage (2 mks)
- (iv) Rate of stock turnover (2 mks)
- (v) Return on capital (2 mks)

**KAMDARA JET EXAMINATION
BUSINESS STUDIES**

565/1

Marking schemes

1. Why consumers satisfy basic wants before Secondary wants.
 - Human wants are felt needs
 - their nature cannot allow man to postpone their satisfaction
 - scarce resources
 - Basic wants are needed for survival.
2. **State four factors determining the supply of labour in an economy (4 mks)**
 - The size of population.
 - Number of hours worked per day / week.
 - Size of population in the working age.
 - Willingness of people to work for salaried employment.
 - Gender policies regarding participation in paid employment.
 - Government policies governing migration in and out of a country .
3. Factors showing the existence of a Business opportunity. (4mks)
 - Unavailability of products
 - poor quality goods
 - Insufficient quantities
 - Unaffordable prices
 - poor services
 - Need to use by-products
4. ***Monetary policy measures used to regulate circulation of money.(4mks)***
 - Selective credit control
 - Cash/ liquidity ratio requirement
 - Directives and request / moral persuasion
 - Open market operation
 - Bank rate
 - Compulsory deposit requirement.
5. How to ensure consumers is not exploited.(4mks)
 - ensure production of high quality goods
 - ensure traders sell at fair prices
 - ensure traders sell goods of right quantity
 - ensure traders don't give false information on goods produced.
6. Consequences of poor filing system (4mks)
 - documents may be accessed by unauthorized persons
 - Difficult to retrieve a document when needed
 - Documents may become dirty/damaged
 - untidy office
 - Documents can easily get lost
 - Wastage of time when trying to retrieve the documents
7. Distinguishing characteristics of cooperatives (4mks)
 - open and voluntary membership
 - Limited interest on share capital
 - offers education to members
 - Democratic administration
 - service to members
8. **MEASURES TO ALLEVIATE BALANCE OF PAYMENT PROBLEMS**
 - -increasing the volume of exports through various ways such as export compensation, custom draw back
 - Through restriction of imports from other Nations by use of methods such as custom duties , quotas etc
 - By reducing expenditure in the country's embassies abroad to reduce capital out flow to abroad
 - By reducing the number of government delegates going abroad officially
 - By reducing the number of students studying abroad which involves payment of money to foreign universities
 - Through deflationary technique by lowering the prices of our local goods in order to create demand for the products in the international market
 - Through creation of trading blocs in order to encourage more traders
 - By encouraging foreign investments and inflow of capital through giving investors incentives such as tax holiday etc
 - Through devaluation of local currency to make export cheaper and export more good

9.

MAWE MBILI TRADERS

**BALANCE SHEET✓
AS AT 31st DECEMBER 2015**

	Shs	Shs		Shs	Shs
FIXED ASSETS			Capital		320,000✓
Machinery		460,000✓			
LONG TERM LIABILITIES			4 Year Loan		280,000✓
CURRENT ASSETS			CURRENT LIABILITIES		
Debtors	130,000✓		Creditors	60,000✓	
Cash	80,000✓		Accrued rent	30,000✓	
Prepaid salaries	20,000 ✓	<u>230,000</u>			<u>90,000</u>
		<u>690,000</u>			<u>690,000</u>

Marks(8x1/2)

10. State the factors that may cause the above change from diagram (i) to (ii)

- Level of consumer incomes increase
- Positive change in price of substitute goods
- Decrease in price of complimentary goods
- favorable Government policies
- Positive Change in taste / preferences
- Increase in population
- Future expectation of an increase in price

11. Reason why railway transport is not competitive in Kenya.

- Slow means of transport
- It is not flexible
- Cannot be used to carry goods over short distances
- Cannot be used to transport perishable goods.
- Not accessible in all parts of the country.
- And any other relevant point award 1mk for 4 points 4mks

12. The following balances were extracted from the books of Asena Enterprises on 30th June 2006

Gross profit	120,000
Rent income	100,000
Dividends received	200,000
Salaries	300,000
Carriage outwards	10,300
Discount allowed	21,000

Prepare Asena enterprises profit and loss account for the year ended 30th June , 2006

(4 mks)

ASENA ENTERPRISES			
Dr.	P & L A/C	CR	
for the year ended 30 th June, 2006			
Kshs		Kshs.	
Salaries	300,000✓	Gross profit	120,000✓
Carriage out	10,300✓	Rent income	100,000✓
Discount allowed	21,000 ✓	Dividends received	200,000✓
Net profit c/ d	88,700✓✓		
	<u>420,000</u>		<u>420,000</u>

8x ½ = 4 mks

13. SOURCE DOCUMENT Book of original entry

- a) Invoice received -purchases journal
- b) Receipt received -Cash Book/cash receipts journal
- c) Invoice issued -Sales journal
- d) Receipt Issued -General journal

(4 marks)

14. Atemo is the head of the marketing team at ABC Company that has recorded tremendous increase in volume of sales over the last four years. Highlight four attributes that she possess. (4 marks)

- i) Knowledgeable about the product

- ii) Well trained in marketing strategies/skills
 - iii) Punctual/time consciuos
 - iv) Keeping appointments /meeting deadlines
 - v) She has negotiations abilities/public relations
15. Characteristics of a Monopolistic market
- Many sellers and many buyers
 - Differentiated products
 - The firm is a price maker - determines its own price
 - Free entry into and exit from the Industry
16. Positive implications of a large population
- increased market demand
 - Enough labour supply
 - diversity talents
 - technology advancement
17. Circumstances under which Insurance Company may re-insure.
- High risk of loss
 - high number of loss
 - Need to spread the risk
 - Government policy
 - high value
18. Importances of development planning
- reduces unemployment
 - guides and enables capital formation
 - enhances overall balance in regional development
 - initiates and implements long term projects
 - enable the government. to obtain foreign funding
 - enable optimum utilization of resources.
19. **TWO COLUMN CASH BOOK**

Date	Details	LF	Cash	Bank		Date	Details	LF	Cash	Bank
January						January				
1	Capital		10,000			1	Capital			25,000
3	Sales		2,500			2	Stock		<u>6,000</u>	
12	Bank	C	4,000			12	Cash	C		4,000
13	Bal c/d			29,000		13	Bal c/d		<u>10,500</u>	
			<u>16,500</u>	<u>29,000</u>					<u>16,500</u>	<u>29,000</u>
30	Balb/d		10500			30	Bal b/d			29,000

16 Ticks x1/4

20. Business environments
- a. Business structure
 - b. Demographic
 - c. Physical
 - d. Technological
21. Circumstances under which verbal communication can be used.
- where immediate feedback is required
 - when addressing a large crowd
 - if its the policy of the organization
 - when personal appeal is required
 - if the message being set is urgent
 - If the matter requires discussion
 - when no other form of communication can be used
22. In each of the following cases , state the type of inflation described. (4 marks)
- imported inflation
 - cost push
 - Demand - pull
 - Structural inflation

23. State four economic effects of taxation to a country's economy (4 mks)

- It can lead to reduction in foreign capital
- It can lead to reduction of consumption as disposable income is reduced
- It can discourage saving by individuals and companies
- Some types of taxes may lead to inequality in the distribution of income and wealth
- Heavy taxes may affect peoples morale to work for monthly wages.

24. State four merits of storing goods in a public warehouse (4mks)

- (a) Goods can be sold without physical movement
- (b) Traders do not incur costs of constructing their own warehouses
- (c) Goods can be used as collateral to get short term loans
- (d) Goods are insured
- (e) Enables large scale buyers to accommodate bulk from small scale sellers
- (f) Additional services e.g repairs are provided

25. Highlight four circumstances under which a seller would require a buyer to pay cash with order (C.W.O)

- If the customer is new to a seller
- When the buyer's credit worthiness is in doubt
- When the policy of the seller is not to advance credit
- If the business is being conducted through the post
- When the seller wants money for restocking

KAMDARA JET EXAMINATION
BUSINESS STUDIES
565/2
Marking schemes

1.

(a) Explain factors that contribute to low level of National Income .

- Political instability – When there is no peace in the country the production of goods and services is affected.
- Level of technology – The use of low level of technology or outdated methods of production.
- Land – Where a country is not endowed with national resources.
- Low labour supply.
Labour with less skills.
- Inadequate capital and use of simple tools in production.
- Negative attitude of citizens towards work.
- In a country where the subsistence sector is large.
- The production of goods and services may be low in a country experiencing reduced foreign investment.

5 x 2mks = 10 mks

(b) Explain five reasons for Trade Restriction.

- To protect local infant industries which are not able to compete with established firms from other countries.
- To protect strategic industries that is, industries that are extremely important and a country cannot do without them.
- To create employment opportunities by encouraging establishment of local industries and also ensuring that the existing industries continue to provide employment to those already employed.
- To prevent dumping where a country may try to dispose off its sub-standard products by selling them cheaply to another country.
- To rectify a balance of trade deficit.
- To protect culture and social values by curtailing the importation of harmful cultures from other trading countries.
- To expand market for local products.
- To promote self-reliance to ensure that a country does not suffer incase of a political conflict with a trading partner.

(5 x 2 mks = 10 mks)

2.

(a) Explain advantages that may be associated with operating a Tied shop

- Similar appearance of the tied shops makes them easily identifiable by the customers.
- The product promotion is done by the manufacturer; hence the operator will not incur cost of production.
- The operator is able to compete adequately since he is assured of quality goods from the manufacturer.
- The operator will not experience any shortages of stocks as he is assured of continued supply of stocks from manufacturer.
- The operator can receive credit supply of goods from the manufacturer.

10 mks)

(b) Explain five challenges of young population.

- High dependence ratio on the working population.
- High rate of unemployment because of many young people entering the labour market while the job opportunities are not available.
- Increased social evils/crimes brought about by large numbers of youths who are idle.
- Low labour supply – as many of the youths may not have attained the working age.
- Pressure on goods and services required by the youth.
- Reduced savings and investment – high dependency ratio leads to low savings which in turn leads to low investment.
- Diversion of government expenditure from other needy sectors to cater for the welfare of the youths.

(5 x 2 mks = 10 mks)

3. (a) Five circumstance under which a pro-forma invoice may be used.

- When there is need to ask for payment before the goods are delivered.
- When the seller does not want to give credit.
- It may be used by importers to get customs clearance before the goods are delivered.
- When one wants to give it to an agent who sells goods on behalf of the seller.
- When one wants to show the buyer what he/she would pay if the order is approved.
- Where one wants to use it to serve as a quotation.

(5 x 2Marks =10Marks)

- (b) Kisii Traders
Profit and loss account
for the year ended 31st December, 2014.

Expenses	Shs	Shs	
Discount	142,000	Gross profit b/d	520,600
Lighting	25,200	Rent Received	120,000
Interest on loan	1,200		
Repairs on buildings	60,000		
Repairs on furniture	72,030	Net loss c/d	61,930
Repairs on motor vehicle	300,000		
General expenses	102,100		
<u>702,530</u>			<u>702,530</u>
Net loss b/d	61,930		

Kisii Traders
Balance sheet
as at 31st /12/2014

<u>Fixed Assets</u> sh			
Buildings	540,000	Capital	1,400,000
Furniture	408,170	Less net loss	<u>61,930</u>
Motor vehicle	<u>900,000</u>	Net Capital	1,338,070
	1,848,170	<u>Long Term Liabilities</u>	
		Bank loan 3 years	472,500
<u>Current Assets</u>		<u>Short term liabilities</u>	
Stock	72,500	Creditors	227,000
Debtors	<u>116,900</u>		
	189,400		
	<u>2,037,570</u>		<u>2,037,570</u>

(10 x ½ = 5 mks)

4. (a) **Reasons that may make an insurance company refuse to compensate the insured in the event of risk occurrence**

- if the loss was not as a result of the insured risk/ if there was no close connection between the loss and risk insured
- If the cause of the loss is caused deliberately by the insured
- If the cause of the loss is as a result of a natural catastrophe
- If by the time of the loss the insured had no insurable interest
- If the insurer discovers that the principle of utmost good faith at the time of effecting the policy was not adhered to
- If the risk insured violated the laws of the country
- If the insured had not paid the first premium / stopped paying Premiums (10mks)

(b) **Circumstances under which a manufacturer would sell his goods directly to the consumer**

- If goods are perishable.
- Incase of sensitive items such arms.
- If the sale is by tender.
- Incase he wants to provide after – sale services.
- If he is dealing with items of small quantities.
- If he wants to maximize profit.
- To ensure consumers are not exploited in price.

Explaining (2x5 = 10 mks)

5. (a) **Differences between direct tax and indirect tax.**

	Direct Tax	Indirect Tax
i	The impact and incidence are on the same person	Impact and incidence may be on different persons.
ii	The tax can be evaded by falsifying information about incomes or just ignoring payment.	It is not possible to evade as those who buy the taxed commodity have to pay the tax.
iii	It is deterrent to work	It stimulates effort as people work harder to earn more income to maintain their current standards of living.
iv	Does not affect prices of goods and services	It is inflationary
v	Cannot be avoided	Can be avoided by people who do not consume the taxed product.
vi	Tax revenue is certain and may be calculated fairly accurately in advance	Tax revenue is uncertain as it is not easy to forecast sales.
vii	Equitable	Less equitable
viii	Society is conscious	Contributor is not conscious
ix	Economical in collection	Expensive in collection

(b) Ways in which advertising agencies assist in sales promotion

- They undertake advertising and other promotional work on behalf their Client
- Advise on selling techniques and promotional policies
- Assist in designing trademarks and logos of packaging materials
- Select appropriate media to be used
- Book space and time in various media houses on behalf of clients 5 x 2 mks = 10 mks

6.

(a) Limitations of a business that relies on the use of motor cycle transport.

- Limited carrying capacity of a business producing bulky goods and those with a lot of mass
- This means of transport is prone to bad weather condition especially heavy rains limit its use on muddy roads. There is loss of time as one shelters quiet often during rains to avoid good spoilage
- It is not convenient over long distances as this is likely to make it more expensive in terms of fuel used and tiresome
- The wear and tear on a motor bike is higher especially where it has to lift heavy loads. This increases the cost of maintenance
- Traffic reports and studies on our road use reveal that this form of transport is prone to accidents as compared to other means of transport. This would imply losses to the businessmen (5 x 2 Marks= 10 Marks)

(b) (i) Working capital = current Assets - current Liabilities
 $= 587,500 - 32,500 \text{ mk}$
 $= 555,000 \text{ mk}$

(ii) Current ratio = current Assets : Current liabilities
 $= 587,500 : 32,500 \text{ mk}$
 $= 18.0769 : 1 \text{ mk}$

(iii) Mark up percentage
 Margin to mark-up
 $20\% = \frac{1}{5} = \frac{1}{4} \text{ mk}$
 $25\% \qquad \qquad \qquad 1 \text{ mk}$

(iv) Rate of stock turnover
 $= \frac{\text{C.O.G.S}}{\text{Ave. stock}} \qquad \text{Average stock} = \frac{50,000 + 25,000}{2} = 37,500 \checkmark$

Margin = $20\% = \frac{\text{GP}}{\text{Sales}} \times 100 = \frac{\text{G.P.}}{1,000,000} \times 100 = 200,000$

C.O.G.S. = Sales - G.P. = $1,000,000 - 200,000 = 800,000 \checkmark$

R.O.S.T. = $\frac{800,000 \checkmark}{37,500} = 21.33 \text{ times} \checkmark \checkmark$

(v) Return capital = $\frac{\text{N.P.}}{\text{Capital}} \times 100 = \frac{50,000 \checkmark}{625,000 \checkmark} \times 100 = 8\% \checkmark \checkmark$ (5 x 2 Marks = Marks)

GITHUGURI JOINT EXAMINATIONS 2016**BUSINESS STUDIES****565/1****PAPER 1**

1. State **four** factors that distinguish primary wants from secondary wants. (4 marks)
2. Hellen the new manager, outshine Company limited, is considering turning the office layout from being an open office layout to a landscape layout. Outline **four** changes she can adopt. (4mks)
3. Unique furniture enterprises is a small scale business in making high quality furniture for executive officer. From this statement, indicate **four** reasons that would make the firm use a direct channel of distribution (4mks)
4. Using the following transactions, state the name of the account to be debited and the account to be credited. (4 marks)

Transaction	T	A/c debited	A/c Credited
(i) Made cash sales of sh 2,000			
(ii) Purchased machine by cheque			
(iii) paid a creditor sh3,000 cash			
(iv) withdraw sh10,000 for business Use.			

5. Name **four** types of business resources. (4 marks)
6. Give **four** reasons that make insurance companies decline to insure acts of nature. (4 marks)
7. Distinguish between Oligopoly and perfect competition product markets. (4mks)
8. The following balances were extracted from the books of Sitaki Mambo traders as at 31st December, 2015

	Sh.
Cash at bank	12,500
Cash in hand	7,500
Wages due	3,500
Creditors	11,500
Loan from bank	60,000
Motor vehicles	100,000
Equipment + Machinery	50,000
Stock	25,000
Debtors	30,00

Prepare a balance sheet for Sitaki Mambo traders as at 31st December 2015 (4mks)

9. Indicate the form of external environmental factor described by the statement below. (4 marks)

Description	External environmental factor
(i) Introduction of Mutotho law to curb excessive beer taking.	
(ii) Religions sect that is against medicine	
(iii) Construction of the superhighway.	
(iv) Price wars between safaricom and Yu mobile companies.	

10. Highlight **four** advantages a seller have by changing from counter service to self service to customers. (4 marks)
11. Funny Traders, had the following assets and liabilities as at 1st January, 2015

	Sh
Furniture + equipments	350,000
Debtors	45,000
Cash	7,000
Creditor	48,000

For the year ended 31st December, 2015 there was:

- (i) Additional capital introduced amounting to sh34,000.
- (ii) Drawings made during the year amounting to sh20,000.
- (iii) Net profit amounting to sh34,000.

Determine the capital of the business as at 31st December, 2015. (4mks)

12. Give **four** benefits that Kenya derive by being a member of East African Community.(EAC) (4 marks)
13. Outline **four** disadvantages of mining as an economic activity. (4 marks)
14. Outline **four** currents trends in the transport sector in Kenya. (4 marks)
15. The table below shows source document state the book of original entry in which the information from these source documents would be recorded (4 marks)

Source documents	Books of original entry
(i) Invoice received	
(ii) retained receipt	
(iii) Invoice retained	
(iv) Credit note received.	

- 16 Give **four** reasons why a country like Kenya needs to have a good development plan. (4mks)
- 17 Indicate **four** methods that a large scale firm may adapt to reduce the cost of its operation. (4 marks)
- 18 State **four** benefits of indirect production to a country. (4 marks)
- 19 Highlight **four** benefits that may accrue to a trader who decides to operate a current account. (4 marks)
- 20 Give **four** reasons why a high rate of inflation is undesirable to a country. (4 marks)
- 21 Name any **four** statistics associated with measurements of national income. (4 marks)
- 22 Apart from government borrowing, outline **four** other sources of government revenue. (4 marks)
- 23 Highlight **four** measures consumers may take to satisfy their unlimited wants using limited resources. (4 marks)
- 24 State **four** distinctive features of a parastatal (4 marks)
- 25 State **four** measures that Kenya government may take to attract firms to an area. (4 marks)

GITHUGURI JOINT EXAMINATIONS 2016**BUSINESS STUDIES****565/1****PAPER 1**

1. (a) Explain five characteristics of economic resources. (10mks)
- (b) Discuss five factors that influence the growth of a business unit. (10mks)
2. (a) Explain five causes of unemployment in Kenya. (10mks)
- (b) Draw five differences between a public limited company and a partnership. (10mks)
3. (a) Explain five reasons why a firm would prefer trade credit to a bank loan. (10mks)
- (b) On 1st January 2015, Ngunjiri had shs.15,000 in hand and bank overdraft of sh.25,000.

During the month the following transactions took place:

January	2:	Cash sales directly banked sh40,360	
—	4;	Bought stock of goods in cash sh.2,400	
—	6:	Received a cheque of sh.97,800 from Karanja after allowing him a cash discount of Sh. 2,200.	
—	9:	Paid Mung'athia, a creditor sh.65,800 by cheque after deducting 6% cash discount.	
—	14;	Paid salaries sh.8,000 in cash.	
—	17:	Mwatela, a debtor settle his account of sh.75,000 by cheque less 10% cash discount.	
—	24;	Withdraw sh.30,000 from bank for office use.	
—	28:	Bought stationery in cash sh.10,000.	
—	31;	Withdraw sh.7,000 from bank for private use.	

Required

Prepare the three column cash book duly balanced. (10 marks)

4. (a) Discuss five circumstances under which a trader may choose to transport goods by a motor cycle. (10mks)
- (b) Explain five services that retailers render to consumers. (10 marks)
5. (a) Explain five factors to consider in determining an appropriate channel for distribution of goods. (10 marks)
- (b) Explain five roles of entrepreneurship to the economy of Kenya. (10 marks)
6. (a) Explain four services that the Central Bank of Kenya offers to Commercial Banks. (8mks)
- (b) The following trial balance was extracted from the books of Jua Kali Trader as at 30th June 2016

JUA KALI TRADERS
TRIAL BALANCE
AS AT 30TH JUNE, 2016

Particulars	Dr. sh.	Cr. sh
Capital		818,000
Premises	540,000	
Machinery	200,000	
Furniture and fittings	100,000	
Stock on 1 st July 2015	60,000	
Purchases and sales	400,000	580,000
Returns	20,000	50,000
Debtors and creditors	65,000	40,000
Discounts	25,000	32,000
Commissions	16,000	14,000
Carriage outwards	8,000	
Wages and salaries	30,000	
Cash in hand	<u>70,000</u>	
	<u>1,534,000</u>	<u>1,534,000</u>

Stock as at 30th June 2016 was sh.70,000

- (i) Prepare Jua Kali Traders trading, profit and loss account for the period ended 30th June 2016. (7mks)
- (ii) A balance sheet as at that date. (5 marks)

GITHUGURI JOINT EXAMINATIONS 2016**BUSINESS STUDIES****565/1****Marking scheme****1. What distinguishes primary wants from secondary wants.**

- Are essential for life/can't do without.
- Are felt needs.
- Can't be postponed
- Are used every day
- Are universal
- Must be satisfied before secondary wants.

Any 4 @ 1 mks = 4mks

2. changes to adopt in a landscape layout.

- Have a carpets on the floor.
- Put music in the background
- Paint pictures on the wall
- Install animal carvings
- Put potted plants in the office
- Have large animals in the office. E.g. parrot

Any 4 @ 1mk = 4mks

3. Why use a direct channel

- It operates on a small scale.
- High quality goods requiring security
- Products requiring less handling due to their nature/can break easily.
- Products are tailor made/for specific buyer

4.

Transaction	A/c Debited	A/c Credited
(i) Made cash sales	Cash in hand	sales
ii) Purchased a machine by cheque	Machine	Cash at bank
(iii) Paid a creditor sh3,000 by cash	creditor	Cash in hand
(iv) Withdraw sh 10,000 for business use.	Cash in hand	Cash at bank

5. Four types of business resources

- Financial
- Human resources
- Physical
- Technology

Any 4 @ 1mk = 4mks

6. Why acts of nature are not insures

- Loss may affect many people
- Value of loss may not be easily determined.
- Loss is unpredictable
- May not be easy to determine premiums.

7. Distinguish between

<u>Oligopoly</u>	<u>Perfect competition</u>
<ul style="list-style-type: none"> - Few sellers & buyers - Single seller influence market - Entry is restricted - Firm set the price - Differentiated products 	<ul style="list-style-type: none"> - Many buyer and sellers. - Single seller cannot influence market. - Entry + exit of new firms not restricted. - Forces of demand - Homogenous products

8. SITAKI MAMBO TRADERS
BALANCE SHEET
AS AT 31/12/2015

Assets			Capital + Liabilities	
	Sh	sH	sh	sh
Fixed Assets				
Equipments			Capital	150,000
			<u>Long term liabilities</u>	
Machinery	50,000		Loan	60,000
Motor Vehicles	100,000	150,000		
<u>Current Assets</u>			<u>Short term liabilities</u>	
Stock	25,000		Wages due	3500
Debtors	30,000		Creditors	11500
Cash at bank	12,500			
Cash in hand	7,500	<u>75,000</u>		
		<u>225,000</u>		<u>225,000</u>

9. **External environment factors**

- legal political
- social – cultural
- physical –
- competitive

10 **Advantages of self services**

- Customers have freedom to make choice
- Fewer sales people
- Can lead to impulse buying
- Leads to reduction of administrative costs.

11 $350,000 + 45,000 + 8,000 - 48,000 = 402,000$

$402,000 - 48,000 = 354,000$

Capital as at 31st December, 2015 =

$= 354,000 + 34,000 + 34,000 - 20,000$

$= 402,000$

12 **Benefits of EAC**

- Employment
- Enhanced peace
- High quality due to competition
- Sharing of research findings
- Wider market
- Free movement of resources

13 **Mining disadvantages**

- Its expensive
- Machines are pollutant
- Environmental degradation
- People displacement
- Causes death when mines collapse.

14 **Current trends in transport sector**

- Super highway
- Bi – passes
- Dual carriage
- Containerization
- Electric trains
- Use of boda bodas

15 **Book of original entry**

- a) Purchase journal
- b) Cash receipt journal/Analysis cash boo
- c) Sales journal
- d) Purchase return journal

16 **Reasons for Development plan**

- To be able to allocate resources.
- To be used as basis for evaluating projects.
- Provide basis for decision making

- To identify resource gaps.

17 ways of reducing costs of operation

- Buy goods in bulk to get discounts.
- Buy goods in bulk to reduce on transport.
- Sell goods in bulk to reduce unit cost.
- Make use of technology to reduce labour cost

18 Advantages of indirect production

- Quality goods produced.
- Large output
- Encourages specialization
- Employ use of modern technology.

19 Benefits of Current A/c

- Able to get overdraft
- No minimum account balance.
- Deposition of money any time
- Use of cheques
- Gets monthly bank statements.
- Withdrawn of large amount without notice.

20 Disadvantages of Inflation

- Unequal redistribution of wealth
- Loss to creditors
- Retards economic growth
- Discourages savings

21 Natural Income statistics

- Gross Domestic Product (G.D.P)
- Net Domestic Product (NDP)
- Gross National Product (GNP)
- Net National product (NNP)
- Per capital Income (PCI)

23 Solutions to satisfy unlimited resources

- Make a choice
- Prepare a scale of preference
- Conserve resource
- Turn out new product.

22 Government sources of revenue

- Taxes
- Fines & Penalties
- Profits for Parastatals
- Grants
- Escheats

24 Distinct features of parastatals

- Fully govt owned
- Formed by an act of parliament
- Not necessarily profit oriented
- Initial capital provided by govt.
- Directors appointed by govt.

25 how government can attract firms in an area

- Offering cheap land
- Tax reduction
- Offering direct financial assistance
- Improvement of infrastructure.

GITHUGURI JOINT EXAMINATIONS 2016**BUSINESS STUDIES****565/2****Marking scheme****1.****(a) Characteristics of economic resources**

- Have utility – they have ability to be used.
- Have money value – They have a value at which they can be exchanged for ownership.
- Have alternative use – They can be put into different uses.
- Scarce in supply – They are not available in sufficient quantities.
- Can be combined – They can be combined so as to produce different goods and services.
- Can change ownership from one person to another through sale.
- Can be complementary – Different resources can be used together.
- They are distributed – they are available in varying quantities at different places;

Any well explained point @ 2 mks = 10mks

(b) Factors that influence the growth of a business unit. (10 marks)

- Capital – If capital is available the business will grow and expand as it is required to buy raw materials and pay for other expenses. If not the business will not grow.
- Security – Security in an area will ensure business continuity hence growth but where it is missing it will not grow.
- Political stability – When there is stability in an area, business will move smoothly but when it lacks, they will be closed most of the time and may even be destroyed through strikes and commotions.
- Raw Materials – A business requires raw materials to continue producing but if they are missing it has to close.
- Market – Business require customers if they have to grow because they provide finances. If there is no market the business will stop.

Any well explained point @ 2mks = 10mks.

2.**(a) Causes of Unemployment in Kenya.**

- Rapid population growth – As the labour force entering the labour market will be rising at higher rate than the economy can absorb.
- Use of inappropriate technology – where a country with high labour supply resorts to use of capital intensive methods of production.
- Rural to urban migration – High influx in urban areas expand the work force that cannot be absorbed by the labour market in towns.
- In appropriate education system . – When the education system does not equip; the youth/learners with skills required in the labour market.
- Lack of product market, - lack of demand or reduction in demand for products discourages production which leads to unemployment.
- Job selection. – Where job seekers prefer white collar jobs making them not to take up the available blue collar jobs.
- Seasonality in production . – Seasonal nature of some jobs create unemployment during the off-peak seasons.
- In adequate co-operant factors inputs. – Insufficiency of factors of production that need to be combined with labour limit expansion of job opportunities. This cause unemployment.
- Poor planning and mismanagement – Mismanagement of public resources lead to collapse of many institutions resulting in reduction of employment opportunities.

(b) Difference between a public limited company and partnership

<u>Public Limited Co.</u>	<u>Partnership</u>
(i) It has a minimum of 7 members and no Maximum.	(i) Minimum membership is 2 and maximum 20/50 for professionals.
(ii) Members have limited liabilities to the debts of the firm.	(ii) Some partners have unlimited liabilities to the debts of the firm.
(iii) Death, insanity or bankruptcy of a member does affect the firm.	(iii) Death, insanity or bankruptcy of a Member cases the partnership to dissolve .
(iv) It is managed by a board of directors.	(iv) It is managed by active partners.
(v) Capital is contributed through sale of shares mainly.	(v) Members contribute the same amount of money to raise capital

3.**(a) Reasons why a firm would prefer trade credit to a bank loan**

- There is no interest charged when goods are taken on credit but loan have to be paid with interest.
- No collateral is required when taking goods on credit but a loan requires collateral.
- Acquiring a bank loan involves long procedures while trade credit does not involve long procedures.

- Money borrowed from a bank can be channeled to other uses but not so with goods taken on credit.
 - To get a loan a firm must have a healthy bank account which is not possible hence firms will go for trade credit.
 - The collateral pledged for a loan may not be used by the firm during the loan period but that does not occur when taking goods on credit.
- Any well explained point @ 2 mks = 10 mks

THREE COLUMN CASH BOOK

Dr

Cr

Date	Details	L. f	Disc. All Sh.	Cash Sh.	Bank Sh.	Date	Details	L.F	Disc. Rec. Sh.	Cash Sh.	Bank Sh.
1/1/2015	Balance	B/f		15,000		1/1/2015	Balance	B/f			25,000
2/1/2015	Sales				40,360	4/1/2015	Purchases			2,400	
6/1/2015	Karanja		2,200		97,800	9/1/2015	Mung'athia		4,200		65,800
17/1/2015	Mwatela		7,500		67,800						
24/1/2015	Bank	C		30,000		14/1/2015	Salaries			8,000	
						24/1/2015	Cash	C			30,000
						28/1/2015	Stationeries			10,000	
						31/1/2015	Drawings				7,000
						31/1/2015	Balance	C/d		24,600	77,860
			<u>9,700</u>	<u>45,000</u>	<u>205,660</u>				<u>4,200</u>	<u>45,000</u>	<u>205,660</u>
31/1/2015	Balance	b/d		<u>24,600</u>	<u>77,860</u>						

4.

(a) Circumstances under which a trader may choose to transport goods by motor-cycle (boda boda)

- If the goods to be transported in small in quantity since a motor cycle may not transport large quantities.
- If there no goods roads since a motor cycle does not require good roads to move.
- If the weather is conducive such as where it is not rainy as goods can be spoilt by rain as motor cycle are open.
- If the distance is short – motor cycles are suitable and fast over short distance.
- If the area is secure – since motorcycles are open, it may be risky to transport valuable goods using them unless the place is secure.

(b) Services that retailers render to consumers

- Breaking the bulk – Retailers divide the goods into smaller quantities that consumers can afford and in which they require.
- Regular supply of goods. - By storing goods needed by consumers thus ensuring continuous supply hence maintaining the price of goods.
- Provision of credit facilities. – Since retailers are in close contact with their customers, they may give credit facilities to credit worth customers.
- Advice – They advice consumers on choice and use of products.
- Offer a variety of goods. – Retailers stock a wide variety of goods from different suppliers hence enabling consumer to have a wide choice of goods.
- After scale services. – Retailers stock a wide variety of goods from different suppliers hence enabling consumers to have a wide choice of goods.
- After sale services. - Retailers offer services like free transport, installation, repair, maintenance services etc to the consumers.
- Availing products at the right place and time. – Retailers move goods from producers and stock them. Since they are close to consumers they provide goods to them at easy and at the right time.

5. Factors that may be considered in determining the appropriate channel for distribution of goods.

- Nature of the market. – In a market where consumers are concentrated in one area, a short channel is used. On the other hand where customers are spread over a wide area, long channel is used.
- Nature of the product. – Heavy and bulk products as well as perishable product require a short channel
- Government policy – A firm can only use a channel that is allowed by law.

- Marketing risk: - When producers want to avoid risk involved in distribution, then a long channel is used where goods are sold through intermediaries .
- Role of the intermediaries. – A firm should select a channel that would provide services required by the goods.
- Competitors. – If a firm wishes to have direct competition, it will use a channel being used by its competitors. On the other hand if it wished to avoid direct competition it will select a different channel.
- Resources: - A firm with small financial resources requires a short channel.
- Size of the firm. – A small firm requires a short channel.
- Value and technical nature of the product. – A high value product requires a short channel. Likewise products that require specialized services require a short channel.

(b) Roles of entrepreneurship to the economy of Kenya. (10mks)

- Creation of employment opportunities – As the owners of the business are self employed and they also employ other people.
- Raises standards of living . - As salaries paid to those employed enable them to buy goods and services they require. Also entrepreneurship help to avail a variety of quality products to people.
- Saves on import. – as entrepreneurship produce goods and services that are substitutes to imports.
- Leads to formation of capital. – As profits earned by entrepreneurship can be saved and later used to expand the business or start a new business.
- It leads to promotion of technology. – As entrepreneurship are very creative and come up with new methods of production.
- Leads to development of an entrepreneurial culture. – A successful entrepreneurs act as role models to potential entrepreneurs.
- Makes use of local resources. – Entrepreneurship make it possible for exploitation of local resources that would otherwise have remained idle.
- Reduces foreign dominance of the economy. – As participation of local entrepreneurs in business activities help to reduce investments by foreigners.
- Reduces rural to urban migration. – As entrepreneurs setup; business in rural areas and employs local people.
- Improving infrastructure – As where many businesses have been set up, the government is likely to improve infrastructure like roads, electricity etc.

6.

(a) Services that the Central bank of Kenya offer to Commercial banks.

- Lenders of last resort; - Central bank is the last institution where commercial banks obtain loans if they are unable to get finances elsewhere.
- A bank to commercial banks. – As commercial banks operate accounts with the central bank.
- Clearing of cheques; - Central bank facilitates the clearing of cheques between different commercial banks through its clearing house.
- Controlling commercial banks. – By giving them instructions on the lending procedures and proper banking practices.
- Controlling of monetary system. By controlling the lending capacity of commercial banks thus regulating the amount of money in circulation.
- Link to external finances . – It links the commercial banks to international financial institution and other central banks.

(b) (i)

**JUA KALI TRADERS
TRADING, PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 30TH JUNE 2016**

<u>DR</u>	Sh.	Sh.	<u>CR</u>
Opening Stock	60,000	Sales	580,000
Add: Purchases	400,000	Less: Returns inwards	<u>20,000</u>
Less: Returns outwards	<u>50,000</u>	Net sales	<u>560,000</u>
Goods available for sale	410,000		
Less: closing stock	<u>70,000</u>		
Cost of goods sold	340,000		
Gross profit C/d	<u>220,000</u>		
	<u>560,000</u>		
<u>Expenses</u>		Gross profit b/d	<u>220,000</u>
Carriage outwards	8,000	<u>Revenues /Incomes</u>	
Wages and salaries	30,000	Discount received	32,000
Discount allowed	25,000	Commission received	14,000
Commission allowed	16,000		
Net profit C/d	<u>187,000</u>		
	<u>266,000</u>	Net profit b/d	<u>187,000</u>

(ii)

JUA KALI TRADERS
BALANCE SHEET
AS AT 30TH JUNE 2016

<u>ASSETS</u>	Sh.	<u>Capital + Liabilities</u>	Sh.
<u>Fixed Assets</u>		Capital	818,000
Premises	540,000	Add: Net profit	187,000
Machinery	200,000	Net Capital	1,005,000
Furniture & fittings	100,000		
<u>Current Assets</u>		<u>Long Term liabilities</u>	
Stock	70,000	<u>Short term liabilities</u>	
Cash in hand	70,000		
Debtors	<u>65,000</u>	Creditors	<u>40,000</u>
	<u>1,045,000</u>		<u>1,045,000</u>

KUWED JOINT ASSESSMENT EXAMINATION - 2016**BUSINESS STUDIES****565/1****PAPER 1**

1. Give **four** functions of an entrepreneur in production. (4 Marks)
2. Highlight **four** reasons behind the continued use of letters in communication despite the presence of other newer means of communication. (4 Marks)
3. Outline **four** characteristics of a chain store. (4 Marks)
4. Indicate the type of journal in which each of the following transactions would be recorded. (4 Marks)

	Transaction	Journal
i)	Purchase of goods on credit.	
ii)	Disposal of an old machinery on credit.	
iii)	Goods previously bought on credit returned to the firm.	
iv)	Correction of an error in an account.	

5. Highlight **four** ways in which monopoly power may arise (4 Marks)
6. Outline **four** benefits of a retailer to a producer (4 Marks)
7. The following information relates to Kamongo Traders for the year ending 31st Dec. 2010.
Shs.

Additional investment	900,000
Drawings	300,000
Closing capital	7,000,000
Profit	3,200,000

Required: Kamongo's initial capital (4 Marks)

8. State **three** advantages of using a celebrity in advertising. (3 Marks)
9. Mention **five** characteristics of money. (5 Marks)
10. The following information relates to Makini Traders for the year ending 31st December 2015.

	Shs.
Margin	15%
Sales	640,000
Purchases	480,000
Stock on 1/1/2015	130,000
Closing stock	?

Required

Trading Account of Makini Traders for the year ending 31st December 2015. (5 Marks)

11. List **four** reasons why the government imposes taxes on Kenyan citizens. (4 Marks)
12. The following table shows the price of 2kg of maize flour 1 loaf of bread, and 1 packet of milk in 2013 and 2014 with their weights.

Items	Prices		Weights
	2013	2014	
Flour	80	85	2
Bread	50	60	1
Milk	40	60	3

Required:

Calculate Consumer Price Index (C.P.I) for the year 2014 for the basket of goods composed of the three items using the Weighted Average Method and determine level of inflation. (4 Marks)

13. Outline **four** ways in which the government involves itself in business activities (4 Marks)
14. Give **four** characteristics of goods. (4 Marks)
15. State **four** factors that may cause the supply curve to shift to the left. (4 Marks)
16. Outline **four** factors that may influence the level of National income of a country (4 Marks)
17. Give **four** factors that may make a manager to hire rather than buy a new office equipment. (4 Marks)
18. Highlight **three** features of indirect production (3 Marks)
19. Outline **four** requirements meant to enable a warehouse operate efficiently. (4 Marks)
20. Highlight the procedure followed in taking an insurance policy (5 Marks)
21. Below is a cashbook of Achieng for the month of July 2014.

Achieng

Three Column Cashbook
For the month of July 2014

Dr.

Cr.

Date	Details	LF	D/A	Cash	Bank	Date	Details	LF	DR	Cash	Bank
2014						2014					
July 1	Bal. b/f			8,000		July 1	Bal b/f				4,000
July 7	Sales				10,000	July 8	Electricity			700	
July 10	Bank	<u>C'</u>		3,000		July 10	Cash	<u>C'</u>			3,000
July 14	Mbuni		300	700							

Outline the transactions that took place on

1st (Cr. Side) 7th, 8th 10th

(4 Marks)

22. Outline **four** internal factors that may negatively affect the operations of a business.

(4 Marks)

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

(4 Marks)

	Transaction	Effect
i)	Bought machinery on credit.	
ii)	Withdrew cash from business for personal use.	
iii)	Paid outstanding loan by cheque.	
iv)	Purchased stock by cash.	

24. Give **four** forms of economic integration.

(4 Marks)

25. Highlight **three** factors that are taken into account when measuring the size of a firm

(4 Marks)

KUWED JOINT ASSESSMENT EXAMINATION - 2016
BUSINESS STUDIES
565/2
PAPER 2

1. The following information was extracted from the records of Subira Wholesalers for the month of March 2015.

General Journal

Date	Particulars	F	DR	CR
2015	Bad debts written of A/C.....Dr		60,000	
March	Njuguna A/C.....Cr.			60,000
	Bad debt owed by Njuguna written off			

Sales Journal

Date	Particulars	Amount
March 1	Njuguna	100,000
6	Maria	90,000
	Total sales on Credit for the month	190,000

Purchase Journal

Date	Particulars	Amount
March 4	Aoko	40,000
6	Ndumberi	60,000
	Total purchase on Credit for the month	100,000

Sales Returns Journal

Date	Particulars	Amount
March 21	Njuguna	6,000
	Total sales Return for the month	6,000

Post the information to the relevant ledger accounts

(10 Marks)

- b) Explain **five** reasons behind the limited use of rail transport in Kenya (10 Marks)
- 2 a) Explain **five** differences between a co-operative society and a public corporation (10 Marks)
- b) Explain **five** benefits that Kenya will obtain by participating in external trade (10 Marks)
- 3 a) Explain **five** advantages of external economies of scale that a firm may enjoy (10 Marks)
- b) The following information was extracted from the records of Mwema Enterprises for the period ending 31st December 2015

		Shs.
Capital		250,000
Purchases	90,000	
Carriage inwards		2,400
Carriage outwards	4,000	
Stock on 1/1/2015	50,000	
Stock on 31/2/2015	50,000	
Sales		240,000
Insurance	11,800	
Salaries		24,900
Discount allowed		6,800
Discount received	3,900	
Debtors		50,000
Creditors	31,000	
Bank		29,000
Cash		93,300
Machinery		256,000
Commission carried		43,300

Required

- i) Trading profit and Loss A/C (8 Marks)
- ii) Balance sheet (4 Marks)
- 4 a) Explain **five** challenges Kenya faces in implementing its economic plan (10 Marks)
- b) Explain the following terms as they are used in population:
- (i) Fertility rate
- (ii) Over population
- (iii) Emigration
- (iv) Declining population
- (v) Population structure (10 Marks)
- 5 a) Milele Enterprises would like to partition its office. Explain **five** benefits the firm may get if it uses the enclosed office plan. (10 Marks)
- b) Explain **five** features of land as a factor of production. (10 Marks)
- 6 a) Highlight **five** circumstances under which a proforma invoice can be used. (10 Marks)
- b) Explain **five** measures the Kenyan government may take to solve unemployment in the country (10 Marks)

KUWED JOINT ASSESSMENT EXAMINATION - 2016**BUSINESS STUDIES****565/1****Marking scheme****1. Functions of an entrepreneur**

- Risk tanker
 - Organizes other factors of production
 - Pays for labour
 - Starts the business
 - Enjoys profit/losses
 - Controls the business
2. Reasons for continued use of letters
- Letters can be referred to in future.
 - They are expensive to send.
 - Can be detailed since they can carry explanations.
 - Diagrams and pictures may be incorporated to augment the written information.
3. Characteristics of chain stores.
- Branches have similar outlook.
 - Branches sell similar goods.
 - Prices are standardized in all branches.
 - Goods can be transferable from one branch to another where the demand is better.
4. Types of journals
- a) Purchases journal
 - b) General journal
 - c) Purchases returns journal
 - d) General journal
5. Ways in which monopoly power may arise.
- If a firm has a secretive production technique.
 - If a firm has a strategic control over strategic inputs/raw materials
 - If the venture requires large substantial capital
 - If the firm is set up as a state monopoly /given exclusive legal rights of production
 - If the firms merge/amalgamate/combine or get absorbed by others into one firm.
 - If the firm has patent rights/copy rights
 - If the market is best served by one firm more economically

(4 x 1 = 4Mks)

6. Benefits of a retail to producer

- Provides market research
- Can conduct product promotion
- May provide finance through advance payment.
- Saves producer on market rises associated with products.
- Provides storage for his/her goods.

(4 x 1 = 4 Mks)

7. Determining initial capital

$$CC - IC + A.I + NP - D$$

$$I.C = C.C + D - NP - A.I$$

$$= 7,000,000 + 300,000 - 3,200,000 - 900,000 \checkmark$$

$$= 3,200,000 \checkmark$$

8. Advantages of using celebrity in advertising

- Required little or no introduction to consumers.
- Consumers will attach/associate product with success.
- Easy to remember the advert the moment they see celebrity

(3 x 1 = Mrks)

9. Characteristics of money

- Durability
- Cognizability
- Malleability
- Divisibility
- Scarcity
- Partability

(5 x 1 = 5 Mrks)

Working

$$10. \text{Margin} = \frac{G.P}{\text{Sales}} \times 100$$

$$\frac{15}{100} = \frac{G.P}{640,000}$$

$$\begin{aligned}
 \text{G.P} &= 0.15 \times 640,000 \\
 &= \text{Sh. } 96,000 \checkmark \\
 \text{Cost of sales} &= \text{Sales} - \text{G.P} \\
 &= 640,000 - 96,000 \\
 &= \text{Sh. } 544,000 \checkmark \\
 \text{Closing stock} &= \text{Opening stock} + \text{Purchases} - \text{Cost of sales} \\
 &= 130,000 + 480,000 - 544,000 \checkmark \\
 &= \text{Sh. } 66,000 \checkmark
 \end{aligned}$$

UWEZO TRADERS
Trading Account
For the year ended 31/12/2015

	Shs.		Shs.
Opening stock	130,000 \checkmark	Sales	640,000 \checkmark
Add: Purchases	<u>480,000</u> \checkmark		
Cost of goods available	610,000		
Less: Closing stock	<u>66,000</u> \checkmark		
Cost of sales	544,000 \checkmark		
Gross profit	<u>96,000</u> \checkmark		
	<u>640,000</u>		<u>640,000</u>

11. Reasons for taxation

- To raise government revenue
- Redistribution of income.
- Promote economic development
- Protect socio- cultural values
- Control economy (inflation)
- Rectify /influence prices
- Restrict import trade/correct balance of payment disequilibrium
- Protect infant/local industries.

12. Consumer price index

$$(85 \times 2) + (60 \times 1) + (60 \times 3) \times 100 \checkmark$$

$$(80 \times 2) + (50 \times 1) + (40 \times 3)$$

$$\frac{410}{330} \times 100 \checkmark$$

$$330 = 124.24 \checkmark$$

$$\text{Level of inflation } 124.24 - 100 = 24.24\% \checkmark$$

13. Methods of government involvement

- Regulation
- Training
- Trade promotion
- Provision of public utilities
- Providing an enabling environment.

14. Characteristics of goods

- Tangible /visible
- Can be stored
- Can be separated from the owner/provider
- Quality can be standardized.
- Payment is for ownership/exchange
- Not always perishable.

15. Causes of a negative shift in supply curve.

- Increased in cost of production
- Poor technology
- Decreased subsidies
- Increased taxation
- Decrease in factors of production
- Exit of firms from the industry
- Rise in industrial unrest
- Decrease in the price of a jointly supplied good.
- Rise in the price of a competitively produced good/service

- Worse climatic condition in case of agribusiness.
 - Constriction of the import quota.
 - Poor infrastructure
 - Future expectations in rise in prices.
16. Factors that influence national income.
- Level of technology
 - Amount of capital
 - Political stability
 - Abundance of natural resources
 - Availability and quality
 - Infrastructural development.
 - Entrepreneurial culture of the citizens.
17. Reasons for hire rather than buying office equipment.
- To transfer cost of maintenance to owner.
 - To transfer the cost of buying a new equipment to owner.
 - Where the skills to operate the equipment is lacking in the organization.
 - If the equipment is needed temporarily to avoid it being idle while not being used.
18. Features of indirect production
- Results in surplus
 - Produce meant for sale
 - Involve use of modern technology
 - Involve specialization
 - Produce high quality
 - Promotes interdependence.
19. Essentials of an efficient warehouse.
- Should have a good location.
 - Should have appropriate building structure.
 - Should have adequate space
 - Should have necessary facilities.
 - Should have trained and devoted personnel
 - Should be accessible by users.
 - Should be a good inventory control system.
 - Should have a good storage facilities.
20. Procedure of taking insurance policy.
1. Filling proposal form.
 2. Survey conducted by insurer/valuation of asset to determine risk.
 3. Payment of premium.
 4. Issuance of the cover note.
 5. Issuance of the policy.
21. 1ST -Bank overdraft
- | | | |
|--|-------|--------|
| 7 th Sales by cheque | Kshs. | 10,000 |
| 8 th Paid electricity by cash | | 700 |
| 10 th Contra entry of ksh | | 3,000 |
22. Internal factors negatively affecting business.
- Poor structure
 - Poor business culture
 - Poor /unclear objectives
 - Inadequate resources
 - Poor customer relations
23. a) Increase
b) Decrease
c) No effect
d) Decrease
24. Forms of economic intergration
- Free trade areas.
 - Customs union
 - Common market
 - Economic union
25. Factors determine the size of a firm.
- Level of capitalization /finance /resources
 - Market share
 - Level of output
 - Amount of labour force
 - Nature of the products
 - Owners preference
 - Annual income/turnover
 - Government policy
 - Cost of production
 - State of technology

KUWED JOINT ASSESSMENT EXAMINATION - 2016
BUSINESS STUDIES
565/2
Marking scheme

1.

Dr. Bad Debts Written of A/C			Cr.		
Date	Particulars	Amount	Date	Particulars	Amount
2015					
March 8	Njuguna A/C	60,000 ✓			

Dr. Njuguna A/C			Cr.		
Date	Particulars	Amount	Date	Particulars	Amount
2015			2015		
March 1	Sales A/C	100,000 ✓	March 8	Bal. Debts A/C	60,000 ✓
			March 21	Sales Ret. A/C	60,000 ✓

Dr. Maria A/C			Cr.		
Date	Particulars	Amount	Date	Particulars	Amount
March 2015	A/C	90,000	2015		

Dr. Aoko A/C			Cr.		
Date	Particulars	Amount	Date	Particulars	Amount
2015			2015		
			March 4	Purchases A/C	40,000 ✓

Nduoberi A/C

Dr.			Cr.		
Date	Particulars	Amount	Date	Particulars	Amount
2015			2015		
			March 6	Purchases A/C	60,000 ✓

Dr. Sales A/C			Cr.		
Date	Particulars	Amount	Date	Particulars	Amount
2015			2015		
			March 31	Sales Journal	190,000 ✓

Dr. Purchases A/C			Cr.		
Date	Particulars	Amount	Date	Particulars	Amount
2015			2015		
March 31	Purchases Journal	100,000	March 31		

Dr. Sales Returns A/C			Cr.		
Date	Particulars	Amount	Date	Particulars	Amount
2015			2015		
March 4	Sales Ret.	6,000			

b) Reasons why rail transport is not commonly used in Kenya.

- Limited network – the means is only available in certain parts of the country.
- High cost of construction. It is very expensive to come up with railway tracks and locomotives.
- Unfavourable terrain – the country is not flat to encourage construction of railway tracks.
- Low investment- little investment has taken place in the railway sector
- Faster options – availability of road and air transport has made people to ignore to use rail transport

2 a) Differences between a co-operative and public corporation.

i) Run by management committee	i) Run by board of directors
ii) Members are owners	ii) Government is the main owner
iii) Operate with by laws	iii) Operates under Act that formed it
iv) Formed under cooperative Act.	iv) Formed under a specific Act of parliament
v) Audited by private auditors	v) Audited by auditor general
vi) Holds annual delegates meeting	vi) No holding of annual general meeting.
vii) Operates under Ministry Department of co-operatives	viii) Operates under a specific of Department Ministry

b) Benefits of international trade

- Variety of goods- a country is likely to obtain a variety of goods of which it does not have.
- International understanding – due to the interdependence of countries it promotes peace and understanding.
- Transfer of technology- International trade facilitates transfer of technology from developed countries to less developed countries.
- Avoids wastage- a country is able to dispose off surplus produce in the world market.
- Earns foreign exchange – a country manages to obtain foreign currency which facilitates international trade.
- Revenue- the government is able to collect revenue through taxes on imports /exports.
- vii) Employment- the trade creates employment opportunities for a country's citizens.
- International assistance- it is possible for countries to be assisted in case of international calamities
- Quality products- possible to access quality products due to heavy competition of different firms.

3.

a) Benefits of External Economies scale

- Accessibility of relevant pool of labour. A firm can recruit already experienced workforce from other firms of similar nature, e.g NTV getting presenters from citizen TV.
- Improved infrastructure : A group of firms may pool their resources to upgrade infrastructure in their area of operation e.g roads, electricity, water etc.
- Ancillary services: The existence of firms in a particular area may attract other service industries to that area e.g post offices, banks, insurance companies, entertain spots, etc.
- Co- operation amongst firms. Firms in a central place may have a lot to learn from each other in the way of consultations and sharing
- Easy access to inputs; some firms depend on others to get their inputs e.g a nail maker may conveniently get inputs if located close to steel maker.
- Easy access to market. Some firms would find it easier to dispose off their output to the neighbouring firms which would use them as their inputs.
- Specialization in the line of production. Firms may agree to breakdown the process of production so that an individual firm will be producing only a part of the whole product e.g in the manufacture of automobile, individual firms would make tyres, engine blocks, glassware, wiring system , etc.
- Economies of joint operation; Firms may find it convenient to do certain tasks together to minimize the overall cost.

**MWEMA ENTERPRISES
TRADING, PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31/12/2015**

Opening stock	50,000	Sales	240,000
Add: Purchases	90,000		
Carriage in	<u>2,400</u>		
	<u>92,400</u>		
Goods Av. For sale	142,400		
Less closing stock			
Cost of sales	<u>50,000</u>		
Gross profit	42,400		
	<u>197,600</u>		
Carriage out	<u>240,000</u>		<u>240,000</u>
Insurance		G.P b/d	197,600
Salaries	4,000	Disc received	
Dis. Allowed	11,800	Comm.	3,900
N.P	24,900	received	
	6,800		<u>43,300</u>
	<u>197,300</u>		
	<u>244,800</u>		<u>244,800</u>

(16 ticks x ½ = 8 Marks)

**MWEMA ENTERPRISES
BALANCE SHEET
AS AT 31ST DECEMBER 2015**

Machinery	256,000	Capital	250,000
Stock	50,000	Add N.P	197,300
Debtors	50,000	Net capital	447,300
Bank	29,000	Creditors	31,000
Cash	<u>93,300</u>		
	<u>478,300</u>		<u>478,300</u>

8 x ½ = 4 Marks

4 a) Challenges in the implementation of economic plans .

- Inadequate resource – inadequate finance resources may slow the implementation of plans.
- Overambitious plans- overestimates in plans may have it difficult to implement the plans.
- Bureaucracy – red tape/government /rules and regulation may slow down the implementation of the plans.
- Inflation /increase in prices- the plans may suffer due to increase in prices between formulation and implementation.
- Change in lender term- the donor may change lending conditions which may affect implementation plan.
- Political interference- political may interfere with the implementation.
- Inappropriate technology- the technology chosen may not be appropriate for the plans to be implemented.

b) Explanations of terminologies used in population

- Fertility rate

This is the rate at which one thousand women give birth within one year /It is also the number of children in average a woman will bear in her productive years.

- Over population

This is the situation where the size of the population is too much compared to that country's resources /The population is too high than what is needed to provide labour to exploit natural and man made resources of the country /The available goods and services are too low to support that population.

- Emigration

Moving out of an area.

- Declining populations

Refers to a population that has been reducing over time.

- Population structure.

Refers to the composition of population according to age, sex, income distribution and levels of literacy.

5 a) Benefits of an enclosed office plan

- Privacy and confidentiality is enhanced .
- There are minimal disruptions from noise and movements within the office.
- Creates a conducive working environment for the occupants- concentration in work is easy e.g in accounts.
- Security of files and other equipment is enhanced.
- An enclosed office is prestigious to the occupant and the entire organization.
- Spread of airborne diseases and other infections is limited.
- The occupant would control air conditioning, lighting and heating to a level comfortable to him/her.
- Respect among workers is improved since seniors are given own offices.

b) Features of land as a factor of production

- Basic factor of production. Production cannot take place without land.
- Lack geographical mobility- land cannot be moved geographically from one location to another.
- Uneven in quality – the land quality differs from one place to place.
- Suffers from diminishing returns after some time the quality of land reduces.
- Quality can be improved – use of technology and fertilizers can improve the quality of land.

6 a) Circumstances where a proforma invoice may be issued.

- Where the seller does not have enough finance.
- When the seller does not intend to sell on credit.
- Where the importer wants to get custom clearance before goods arrive in the country.
- When the seller wants the prospective buyer to know the amount he will be expected to pay when goods are finally delivered.
- When the buyer wish to use it to seek funds to finance that purchase.
- If the quotation is not issued.

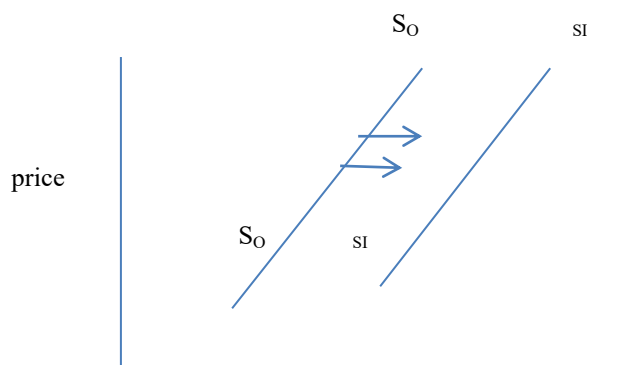
- When the retailer (buyer) wants to calculate the expected profit margin from the stock he intends to buy.
- If goods are custom made.
- b Solution to unemployment
- Use of labour intensive methods of production – there is need to use more labourers in employment than machines.
- Change of relevant education system. Education system to be market driven.
- Export labour.
Excess labour should be exported to other countries.
- Populations control.
Need to reduce number of children being born.
- Increasing government expenditure . Government projects will increase more employment opportunities.
- Favourable government policies such as early retirement, one man-one job.
- Minimum utilization of resources.
Exploitation of local resources to create job opportunities.
- Balanced regional development to reduce rural urban migration.

RAISMARADE JOINT EXAMINATIONS COUNCIL
BUSINESS STUDIES
565/1
PAPER 1

- Outline four factors that may limit a person's ability to satisfy human wants. (4mks)
- Give four circumstances under which a business person may prefer to use automatic vending machines. (4mks)
- Identify four reasons why Rongo Enterprises Limited, a manufacture of q popular soft drive, would find it necessary to repeatedly advertise its products. (4mks)
- The table below contains descriptions relating to the type of cash terms used in home trade. Name the type which each description refers to. (4mks)

Description	Cash item
When payment of goods and services is paid within seven days after delivery	
Payment to be received immediately the seller delivers the goods to the buyers.	
Occurs when payment is made as soon as goods or services are provided to the buyer	
When the buyer is required to pay for the goods or services when placing an order.	

- Outline four factors that determine the choice of office layout in an organization. (4mks)
- State four factors that may lead to the supply curve to shift as shown in the diagram below. (4mks)



- Outline four features that are used to classify the different market structures. (4mks)
- In the spaces provided indicate whether each of the following sentences relate to verbal or audio visual communication. (4mks)

statement	verbal	Audio visual
Message has a lasting impact on the receivers		
It does not provide evidence of the message passed on to the recipient.		
Allows for the participation of the parties involved.		
Instant feedback is obtained		

- Give four characteristics of land that distinguish it from other factors of production. (4mks)
- Highlight four factors that may limit the exploitation of Kenya's natural resources. (4mks)
- List four accounts that can be used to record changes in stock. (4mks)
- For each of the following transactions, indicate in the spaces provided the accounts to be debited and credited, and the type of ledger in which the accounts is maintained. (4mks)

Transaction	Account (Dr)	Ledger	Account (Dr)	Ledger
Sold goods on credit to Kibet				
Paid salaries in cash				
Donated personal savings to the business				
Bought good on credit				

13. Enter the following transactions in a single column cash book and balance it off. (4mks)
 2013 August 2nd commenced business with Sh. 14,000 cash and 200,000 at the bank.
 2013 August 3rd made cash sales amounting to sh. 6,000
 2013 August 5th received cash 16,000 from Marwa, a debtor.
 2013 August 12th paid for motor expenses Sh. 7,000 in cash.
 2013 August 13th drew Sh. 30,000 from bank for office use.
14. Outline four benefits a consumer get from an efficient channel of distribution. (4mks)
15. Outline four causes of unemployment in a country. (4mks)
16. State four errors which cannot be detected by the trial balance. (4mks)
17. State circumstances that may lead to the creation of an oligopoly. (4mks)
18. The following information was extracted from the books of Migori Traders on 31st December 2015.

Stock 1 st Jan	30,000
Sales	500,000
Purchases	300,000
Return in	5,000
Purchases return	20,000
Carriage in	5,000
Stock 31 st Dec 2015	70,000
Sales and wages	20,000
Commission received	5,000
Repairs	5,000

Prepare;

Trading account

(3mks)

(a) Profit and loss account (2mks)

19. The table below shows estimated values for a certain country in millions of dollars.

US\$

Wages and salaries	450,000
Income from rent	30,000
Profit of corporation	40,000
Net interest	80,000
Indirect taxes	70,000
Subsidies	200,000
Depreciation	80,000
Net income from abroad	50,000

From the above table calculate;

- (a) The gross domestic produce (2mks)
- (b) Gross national product (2mks)
20. Outline four advantages of delocalization of firms. (4mks)
21. State four functions of consumer Association. (4mks)
22. Outline four factors that may limit the number of entrepreneurs in a country. (4mks)
23. In the table below, indicate the type of insurance policy described. (4mks)

Description	Insurance type
(i) Taking a policy to cover against loss arising from a dishonest worker.	
(ii) Taking a policy to cover against loss of profit arising from business closure.	
(iii) Cover workers who may be injured when they are officially on duty.	
(iv) cover a motor vehicle against all possible risks	

24. Outline four factors that may influence the fertility rate of a population. (4mks).
25. In the table below, indicate the book of original entry from which the source document mentioned is used to initially record. (4mks)

Source document	Book of original entry
(i) Sales invoice	
(ii) Retained receipt	
(iii) Credit note original	
(iv) Petty cash voucher	

RAISMARADE JOINT EXAMINATIONS COUNCIL
BUSINESS STUDIES
565/2
PAPER 2

1. (a) Explain **five** problems that a developing county may encounter when measuring her national income. (10mks)
 (b) Ouru manufactures policy is to distribute goods through wholesalers. Highlight **five** benefits Ouru Manufactures may enjoy. (10mks)
2. (a) Outline **five** functions of commercial banks. (10mks)
 (b) Outline **five** circumstances under which an entrepreneur would prepare a business plan. (10mks)
3. (a) Highlight **five** differences between a private limited company and a public corporation. (10mks)
 (b) The following information relate to Maganda traders for the year 2012.

	Shs.
Capital	340,000
Gross profit	108,000
Cost of sales	162,000
Cost of stock turn over	6 times
Expenses	40,000

From the above information, calculate;

- a) Turn over
 b) Margin
 c) Net profit
 d) Average stock
 e) Rate of turn on capital (10mks)
4. (a) The table below shows population trend of Namibia over a period of five years.

Year	population
2008	29,000,000
2009	28,000,000
2010	26,000,000
2011	25,000,000
2012	24,000,000

Given that the country had an optimum population at the end of 2009, explain possible effects of the population trend on the country's economy. (10mks)

- (b) Rongo Enterprises have decided to construct their own warehouse. Explain **five** benefits they are likely to derive. (10mks)
5. (a) Explain **five** advantages enjoyed by a customer who utilizes M-Banking. (10mks)
 (b) The following information was extracted from Sansora Ltd in the year 2013.
 March 1: credit purchases from Obwocha Sh. 1200; Agwate sh. 3000 and Nyamamba Sh. 2500.
 5: credit sales to Okero Shs. 2000; Michieka Shs. 4,300 and Omwenga Shs. 3,300.
 10: credit purchases from Onyanacha Shs. 2,700; Obwocha Shs. 6,600 and Ombaki Shs. 3,300.
 20: returned goods to Obwocha Shs. 250 and Onyanacha Shs. 700.
 26: credit sales to Bundi Shs. 850, Tendu Shs. 630 and Okello Shs. 900.
 30: Goods returned by Bundi Shs. 150 and Michieka Shs. 130.

Required;

Enter the above transactions in their relevant day books.

6. (a) There has been less use of containerization to transport goods in Kenya. Explain **five** possible causes. (10mks)
 (b) The following balance sheet was extracted from the books of Pramukh traders for the year ended 31st August 2012.

Pramukh Traders
Trial Balance
As at 31st August, 2012

Details	Dr.	Cr.
machinery	30000	
Land and Building	60000	
Motor vehicle	40000	
7 year bank loan		40000
stock	20000	
Cash at bank	20000	
Debtors	16000	
3 year AOB loan		30000
creditors		16000
Cash in hand	12000	
Drawings	14000	
Bank overdraft		22000
Capital		104000
	212000	212000

Required;

- a) Prepare a balance sheet as at 31st August, 2012.
 b) Determine;
 i) Working capital
 ii) Capital employed
 iii) MKLDBorrowed capital

**RAISMARADE JOINT EXAMINATIONS COUNCIL
BUSINESS STUDIES**

565/1

Marking scheme

1. **Factors that limit a person's ability to satisfy human wants.**
 - Unlimited nature of wants
 - Wants are recurrent
 - Wants change with time, age, gender etc
 - Scarcity of resources to satisfy them
 - Wants are complimentary in nature
 - Wants are competitive

1 x 4 = 4mks
2. **Circumstances under which a business may prefer to use an automatic vending machine**
 - If the business operates 24hrs
 - Where there is no need of employing someone
 - Where there is limited space
 - To reduce fraud
 - If the type of product can be sold using the method
3. **Reasons why Rongo Enterprise Limited, a manufacturer of a popular soft drive would find it necessary to repeatedly advertise it.**
 - To make new customers aware of the product
 - To educate the customers on new uses of the product.
 - To maintain customer's loyalty
 - To announce new prices
 - To advertise company's public image
 - To correct misleading information that customers may have acquired.
 - To cope with competition from other producers.
4.
 - (1) prompt
 - (2) cash on delivery
 - (3) spot cash
 - (4) cash with order
5. **Factors that determine the choice of office layout in an organization**
 - Staff movement within the office
 - Working space for each worker
 - Ease of supervision
 - The cost of construction
 - Cost of maintenance
 - How it affects the flow of work
 - Machines to be used in the flow of work
 - The legal requirements of ventilation, lighting, etc
 - How it enhances the image of the organization
6. **Factors that may lead the supply curve to shift to the right**
 - If there is an improvement in technology
 - Favourable weather
 - Entry of new firms
 - Reduction in the cost of production
 - A decrease in the price of a substitute
 - An increase in the price of complimentary produce
 - An increase in government subsidies
 - A reduction in taxes on factors of production
7.
 - (i) number of buyers
 - (ii) number of sellers
 - (iii) uniformity of the produce
 - (iv) the ease and difficulty of entering the market
8.
 - (i) audio- visual
 - (ii) verbal
 - (iii) verbal
 - (iv) verbal
9. **Characteristics of land as a factor of production**
 - Gift of nature
 - Size is limited
 - It is geographically immobile
 - Undergoes diminishing returns
 - It is not homogenous
 - Its productivity is increased by increasing units of capital and labour
10. **Factors that may limit the exploitation of Kenya's natural resources**

- Lack of capital
- Lack of appropriate technology
- Poor infrastructure
- Lack of market
- Unfavourable government policies
- Political instability
- Insecurity
- Lack of skilled personnel

11. purchases AC
Sales AC
Sales return AC
Purchases Return AC
Drawing AC
Capital AC

12. accounts

Dr	ledger	Cr	ledger
kibet	sales	sales	general
salary	nominal	cash	Cash/bank
Cash/bank	Cash book/ general	capital	purchase
purchases	general	creditor	purchase
drawings	private	car	general

- 13.

Cash A/C

Date	Particulars	folio	amount	Date	Particulars	folio	amount
2013 Aug 2 nd	Capital		14,000	2013 Aug 12	expenses		7,000
3 rd	Sales		6,000				
5 th	Mutua		16,000				
13 th	Bank		30,000	13 th	Bal	c/d	113,000
			120,000				120,000
13 th	Bal	b/d	113,00				

Bank A/C

Date	Particulars	folio	amount	Date	Particulars	folio	amount
2013 Aug 2 nd	Capital		200,000	2013 Aug 13	cash		30,000
				13 th	Bal	c/d	170,000
			200,000				200,000
13 th	Bal	b/d	170,000				

14. Benefits of an efficient chain of distribution

- Able to get a variety of goods
- Can get quality goods
- Can get a steady supply of goods
- Can enjoy steady prices
- Can get goods at an affordable price

15. Causes of an employment in Kenya

- High population growth
- Rural- urban migration
- Inappropriate technology
- Inappropriate education system
- Seasonal changes
- Inappropriate capital
- Low decrease for goods and services
- Scarcity of land

16. Errors that cannot be detected by a trial balance

- Error of commission
- Error of complete reversal of entries
- Error of omission
- Error of principle
- Error of original entry
- Compensating error

17. Circumstances that can lead to the creation of an oligopoly

- Where it is not easy for other firms to enter the market because of heavy capital
- Where a firm controls a vital input in production
- Where a firm has exclusive rights of producing a produce
- Where a market can accommodate only a few firms

18.

Migori Traders
Trading Account
As for the period ended 31st Dec, 2015

Dr.	Cr.
Opening stock 30,000 Add purchases 300,000 Add carriage in 5,000 <hr/> 305,000 Less purchases return 20,000 375,000 <hr/> Goods available for sale 405,000 Less closing stock 70,000 <hr/> Cost of sales 160,000 Goss profit c/d 495,000	Sales 500,000 Less sales return in 5,000 <hr/> Net sales 495,000 <hr/> Gross profit b/d 160,000

Migori traders
Profit and loss account

Dr.	Cr.
Salaries and wages 20,000 Repairs 5,000 <hr/> Net profit c/d 148,000 <hr/> 173,000	Gross profit 160,000 Commission received 13,000 <hr/> Net profit b/d 173,000

19. GDP= wages and salaries	450,000
Income from rent	30,000
Profit of corporations	40,000
Net	80,000
Subsidies	<u>200,000</u>
	800,000
Less taxes	<u>70,000</u>
	730,000
GDP	= 730,00 Million \$

GNP = 730,000 + 50,000 = 780,000 dollars

20. Advantages of delocalization of firms

- Able to use local resources
- Leads to redistribution of development
- Reduce rural to urban migration
- Can reduce pollution
- Create employment

21. functions of a consumer association

- Educating consumers on their rights
- Collecting complaints from consumers
- Seeking legal readers on behalf of consumers
- Forwarding complaints to relevant authorities

22. Factors that limit the number of entrepreneurs in a country

- Lack of market
- Lack of capital
- Poor infrastructure
- Insecurity
- Political instability
- Lack of qualified personnel

23.

- Fidelity guarantee
- Consequential loss
- Workman's compensation
- Comprehensive motor vehicle policy

24. Factors that may influence the fertility rate of a population

- Level of literacy among women
- Government policy
- Cultural beliefs
- Cost of bringing up children
- Availability of medical facilities
- Religious factors
- Economic significance of large families

25.

- Sales journal
- Cash receipt journal/ analysis cash book/ cash book
- Return outward/ purchase return journal
- Petty cash book

**RAISMARADE JOINT EXAMINATIONS COUNCIL
BUSINESS STUDIES**

565/2

Marking scheme

1

a) problems a developing country may encounter in measuring her national income

- All substitute production and all other nonmarket production may not be valued
- Determining what to include and what not to include e.g illegal activities. They are nonmarket production activities to be included.
- Inadequate and inaccurate data; Most production activities may not be recorded.
- Lack of qualified personnel to collect and record data
- Lack of adequate resources to gather and compile relevant data
- Danger of double counting where there are transfer documents such as student grants, pension and where the value of intermediate is involved
- Problems of using market prices where indirect taxes and subsidies have to be taken care of.
- Appreciation in the value of the assets over the years
- Problems of estimating depreciation when calculating net national income *any correct five x2mks = 10mks*

b) benefits Ouru Manufacturers may enjoy when distributing goods through wholesalers.

- Wholesalers transport goods to their premises rom manufacturers and then transport to retailers.
- Storage- wholesalers buy goods from producers and store them until they are demanded.
- Break bulk- wholesalers buy goods in large quantities and sale them in small quantities
- Acts as a link- they distr8ibute goods belonging to producers to the retailers
- Offer market information to the manufacture.-they advice customers on matters related to the product and also give feedback to the producer.
- Finance producer- Wholesalers buy goods on cash from manufacturers
- Product promotion-wholesalers advertise goods on behalf of producers
- Prepare goods for sale by parking, grading, sorting etc. On behalf of producers. **5 x 2 =10mks**

2 a) Functions of commercial banks

- Accepting deposits for safe keeping
- Providing lending facilities in form of loans to their customers
- Providing means of payment suchas standing orders, cheques, credit facilities e.t.c
- Safe custody of valuable items to their clients
- Providing foreign exchange services by buying / selling foreign currency
- Acts as trustees by managing properties o behalf of their customers
- Acts as agents of stock exchange through channeling new share to public
- Discounting the bills of exchange and accepting promisory notes.
- Acts as guarantors/ referees for clients seeking credit transactions from other business units
- Issue letters of credit on behalf of the clients **5 x 2 =10mks**

b) circumstances under which an entrepreneur would prepare a business plan

- When attracting funding- it is used to attract funding from potential investors and lenders as is justifies the viability of the business.
- When one wants to avoid mistake- it minimizes the impact of disruption of business activities as a result of unforeseen circumstances b7y anticipating challenges and possible setbacks.
- When one wants a blueprint for starting andoperating a business.-
It guides the owner /management's decision and actions on day to day business.
- When atool for evaluation is required
It is used to evaluate business performance to see ifit's achieving the set objectives
- When the owners wants to determine the finances required to start the business
- When identifying customers.
It enables one to target appropriate customers to buy the product. **5 x 2 =10mks**

3 a)

Private limited company	Public corporation
i. Formed under company act	(i) Formed by an act of parliament
ii. Financed by shareholders	(ii) Financed by the government
iii. Owned by individuals	(iii) Owned by government
iv. Managed by directors appointed by shareholders.	(iv) Managed by board of Directors appointed by government
v. Formed to provide any type of goods/ services for profit motive	(v) Formed to provide essential goods/ services
vi. Losses may lead to collapse of the company	(vi) Losses subsidized by government
vii. No political influence	(vii) Political influence is eminent.

b)

Information

Capital	340,000
Gross profit	108,000
Cost of sales	162,000
Rate of turn over	6 times
Expenses	40,000

- i. $\text{Turnover} = \frac{\text{G.P} + \text{Cost of sales}}{\text{AVS}}$
 $= \frac{108,000 + 162,000}{270,000}$
 $= 270,000$
- ii. $\text{Margin} = \frac{\text{G.P}}{\text{sales}} \times 100\% = \frac{108,000}{270,000} \times 100\% = 40\%$
- iii. $\text{Average stock} = \frac{\text{R.O.S.T.O}}{\text{Rate of turn over}} = \frac{\text{Cost of sales}}{\text{average stock}}$

$$6 = \frac{162,000}{\text{AVS}}$$

$$\text{AVS} = \frac{162,000}{6}$$

$$= 27,000$$

- iv. $\text{Net profit} = \text{G.P} - \text{expenses}$
 $= 108,000 - 40,000 = 68,000$
- v. $\text{Rate of return on capital} = \frac{\text{NP}}{\text{capital}} \times 100\%$
 $= \frac{68,000}{340,000} \times 100\%$
 $= 20\%$

4 a) possible effects of the population trend on the Namibia's economy

- The country's cannot be fully utilized due to lack of sufficient labour
- Provision of infrastructure like roads, hospitals, water become uneconomical due to high cost per head involved.
- A declining population will lead to a fall in demand of goods/services in smaller markets.
- It will lead to a reduced level of investment in the country
- A declining population may lead to less pressure on land and other resources
- It may lead to reduced dependency ratio as the number of working persons are more due to low birth rates.

b) benefits that Rongo Enterprise may derive from constructing their own warehouse.

- Bulk buying; they can buy stock in large scale because they have storage facilities
- They can be able to meet market demands since they stock the right quantities required by the customers.
- Seasonal goods can be stocked in order to satisfy customer's seasonal needs
- Variety of goods can be stocked to promote customer's satisfaction
- Security of goods is offered until they are demanded.
- Preparation of goods for sale such as branding, packing, sorting while in the warehouse is made easier.
- Suitable design- they can construct a warehouse suitable for their own needs
- Construction of one's warehouse is economical

5**a) advantages enjoyed by a customer who utilizes M-Banking services.**

- One can pay utility bills without going to the bank
- One can check the account balance at any time
- One can request for a mini-statement
- One can top up his or her mobile phone airtime automatically
- It's possible to transfer funds from his/her phone to the bank and vice-versa

b) (i) Purchases journal

Date	Details	Invoice No.	Ledger folio	Amount
2013 March 1	Obwocha			1200
1	Agwata			3000
1	Nyamamba			2500
10	Onyancha			2700
10	Obwocha			6600
10	Ombaki			3300
		Total purchases to purchases a/c (Dr)		19,300

(ii) Sales journal

Date	Details	Invoice No.	Ledger folio	Amount
2013 March 5	Okello			2000
5	Michieka			4300
5	Omwenga			850
26	Bundi			630
26	Tendi			900
S26	Okero			
Total sales posted to sales a/c (Cr)				10,180

(iii) Purchases Return/ return outwards journal

Date	Details	Invoice No.	Ledger folio	Amount
2013 March 20	Obwocha			250
20	Onyancha			700
Total purchases posted to returns a/c (Cr)				950

Sales Return/ return inwards journal

Date	Details	Invoice No.	Ledger folio	Amount
2013 March 30	Bundi			150
30	Michieka			130
Total sales posted to returns a/c (Dr)				280

 $\frac{1}{2} \times 20 = 10mk$ **6.****(a) five possible causes of less use of containerization to transport goods in Kenya**

- They are expensive to buy and maintain
- They are unsuitable for irregular shaped goods
- They require special loading and offloading facilities which are expensive
- They require special terminals
- They are uneconomical for transporting small volume of goods
- It requires specially designed vehicles to transport containers.

Any five well explained 5 x 2 = 10mks**(b)**

**Pramukh Traders
Trial Balance
As at 31st August, 2012**

Assets	Shs.	Current Liabilities	Shs.
Cash in hand	12,000	Creditors	16,000
Debtors	16,000	Bank overdraft	22,000
Cash at bank	20,000	Long term liability;	
Stock	20,000	7 year Bank loan	40,000
Fixed assets		3 year Bank loan	30,000
Machineries	30,000	Capital	104,000
Motor Vehicle	40,000	-drawing 1400	90,000
Land and Building	60,000		
	198,000		198,000

½ x 14 = 7mks

Working capital

$$\begin{aligned} \text{Working capital} &= \text{CA} - \text{CL} \\ &= 68000 - 38000 = 30,000 \end{aligned}$$

Capital Employed;

$$\begin{aligned} \text{Capital employed} &= \text{F.A} + \text{WC} \\ &= 130,000 + 30,000 = 160,000 \end{aligned}$$

Borrowed Capital

$$\begin{aligned} \text{Borrowed capital} &= \text{total of long term liabilities} \\ &= 40,000 + 30,000 = 70,000 \end{aligned}$$

3mks

Total 10mks

KIRINYAGA WEST SUB-COUNTY EFFECTIVE '40' EXAMINATION 2016**BUSINESS STUDIES****565/1****PAPER 1**

1. Highlight four reasons why Irene who is joining form one next year should take business studies as one of her subjects (4mks)
 2. Outline four benefits that may accrue to a community that is involved in trading activities (4mks)
 3. Outline four circumstances under which a business would choose to transport goods by air (4mks)
 4. Outline four distinctive features of a monopoly type of market (4mks)
 5. Highlight four ways in which business may be affected by demographic environment (4mks)
 6. For each of the following transactions state whether the transaction will cause an increase a decrease or has no effect on the balance sheet totals (4mks)

Transaction	Effect on balance sheet totals
(a) Bought a business machine on credit	
(b) A debtor paid an amount owing by cheque	
(c) Paid on a creditor the amount owing in cash	
(d) Converted a personal car to a business car.	
 7. Outline four factors that influence an individual to hold money for transaction motive (4mks)
 8. Highlight four reasons why a person may prefer to run a business as a sole proprietor (4mks)
 9. Give four reasons that may make it difficult for a government to privatise some parastatals (4mks)
 10. Name four acts of parliament enacted to protect consumers (4mks)
 11. Give four factors that influence the level of national income in a country (4mks)
 12. The following information relates to Haraka Traders for the year ended 30th June 2014

Net sales	Shs.	400,000
Expenses	Shs.	30,000
Margin		20%
Rent Revenue	Shs.	20,000
Carriage outwards	Shs.	10,000
- Prepare Haraka traders profit and loss Account for the year ended 30th June 2014 (5mks)
13. Outline four characteristics of chain stores (4mks)
 14. Outline four ways in which warehousing facilitates trade (4mks)
 15. Using two diagrams, distinguish between upward movement along a demand curve and a shift of the demand curve to the right (4mks)
 16. On 1st January 2015, Ndonga bought goods on credit quoted at Kshs. 120,000, terms of sale where 20% trade discount and 10% cash discount if payment was made before 18th January 2015. Calculate the amount paid if payment was made on 15th January 2015 (4mks)
 17. In a current trend in banking, bank customers are allowed to use their ATM cards to shop for goods and services. State four benefits of this trend to the customer (4mks)
 18. State three difficulties of measuring national income using income approach (3mks)
 19. Highlight four measures that a country would take in order to correct balance of payment deficit (4mks)
 20. The following balances were extracted from the books of Paul retailers for the year ended 31st Dec 2014

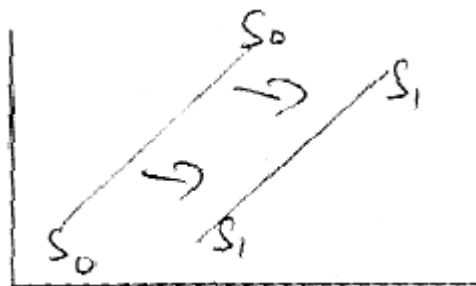
	Sh
Sales	600,000
Purchases	420,000
Stock on 1/1/2014	180,000
Stock on 31/12/2014	140,000

Calculate

 - (i) Mark up (2mks)
 - (ii) Rate of stock turnover (2mks)
 21. Identify four situations that make it ideal to use gestures in communication (4mks)
 22. Name four market gaps that may prompt an entrepreneur to start a business (4mks)
 23. State the type of unemployment described in each of the following (4mks)
 - (a) Where people have temporarily lost jobs and are seeking for new ones
 - (b) Where people are rendered jobless at certain period of the year
 - (c) Where people lost jobs due to change in technology
 - (d) Where people lose jobs during period of economic recession
 24. Outline four features of a good transport system (4mks)
 25. Outline four main features of an endowment policy in life assurance (4mks)

KIRINYAGA WEST SUB-COUNTY EFFECTIVE '40' EXAMINATION 2016**BUSINESS STUDIES****565/2****PAPER 2**

- 1 (a) China is one of the most populated country in the world. Discuss five challenges such a country is likely to experience (10mks)
 (b) Explain five circumstances underwhich a co-operative society may be dissolved (10mks)
- 2 (a) Describe five office etiquatte qualities that a school secretary should observe while carrying out her work (10mks)
 (b) Study the supply curve below



- 3 (a) Explain five possible causes of the above change in supply curve (10mks)
 (a) Explain five benefits that a manufacturer would get by building his own warehouse (10mks)
 (b) The following transactions relates to Jua Kali traders for the month of May 2014
 May 10: Started business with Kshs. 20,000 in cash
 15: Bought goods worth Ksh 10,000 on credit
 18: Sold goods Kshs 5000 cash
 20: Paid electricity Kshs. 200 in cash
 30: Received commission shs. 500 in cash

Required

- (i) Prepare ledger accounts and balance them off (5mks)
 (ii) Extract a Trial balance (5mks)
- 4 (a) Discuss five factors that are likely to raise a country's National icome (10mks)
 (b) Explain five reasons for taxation (10mks)
- 5 (a) Outline four differences between life assurance and general Insurance (8mks)
 (b) The following transactions relate to Magunandu Traders during the month of May 2011
 May 1: Credit sales to Maina Ksh. 500 invoice No 005
 May 3: Credit sales to Njeri Kshs 1000
 May 4: Sold goods worth Ksh 5000 to Mwende on credit
 May 10: Sold goods on credit to Wanjiru Ksh. 1500
 May 20 : Credit sales to Maina Kshs. 1000

Required

- (i) Prepare Magunandu's sales day book (6mks)
 (ii) Post the various amounts to the relevant ledger accounts (6mks)
- 6 (a) Explain five internal business environments that may negatively influence business operations (10mks)
 (b) Differentiate between commercial banks and Non- banking institutions (10mks)

KIRINYAGA WEST SUB-COUNTY EFFECTIVE '40' EXAMINATION 2016**BUSINESS STUDIES****565/1****Marking scheme**

1. Reasons why Irene should take business studies
 - a). To learn basic skills to start and run a business
 - b). It is a career subject
 - c). To learn basic business terms
 - d). To appreciate the role of government in business

2. Benefits that accrue to a community involved in trading activities
 - a). Acquires commodities if cannot produce
 - b). Disposes surplus produce
 - c). Acquires foreign exchange
 - d). Maintains peace and harmony with trading parties

3. Circumstances under which a business would choose air transport
 - If goods are required urgently
 - If goods are perishable
 - If goods are highly valuable
 - If the goods need less handling
 - If they are to be transported to a far off place

4. Distinctive features of a monopoly type of market
 - One supplier
 - Many buyers
 - Barriers to entry in the market
 - Seller determines the price

5. Ways in which business may be affected by demographic environment
 - Size of population affects size of market
 - Population age affects type of goods produced
 - Education levels affect availability of labour
 - Population gender determines types of good produced
 - Education levels determine quality of labour

6.
 - a). Increase
 - b). No effect
 - c). Decrease
 - d). Increase

7. Factors that influence an individual to hold money for transaction motive (4mks)
 - a). Level of income
 - b). Interval between receipts of incomes
 - c). Individuals spending habits
 - d). Price of commodities
 - e). Availability of credit

8. Reasons why a person may prefer to run a business as a sole proprietor (4mks)
 - Easy decision making
 - Enjoys all profits alone
 - It is flexible
 - To be their own boss

9. Reasons that may make it difficult for a government to privatise some parastatals
 - Need to prevent foreign dominance
 - Need to create employment
 - Need to provide essential goods and service to citizens
 - Need to provide sensitive goods

10. Acts of parliament enacted to protect consumers
 - Public health act
 - Weights and measure act
 - Sale of goods act

- Food and drugs act

11. Factors that influence the level of national income

- Capital
- Land
- Labour supply
- Political stability
- Entrepreneurship

$$12. \text{Gross profit} = \frac{20}{100} \times 400,000 \\ = \text{Sh. } 80,0000$$

Haraka Traders

Profit and Loss Account

For the period Ended 30th June 2014

Expenses	30,000	Gross profit B/d	80,000
Carriage outward	10,000	Rent Revenue	20,000
Net profit c/d	<u>60,000</u>		
	<u>100,00</u>		
		Net profit B/d	<u>60,000</u>

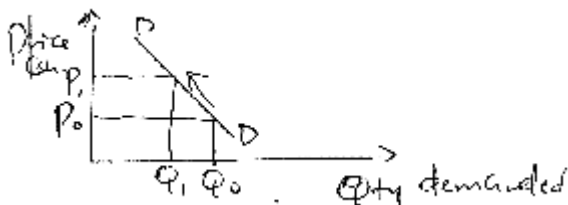
13. Characteristics of chain store

- a). Purchase are centralised
- b). Prices are standard
- c). Have uniform outward appearance
- d). All branches deal in the same type of product

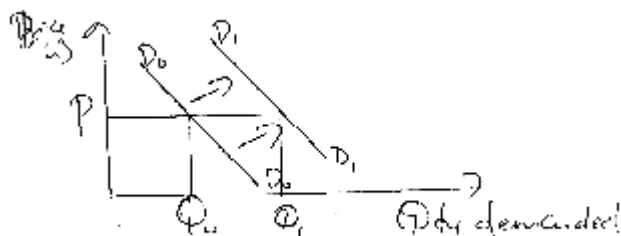
14. Ways in which warehousing facilitates trade (4mks)

- Enable steady supply of goods
- Enable stability in prices
- Goods improve/maintain quality
- Goods can be prepared for sale

15 (a) Upward movement



(b) Shift to the right



$$18. \text{Required amount} = \frac{80}{100} \times 120,000 \\ \text{Shs. } 96,000$$

$$\text{Amount Paid} = \frac{90}{100} \times 96,000 \\ \text{Shs. } 86,400$$

17. Benefits of using ATM to purchase goods
- Convenient to carry around
 - Safer than carrying cash
 - Used when banking services are not available
 - Encourages control of expenditure

18. Difficulties of measuring national income using income approach

- In accurate data
 - Illegal incomes
 - Exclusion of transfer earnings
 - Fluctuation in prices affects profits earned by firms
19. Measures taken to correct balance of payment deficit

- Decrease the volume of imports
- Increase to volume of exports
- Encourage foreign investment
- Devaluation of currency
- Restrict out flow of capital

20. Mark up - $\frac{\text{Gross profit}}{\text{C.O.S}} \times 100$

$$\begin{aligned} \text{G.P.} &= \text{Sales} - \text{Cost of sales} \\ \text{Cost of sales} &= 180,000 + 420,000 - 140,000 \\ &= \text{Shs } 460,000 \\ \text{Gross profit} &= \text{Sh } (600,000 - 460,000) \\ &= \text{Shs } 140,000 \\ \text{Mark up} &= \frac{140,000}{460,000} \times 100 \\ &= 30.43\% \end{aligned}$$

- (ii) Rate of stock turnover (2mks)

$$\text{R.O.S.T.} = \frac{\text{Cost of goods sold}}{\text{Average stock}}$$

$$= \text{Average stock} = \frac{\text{O.S} + \text{C.S}}{2} = \frac{180,000 + 140,000}{2}$$

$$\text{R.O.S.T} = \frac{460,000}{160,000} = 2.875 \text{ times}$$

21. *Situations that make it ideal to use gestures*

- If the message is confidential
- When conveying message in a noisy environment
- Where it is the only means available
- Where it is the only means that can be understood
- Where it is the policy of the institution

22. *Market gaps that may prompt an entrepreneur to start a business*

- Lack of products
- Poor quality products
- High prices
- Inadequate quantities
- Poor customer services

23. *Types of unemployment*

- a). Frictional
- b). Seasonal
- c). Structural
- d). Cyclical

24. *Features of a good transport system*

- a). Safe
- b). Flexible
- c). Reliable
- d). Cost effective

25. *Features of an endowment policy in life assurance*

- Compensation is after a certain duration of time
- Premiums are paid for a certain duration of time
- Saving plan
- Assured decides on the maturity date

KIRINYAGA WEST SUB-COUNTY EFFECTIVE '40' EXAMINATION 2016**BUSINESS STUDIES****565/2****Marking scheme**

1.

a) **Challenges experienced by overpopulated countries**

- Strain on social amenities
- Low standard of living
- Environmental degradation
- Rural/urban migration
- Increase in social evils and crimes
- Unemployment
- Food shortage

b) **Circumstances under which a co-operative society may be dissolved**

- Incase of court order
- If the society is declared bankrupt
- If members withdraw leaving less than ten
- Incase members voluntarily decide to dissolve
- If it complete it's purpose
- If the commissioner of co-op orders its closure

2.

a) **Office etiquette qualities that a school secretary should observe**

- Respect
- Honesty
- Punctuality
- Courtesy
- Loyalty

b) **Possible causes of the change in the supply curve**

- Decrease in cost of production
- Availability of factors of production
- Improved technology
- Favourable government policies
- Future expectation of decrease in the price
- Favourable natural factors

3

(a) **Benefits that manufacturer would get by building his own warehouse**

- Full control over it's operations
- Warehouse can be designed according to specification
- Owner can be designed according to specification
- Owner is not tied by procedures of receiving and issuing goods
- Owner doesn't incur cost hiring
- Availability of special handling equipment that may not be available in public warehouse

b) (i) Ledger Accounts

» (i) Ledger Accounts

Dr Capital A/C	Cr
30 May bal b/d 20,000	10 May Cash 20,000
	30 May bal c/d 20,000

ii) Dr		Cash A/C	Cr		
10 May	Capital	20,000	20 May	Electricity	200
18 May	Sales	5,000	30 May	bal c/d	25,300
30 May	Comm	500			
		<u>25,500</u>			<u>25,500</u>

iii) Dr		Sales A/C	Cr	
May			May	
30 bal c/d		<u>50000</u>	18 Cash	<u>5000</u>
			30 May b/d	5000

iv) Dr		Electricity A/c	Cr	
May			May	
20 Cash	200		30 bal c/d	200
30 bal b/d	200			

v) Dr		Purchases A/c	Cr	
May			May	
15 Creditor	10,00		30 bal c/d	10,00
30 May bal b/d	10,000			

(vi) Dr		Creditors A/c	Cr	
May			May	
30 May bal c/d	10,000		15 Purchases	10,000
			30 Bal b/d	10,000

(vii) Dr		Commission A/C	Cr	
May			May	
30 bal c/d	500		30 Cash	500
			30 bal b/d	500

Trial balance

JUA KALI TRADERS
TRIAL BALANCE
AT AT 30TH MAY 2016

DETAILS	Dr	Cr
Cash	25,300	
Electricity	200	
Purchases	10,000	
Capital		20,000
Sales		5,000
Commission		500
Creditor		10,000
Totals	35,500	35,000

4.

a) **Factors that may raise a country's national income**

- High level of technology
- Availability of Natural resources
- Availability of capital
- Political stability
- Increased foreign investment
- Availability of entrepreneurs
- Positive attitude towards work

b) **Reasons for taxation**

- To control inflation
- Discourage importation of certain commodities
- Raise government revenue
- Influence consumption of certain commodities
- Influence location of firms
- Reduce in equalities in income distribution
- Correct unfavourable , balance of payment

5

- (a) **Life assurance** **General Insurance**
- Not contract of indemnity
 - A saving plan
 - Risk must occur
 - Doesn't require renewal
 - Has surrender value
- A contract of Indemnity
 - Not a saving plan
 - Risk may not occur
 - Requires annual renewal
 - Has no surrender value

b) (i) The sale day Book

Date	Particulars	Invoice No	L.F	Amount
2011				
May 1	Maina	005	SL 10	500
May 3	Njeri	006	SL 11	1000
May 4	Mwende	007	SL 12	5000
May 10	Wanjiru	008	SL 13	1500
May 20	Maina	009	SL 10	10000
	Total posted to the sales A/C Cr			9000

(ii) POSTING

SALES LEDGER

Dr	Maina A/C	Cr
May 2011		
1 Sales	500	
20 Sales	1000	

Dr	Njeri A/C	Cr
May 2011		
3 Sales	1000	

Dr	Mwende A/C	Cr
May 2011		
4 Sales	5000	

Dr	Wanjiru A/C	Cr
May 2011		
10 Sales	1500	

GENERAL LEDGER

Dr	Sales A/C	Cr
		May 2011
		20 Total debtors 9000

6

- (a) Internal business environments that may negatively influence business operations
- Inadequate capital
 - Unskilled employees
 - Insufficient employees
 - Poor business structure
 - Negative business culture eg not respecting the employees and customers
 - Poor management skills
 - Poor decision making
 - Poor business objectives
- (b) Differences between commercial banks and non-banking institution

Commercial banks

- Provides all types of accounts
- Provide short term and medium term ways
- No restricted finance
- Provide foreign exchange
- Participate in cheque clearance

Non-banking institutions

- Mainly offers saving and fixed deposits
- Provide medium and long term
- Restricted finance
- Provide finance for capital
- Do not participate in cheque clearance

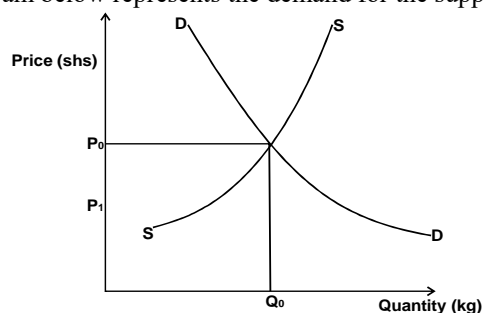
THARAKA NORTH / SOUTH SUB-COUNTIES JOINT EXAMINATION

565/1

BUSINESS STUDIES

PAPER 1

1. Highlight four elements that may make the external business environment. (4 marks)
2. State four kinds of information which can be extracted from the Articles of Association. (4 marks)
3. The diagram below represents the demand for the supply of a commodity in the market.



State the effect of fixing the price.

- a) Above price P_0 (2 marks)
 - b) Below price P_0 . (2 marks)
4. Give four reasons for maintaining journals. (4 marks)

5. The following balances were extracted from the books Lion Traders as at 30th June 2012.

	Shs
Sales	1,400
Carriage out	6,000
Discount allowed	11,000
Discount received	5,000
Returns in	12,000
Rent income	3,000
Purchases	2,000
Bank	150,000
Capital	159,000

From the above information, prepare a trial balance. (5 marks)

6. State the three levels of production. (3 marks)
7. Outline four factors which may limit the effectiveness of a warehouse. (4 marks)
8. State four benefits that would accrue to a firm located in an area well served by efficient transport system. (4 marks)
9. Outline four ways through which the central bank of Kenya acts as a banker to the government. (4 marks)
10. What are the reasons for public finance? (4 marks)
11. State four factors that may limit the number of entrepreneurs in an economy. (4 marks)
12. State four unethical practices in product promotion. (4 marks)
13. State the effects of each of the following transactions on balance sheet total by indicating increase decrease or no effects
 - a) Proprietor paid creditor in cash.....
 - b) Proprietor bought a motor cycle on credit.....
 - c) A debtors paid proprietor by cheque.....
 - d) Proprietor deposited additional money into business bank account

14. The following information was extracted from the books of Waiganjo traders for the year ending 31st December 2014

	Shs
Sales	400,000
Purchases	520,000
Opening stock	100,000
Closing stock	80,000

Calculate the rate of stock turn over. (4 marks)

15. State four benefits of using electronic filing system in office. (4 marks)
16. Give four reasons why small scale businesses are popular to local investors in rural areas. (4 marks)
17. State four ways that Kenya is likely to benefit from having inland container depots. (4 marks)
18. State four ways in which local resources can be managed to alleviate unemployment problems in Kenya. (4 marks)
19. Outline four negative effects that inflation may have in a country. (4 marks)
20. On 2nd June 2010, Gamma received an invoice for shs 120,000. Terms of payment were trade discount 5% and cash discount 10% if payment is made within 30 days, Determine the amount paid if payment was made on 30th June 2010. (4 marks)
21. State four problems that a country may suffer when the government becomes a major investor in business. (4 marks)
22. State four challenges associated with development planning. (4 marks)
23. Highlight four factors which may lead to an increase in the level of National income. (4 marks)
24. State four conditions that must be met for an insurance contract to be valid. (4 marks)
25. State four merits of transacting business through e-commerce. (4 marks)

THARAKA NORTH / SOUTH SUB-COUNTIES JOINT EXAMINATION

565/2

BUSINESS STUDIES

PAPER 2

Answer any FIVE questions.

1. a) Explain five diseconomies of scale which a business enterprise may experience as a result of expansion. (10 marks)
- b) Discuss five advantages that a developing country may enjoy by liberalizing foreign trade. (10 marks)
2. a) Outline five factors that facilitate entrepreneurial development in an economy. (10 marks)
- b) Describe five channels of distribution of imported goods. (10 marks)
3. a) On 1st June 2015, Mwala had shs 250,000 in bank and shs 55,000 cash in hand.

During the month the following transactions took place.

June 2: Cash sales banked shs 35,260

June 3: Bought stationary in cash shs 4,500

June 8: Paid Meme, shs 94,000 by cheque in full settlement of his account after deducting 6% cash discount.

June 12: Received a cheque for shs 58,800 from Rehema after allowing her a cash discount of shs 1,200

June 15: Paid wages shs 30,000 in cash

June 20: Paid water bill shs 4,000 in cash

June 25: Withdrew shs 50,000 from bank for office use.

June 28: Mugo a debtor paid his account of shs 75,000 by cheque less 10% cash discount.

June 30: Deposited all the cash into the bank except shs 13,700

Required: Prepare a three column cash book and balance it. (12 marks)

- b) Explain four functions of money. (8 marks)
4. a) Explain five factors that influence a firm's decision of type of goods or services to produce. (10 marks)
- b) Explain five merits of having an open office plan in an organisation. (10 marks)
5. a) Explain five functions of wholesalers (10 marks)
- b) Describe five circumstances in which a firm may acquire monopoly power. (10 marks)
6. a) The following trial balance relates to union traders as at 30th September 2015,

Union traders trial balance.

As at 30th September 2015

	Dr. (Sh)	Cr. (Sh)
Land and building	1,527,000	
Debtors and creditors	20,000	30,000
Cash	100,000	
Purchase and sales	140,000	320,000
Opening stock	45,000	
Discount	6,000	2,000
Salaries and wages	50,000	
Commission		8,000
Power and lighting	12,000	
Returns	15,000	19,000
Carriage in	5,400	
Carriage out	2,300	
Capital		1,543,700
	1,922,700	1,922,700

Additional information : Closing stock was shs 22,000

Required : Prepare trading, profit and loss account (10 marks)

- b) Explain five ways in which communication enhances trading activities today. (10 marks)

THARAKA NORTH / SOUTH SUB-COUNTIES JOINT EXAMINATION

565/1

BUSINESS STUDIES

Marking scheme

1. Elements of external environment
 - Business
 - Political
 - Economical
 - Social cultural
 - Technological
 - Legal structure
 - Customers
 - Intermediaries
 - Geographical
 - Demographical
 - Suppliers of raw materials
 - Competition

4 x 1 = 4mks
2. Information from articles of association
 - Rights of shareholders/voting rights
 - Methods of calling meetings
 - Rule governing election of officials
 - Rule regarding preparation/Auditing of accounts
 - Power /duties /rights of directors
 - List /name of directors
 - Declaration
 - Statement of agreement signed by directors
 - The issue /transfer of shares

4 x 1 = 4mks
3. a) Above P. excess supply (2mks)
 b) Below P. excess demand (2mks)
4. Reasons for maintaining journals
 - To reduce details to be recorded in ledgers
 - For future reference/act as back up data
 - Contain information in details
 - Used to trace/locate errors
 - Ensure double entry rule is adhered to
 - To minimise /discourage fraud
 - Act as diaries/recorded transactions as they occur
 - Used to prepare control/total accounts

4 x 1 = 4mks
- 5.

Lion Traders

Trial Balance

As at 30th June 2012

Details	Dr (shs)	Cr (shs)
Sales	-	14,000ü
Carriage out	6,000ü	
Discount allowed	11,000ü	-
Discount received	-	5,000ü
Returns* in	12,000ü	-
Rent income		3,000ü
Purchases	2,000ü	
Bank	10,000ü	
Capital		159,000ü
	181,000	181,000

6. Level of production
- Primary
 - Secondary
 - Tertiary
- 3 x 1 = 3mks*
7. Factors limiting effectiveness of warehouse
- Unsuitable/inconvenient location
 - In appropriate/lack of proper equipment
 - Lack of qualified personnel/staff
 - Poor recording system/poor inventory system
 - Non compliance with law
 - Lack of adequate security
 - Inadequate space/poor building design
 - Poor transport network/communication system
- 4 x 1 = 4mks*
8. Benefits of locating firm in an area well served by efficient transport
- Facilitate easy delivery of raw materials
 - Facilitate movement of goods to the market
 - Ease workers' movement to and from work
 - Gain access to auxiliary services eg banks
 - To reduce cost and make production cheaper
- 4 x 1 = 4mks*
9. Services of central bank to the government
- Issue currency
 - Accepts deposits for safe keeping
 - Arranges and pays public debts
 - Advises government before major economic decisions are made *any other relevant point*
- 4 x 1 = 4mks*
10. Reasons for public finance
- Provision of essential goods/services
 - Controlling of consumption of certain products
 - Encourage consumption of certain products
 - Promoting balance regional development
 - Redistribution economic stability
 - Creating a conducive business environment
 - Raising finance for the government
- 4 x 1 = 4mks*
11. Factors limiting number of entrepreneurs
- Lack of interest in personal business
 - Inadequate market for product
 - Inability of land/lack of land
 - Lack of skills
 - In availability of raw materials
 - Lack of ability to borrow
 - Lack of capital
 - Insecurity
 - Poor infrastructure
 - Government policy
 - Lack of labour
- 4 x 1 = 4mks*
12. Unethical practices
- Giving false/misleading information about product
 - Promoting sales with genuine product but actually selling counterfeits
 - The content of the message may be offensive to the public
 - False pricing of product
 - Not disclosing side effects of the product
 - Negative effect on environment
 - Social cultural conflicts
 - Cheating on ingredients of the product
 - Use of prizes to be won which may not exist
- 4 x 1 = 4mks*
13. a) Decrease
b) Increase
c) No effects
d) Increase
- 4 x 1 = 4mks*

$$\begin{aligned}
 14. \text{ Cost of goods sold} &= \text{OS} + \text{P} - \text{CS} \\
 &= 100,000 + 520,000 - 80,000 \\
 &= \text{sh } 540,000
 \end{aligned}$$

$$\text{Average stock} = \frac{\text{OS} + \text{CS}}{2} = \frac{100,000 + 80,000}{2}$$

$$\begin{aligned}
 &= \text{sh } 90,000 \\
 \text{Rate of stock turnover} &= \frac{\text{cost of goods sold}}{\text{average stocks}} \\
 &= \frac{540,000}{90,000} \\
 &= 6 \text{ times}
 \end{aligned}$$

4 ticks x 1 = 4mks

15. Benefit of using electronics filing

- Easy to access the information
- Reduces cost of materials
- Requires less storage facilities
- Involve less paper work
- Ensures safety/security of documents
- Reduces pollution/environment friendly

4 x 1 = 4mks

16. Why small business are popular

- Require little capital
- Easy to manage/control
- Flexible
- Easy to start/form/require few legal requirements
- Little/few risks
- Cheaper to operate/low operating costs
- Top security

4 x 1 = 4mks

17. Benefits from inland container depots

- Fasten loading /offloading
- Proper handling of goods
- Enhance safety
- Reduce packing cost
- Possible for door to door delivery

4 x 1 = 4mks

18. Managing resources to alleviate unemployment

- Government funding entrepreneurs
- Carrying out research
- Training new talents
- Sensitization
- Promoting using mass media
- Improve infrastructure
- Provide incentives to entrepreneurs
- Reclamation of waste land

4 x 1 = 4mks

19. Negative effects of inflation

- Discourage saving
- Increase in interest rate/high cost on credit
- People with fixed income are hard hit/suffer more
- Lenders loose
- Social political unrest/instability/bring conflict
- Worsening balance of payment
- Unfair/uneven distribution of income
- Low income earners/unemployed are hard hit
- Hampers preparation of development plan/budget
- Loss of confidence in currency
- Adverse effect on investments

4 x 1 = 4mks

20. Invoice price	120,000	
Less trade discount		
$(\frac{5}{100} \times 120,000)$	<u>(6,000)</u>	
		<u>114,000</u>
Less cash discount		
$(\frac{10}{100} \times 114,000)$	<u>(11400)</u>	
		<u>102,600</u>

4 ticks x 1 = 4mks

21. Problems when government is a major investment

- Discourage private investment
- Poor quality goods/services
- Limited choices for consumer
- Inefficiency
- Burden to tax payers/increase government expenditure
- Lack of accountability/transparency
- Unstable management
- Political interference
- Bureaucracy /red-tape

4 x 1 = 4mks

22. Challenges associated with development planning

- Inadequate data
- Inaccurate data
- Inadequate funds
- Inadequate supply of specialists
- Political instability/conflicts
- Conflict of interest
- Over ambitious plans
- Natural catastrophes
- Lack of political good will
- Donor withdrawal

4 x 1 = 4mks

23. Causes of high level of income

- Availability of human resources/labour supply
- Availability of capital
- Culture that encourages entrepreneurship
- Availability of land/natural resources
- High level of technology
- Political stability/goods governance
- Foreign investment

4 x 1 = 4mks

24. Conditions for contract

- Must be for legal purposes
- Insured and insurer must have legal capacity to contract
- Terms and conditions must be acceptable by both parties
- Payment of premiums must be made
- Risk must be insurable

4 x 1 = 4mks

25. Merits of e-commerce

- Access to large markets/global market
- Large and small businesses can use internet
- Fast/quick
- Reduces paper work
- Cheap way /saves cost
- One can access other information

4 x 1 = 4mks

THARAKA NORTH / SOUTH SUB-COUNTIES JOINT EXAMINATION**565/2****BUSINESS STUDIES****Marking scheme****1.****a) Diseconomies of scale**

- Complexity of management due to expanded operation
- Delay in decision making due to increase red-tape /bureaucracy
- High cost per unit after the optimal size has been reached
- Poor labour relation due to lack of direct contact with management
- Inflexibility due to shifting costs to other lines/over investment in the existing business.
- High cost of inputs due to exhaustion of existing sources
- Marketing diseconomies due to limited size of market
- Technical diseconomies due to use of outdated/obsolete technology.

1mk for mention otherwise 2mks for explanation**b) Advantages of liberalizing foreign trade**

- Variety of goods/services giving people a choice to satisfy different consumer needs
- Access to goods/services it does not produce by buying them from other countries.
- International peace/understanding is created due to independence.
- Enhances specialization in production of goods/services in which it has the greatest comparative advantages.
- Generates revenue through taxes paid by exporters/importers in the country.
- Dispose surplus goods/services thereby avoiding wastage.
- Creation of employment for those engaged in trading activities thereby increasing standard of living.
- Acquiring technology/skills from other countries
- Each foreign exchange which it can use to pay for its imports.
- Able to get goods/assistance from other countries during times of calamities.
- Promote health competition among local /foreign producers thereby producing quality goods.

1mk for mention otherwise 2mks for explanation**2.****a) Factors that facilitate entrepreneurial development**

- Good infrastructural development in an economy
- Favourable government policy
- Increased levels of skills
- Availability of market/demand
- Availability of resources /capital /labour
- Fair level of competition
- Political stability
- Natural factors/land

5 x 2 = 10mks**b) Channels of distribution of imported goods**

- a. Foreign producers → local consumers
- b. Foreign producers → foreign agent → local consumer
- c. Foreign producer → foreign agent → local agent → local consumer
- d. Foreign producer → local agent → local consumer
- e. Foreign producer → foreign agent → local agent → local wholesaler → local consumer
- f. Foreign producer → foreign agent → local agent → local retailer → local consumer
- g. Foreign producer → foreign agent → local agent → local wholesaler → local retailer → local consumer
- h. Foreign producer → foreign agent → local wholesaler → local consumer
- i. Foreign producer → foreign agent → local retailer → local consumer
- j. Foreign producer → foreign agent → local wholesaler → local retailer → local consumer
- k. Foreign producer → local agent → local wholesaler → local retailer → local consumer
- l. Foreign producer → local agent → local retailer → local consumer
- m. Foreign producer → local agent → local wholesaler → local consumer
- n. Foreign producer → local wholesaler → local retailer → local consumer
- o. Foreign producer → local wholesaler → local consumer
- p. Foreign producer → local retailer → local consumer

Use of arrows/statement any 5 x 2 = 10mks

3. a)

Date	Details	D.A	Cash	Bank	Date	Details	D.R	Cash	Bank
June					June				
1	Bal b/d ✓		55,000	250,000	3	Stationary ✓		4500	
2	Sales ✓			35260	8	Meme ✓	6000		94000
12	Rehema ✓	1200		58800	15	Wages ✓		30000	
25	Bank C ✓		50,000		20	Water bill ✓		4000	
28	Mugao ✓	7500		67500	25	Cash C ✓			50,000
30	Cash C ✓			52,000	30	Bank ✓		52800	
					30	Bal c/d ✓		13700	320,360
		8700	105,000	464,360			6000	105,000	464360

36 ticks x $\frac{1}{3}$ = 12mks

b) **Functions of money**

- Medium of exchange as it can be exchanged for goods/services since it is generally accepted
- Measure of value as value of goods/services can be compared and determined
- Store of value a goods/services can be sold and their value stored in form of money.
- Standard for deferred payments as it assists to conduct business on credit
- Unit of account as value of goods/services are recorded in terms of money.

4.

a) **Decision on what to produce**

- Government policy - product should be in line with existing government policy.
- Capital requirement as it can produce a product it can afford to finance.
- Market as it can produce with ready market.
- Competition should be fair.
- Profitability one to generate high profits.

Any 5 x 2 = 10mks

Any other relevant point

b) **Merits of open office plan**

- Easy supervision of employee performance they are in the same room
- Economy of the space as it has not been lost through partitions.
- Minimal cost as it is cheap to construct/maintain/decorate
- Sharing of resources /facilities thus avoiding wastage
- Fast /easy communication between workers as they are found in the same room
- Flexibility as it is easy to re-arrange /redesign when need arises
- Enhanced team work by sharing ideas/friendship promoted
- Faster flow of work due to reduce movement
- Discourage absenteeism/lateness due to closer supervision
- Discourage misuse of office resources thus promoting accountability
- Discourage laziness/idleness since worker can see each other
- Easy/faster location of staff since they work in the same room

1mk for mention otherwise 2mks for explanation

5.

a) **Functions of wholesalers**

- Act as link between producer and retailer
- Transport of goods from producer to their premises/to retailers
- Storage/warehousing to ensure continuous supply
- Price stability by storing goods when production is high and releasing them during low production season.
- Reducing operational costs. As they act as a vital link between producer and retailers.

- Advise to both producer and retailer about pricing/use of goods
- Advertise goods they deal in
- Preparing goods for sale by blending/grading/packing/sorting etc
- Financing trade by paying producers cash *1mk for mention otherwise 2mks*

b) Acquiring monopoly power

- If the firm has secretive production technique which denies other firms the use of technique.
- If the firm has control over strategic inputs thus making the firm to have sole access to inputs.
- If the venture requires large capital other firms may not be able to raise leaving the field to one firm.
- If the firm enjoys greater economies of scale thus producing at a lower cost than others.
- If the firm is set up as state monopoly thus shutting out competition.
- If firms merge/amalgamate /combine to become only producer.
- If the market is the best served by one firm more economically other firms entering may make less due to low sales, hence the firm remains dominant.
- If the firm has patent right/copy right which bars others from selling the product. *1mk for mention otherwise 2mks*

6. a)

Union Traders

Trading, Profits and Loss A/C

For the year ended 30th September 2015

	shs		shs
Opening stocks	45,000✓	Sales	320,000✓
Add Purchases	<u>140,000</u> ✓	Less returns in	15,000✓
	185,000✓	Net sales	105,000✓
Add carriage in	5400✓	-	
	190,000✓		
Less returns out	19,000✓		
Goods for sale	171,400✓		
Less closing stock	22,000 ✓		
CO GS	149,000✓		
GP c/d	155,600✓		
	305,000		105,000
Salaries/wages	50,000✓	GP b/d	155,600✓
Power/Lighting	12,000✓	Add discount return	2000✓
Carriage out	2,300✓	Add commission	8000✓
Net profit c/d	95300✓		
	165,600		165,600

*Any 20 ticks x ½ = 10mks***b) How communication enhances trading activities**

- Giving and receiving information between the firm and outsiders/within departments
- Classification of issues to avoid confusion
- Enhances public relations so as to promote corporate image to members of the public.
- Starting and influencing action by communicating their ideas and ensure they are implemented.
- Improve customer services through handling customers inquiries and giving feed backs
- Co-ordination of departments for linkage of activities to achieve harmony at work.
- Giving assurances through appreciating good work of an employee.

1mk for mention otherwise 2mks for explanation

GEM SUB-COUNTY FORM 4 JOINT EVALUATION**565/1
BUSINESS STUDIES
PAPER 1**

1. Outline four reasons why cash payment is preferred to cheque payment. (4 marks)
2. Identify four types of insurance policies relevant to a supermarket owner. (4 marks)
3. Outline four challenges that a firm would experience as a result of expansion of the entire industry in which it is found. (4 marks)
4. Outline four factors that affect business activities and which the business has control over. (4 marks)
5. Outline four features of a good filing system in a firm. (4 marks)
6. For each of the following transactions indicate the account to be debited or credited.

Transaction	A/C debited	A/C credited
a) Received discount from Top suppliers		
b) Allowed discount to Shujaa Traders		
c) Sold furniture to Owuor on credit		
d) Took stock worth sh.200 for personal use		

7. State four advantages of using the internet as a means of communication. (4 marks)
8. Highlight four ways in which transport is important to a business. (4 marks)
9. State four circumstances under which a producer would sell his goods directly to the consumer. (4 marks)
10. State four characteristics of basic human wants. (4 marks)
11. In the spaces provided state the source document for each of the subsidiary books given below. (4 marks)

Subsidiary book	Source document
a) Sales Journal	
b) Purchases journal	
c) Returns inwards journal	
d) Returns outwards journal	

12. State four advantages of using direct taxes to collect revenue in a country. (4 marks)
13. Identify the type of utility created by the following activities. (4 marks)

Activities	Utility
i) Keeping heavy clothes till rainy day	
ii) A student buying a text book from a bookshop	
iii) Transporting bread to a school canteen	
iv) Making lockers for students	

14. The following formula is used in National Income Computation.

$$Y = C + I + G + (X - M)$$

Identify what each of the following letters stand for, C, I, G & M

15. The table below relates to four different businesses, insert the correct values for A, B, C and D. (4marks)

Firm	Assets	Capital	Liabilities
1	2,310,642	A	486,932
2	B	40,385	96,483
3	941,682	31,685	C
4	3,104,611	D	395,348

16. The population of the youth in country X is likely to be $\frac{3}{4}$ of the total population in ten years time. Highlight four challenges

this country will face at this point in time.

(4 marks)

17. Highlight four factors that determine the amount of money held by an individual for transaction motive.

(4 marks)

18. The following information relates to Kembe Traders as at 31st December 2008

(4 marks)

Rate of stock turnover 3 times

Mark up 20%

Opening stock sh.160,000

Closing stock sh.200,000

Required : Determine

i) Gross profit

ii) Sales

19. Outline the procedure followed in personal selling.

(4 marks)

20. State four reasons why an entrepreneur needs to prepare a business plan.

(4 marks)

21. State four reasons why parastatals perform poorly in Kenya.

(4 marks)

22. Highlight four features of a public warehouse.

(4 marks)

23. Identify four methods through which the government gets involved in business.

(4 marks)

24. State four limitations of trade restrictions to a country.

(4 marks)

25. The following balances were extracted from the books of Highway stores on 31st Dec. 2015

<u>Items</u>	<u>Shs.</u>
Land and buildings	650,000
Stock	470,000
Bank overdraft	80,000
Debtors	350,000
Ten year loan	500,000
Creditors	220,000
Cash	50,000
Motovan	150,000

Required :

i) Prepare a balance sheet for Highway Stores as at 31st Dec. 2015.

(4 marks)

GEM SUB-COUNTY FORM 4 JOINT EVALUATION**565/2****BUSINESS STUDIES****PAPER 2**

1. a) Explain FIVE ways in which the efficiency of a warehouse can be enhanced. (10 marks)
 b) The following table represents the supply of sweet potatoes for three (3) months.

Year (2016)	Price per kg (shs)	Quantity supplied (kg)
January	100	100,000
February	100	90,000
March	100	80,000

Explain FIVE reasons to account for the change in quantity supplied of sweet potatoes in the market. (10 marks)

2. a) Many schools in Kenya have purchased school buses through Hire Purchase Finance. Explain any FIVE reasons why many companies are offering hire purchase schemes to their customers. (10 marks)
 b) Explain FIVE current trends in Kenya's banking sector. (10 marks)
3. a) Outline FIVE differences between a private company and a public corporation. (10 marks)
 b) The following transactions relate to Mamboleo Retailers for the month of September 2014
 Sept 3 Sold goods on credit to Bukachi sh.14000 and Janet sh.18000
 Sept 9 Bought goods on credit from Shaban Traders sh.45000
 Sept 14 Bukachi returned goods worth sh.2500
 Sept 18 Purchased goods on credit from Nambaka sh.36000 and Janet sh.1200
 Sept 22 Goods worth sh.7000 were returned to Shaban Traders and goods worth sh.4000 to Nambaka
 Sept 24 Sold goods on credit to Bukachi sh.9000
 Sept 26 Goods returned by Nehemiah sh.3000
 Sept 30 Bought a generator worth sh.450,000 on credit from Dynamite power company
Required :
 Prepare the relevant journals. (10 marks)
4. a) Explain FIVE measures the Kenyan government may take to curb unemployment. (10 marks)
 b) Discuss FIVE reasons why per capita income may not be a perfect measure of standards of living between different countries. (10 marks)
5. a) Kenya, Uganda, Tanzania, Burundi and Rwanda are members of the East African cooperation. Explain FIVE benefits that these countries will enjoy from such an economic integration. (10 marks)
 b) Explain FIVE characteristics of economic resources. (10 marks)
6. a) Outline FOUR roles played by advertising agencies in Kenya. (4 marks)
 b) The following information relates to Baraka traders.

Baraka Traders
Trial Balance as at 31/12/2012

Details	Dr (shs)	Cr (shs)
Capital		100,000
Motor vehicle	100,000	
Machinery	16,000	
Stock (1/1/2012)	12,000	
Debtors	33,500	
Cash	18,000	
Bank	12,800	
Creditors		45,000
Sales		200,000
Purchases	120,000	
Carriage inwards	2,000	
Returns	1,200	1,000
Carriage on sales	4,000	
Discounts	3,000	4,000
Salaries	2,000	1,000
Rent		500
Insurance	10,000	
Telephone	9,000	
Electricity	8,000	
	351,500	351,500

Closing stock was valued at sh.8000

Required :

- i) The trading profit and loss account. (8 marks)
 ii) The balance sheet (4 marks)

GEM SUB-COUNTY FORM 4 JOINT EVALUATION**565/1****BUSINESS STUDIES****Marking scheme****1. Outline four reasons why cash payment is preferred over cheque payment**

- Cash is legal tender but cheque is not
- When the amount is small
- Bank account is not a requirement for cash payment
- Personal cheques can easily be dishonoured
- No bank charges incurred as is the case in cheques
- Cash is immediate while cheque may have to wait

4mks**2. Insurance policies relevant to a supermarket owner**

- Fidelity guarantee
- Workman's compensation
- Sprinkler leakage
- Cash In transit
- Third party policy
- Personal accident cover

4mks**3. Outline four challenges that a firm would experience as a result of expansion in the entire industry**

- Scramble for raw materials
- Scramble for land for expansion
- Scramble for available labour
- Competition for available markets
- Easy target especially in times of war

4mks**4. Outline four factors that affect business activities and the business has control over them**

- Business structure
- Business culture
- Business resources
- Business objectives
- Business owners

4mks**5. Outline four features of a good filing system in a firm**

- Should be simple
- Should be compact
- Should be easily accessible
- Should be neat
- Should be flexible
- Should be economical
- Secure / safe
- Suitable

4mkss**6. For each of the following transaction, indicate the accounts to be debited and the account to be credited**

Transaction	A/C debited	A/C credited
i) Received discount from top suppliers	Top suppliers	Discount received
ii) Allowed discount to Shujaa traders	Discount allowed	Shujaa
iii) Sold furniture to Owuor in cash	Cash	Furniture
iv) Took stock worth sh.200 for personal use	Drawings	Purchases

4mks

7. State four advantages of using internet as a means of communication

- Worldwide connectivity
- Helps send / receive email
- Faster means of communication
- Can advertise goods on internet
- Helps in holding conference online
- Helps in selling goods online
- Helps download and print data

4mks

8. Highlight four ways in which transport is important to a business

- Helps bridge a gap between producer and consumer
- Encourages specialisation
- Ensures constant supply of goods and services
- Ensures stability of prices of commodities
- Helps dispose off surplus produce
- Improves usefulness of a product
- Avails variety of products

4mks

9. State four circumstances under which a producer would sell directly to a consumer

- When the product is highly perishable
- When the product is too costly
- When the product is tailored to meet customer's specifications
- When the goods are too sensitive in nature
- When the government requires so
- When the goods are few
- When the market is concentrated / producer is closer to consumer

4mks

10. State four characteristics of basic human wants

- One cannot do without them
- They are felt needs
- They are satisfied before secondary wants
- They cannot be postponed

4mks

11. State the source document for each of the following subsidiary books

Subsidiary	Source document
i) Sales journal	Sales / outgoing / invoice issued
ii) Purchases journal	Purchases / incoming invoice / received
iii) Return inwards journal	Outgoing / issued credit note
iv) Return outwards journal	Incoming / received credit note

12. State four advantages of using direct taxes to collect revenue in a country

- They are progressive / equitable
- The poor are exempted
- It is certain
- It is convenient i.e. tax collected at time of earning
- Guarantees fair redistribution of wealth
- Creates sense of citizenship
- Economical in terms of collection
- It is elastic / flexible
- It is desirable i.e. only affects disposable income and not prices

4mks

13. Identify the types of utility created by the following activities

- i) Time
- ii) Possession
- iii) Place
- iv) Form

4mks

14. Identify what the following letters stand for

- C - expenditure on consumer goods
- I - expenditure on capital goods
- G - government expenditure
- M - payment for imports

4mks

15. Identify the values represented by the following letters

Assets	Capital	Liability
2,310,642	1,823,710	486,392
136,868	40,385	96,483
941,682	31,685	909,997
3,104,611	2,709,263	395,348

4mks

16. The population of the youth in country X is likely to be three quarters of the total population in ten years time. Highlight four challenges this country is likely to face at this time

- High dependency ratio
- High rate of unemployment
- Increased social evils
- Low labour supply
- Pressure on goods / services used by the youth
- Reduced savings / investment
- Diversion of government expenditure towards needs of the youth

4mks

17. Outline four factors that determine the amount of money held by an individual for transaction motive

- Amount of income
- Size of household
- Price levels in the economy
- Spending habits
- Age of individual
- Level of inflation

4mks

18. i) Gross profit

$$\text{GROSS PROFIT} = \text{COGS}$$

AV stock □□

$$\frac{\text{COGS}}{180,000} = 3$$

$$\text{COGS} = 540,000$$

$$\text{COGS} = 540,000$$

$$\text{Mark up} = \frac{\text{GP}}{\text{COGS}}$$

$$\frac{\text{G.P}}{540,000} = \frac{20}{100}$$

$$\text{G.P} = \text{sh.}108,000$$

2mks

ii)

Sales

$$\begin{aligned} \text{Sales} &= \text{COGS} + \text{GP} \\ &= 540,000 + 108,000 \\ &= 648,000 \end{aligned}$$

2mks

19. Outline the procedure followed in personal selling

- Identify the prospective customer
- Establishing contact with the prospective customer
- Arousing the interest on the product
- Dealing with objections on the product
- Closing the sale
- After sale service

4mks**20. State four reasons why an entrepreneur needs to prepare a business plan**

- To attract funding
- To test ideas on paper before putting them into practice
- Basis of evaluating performance
- Blue print for winning business
- Helps in identifying weaknesses and strengths

4mks**21. State four factors that make parastatals to perform poorly in Kenya**

- Widespread corruption / embezzlement of funds
- Poor management
- Political interference
- Lack of accountability
- Stiff competition from private sector
- Poor customer relations

4mks**22. Highlight four features of a public warehouse**

- Offer storage space for the public
- Insurance of goods is mandatory
- Have extensive documentation
- Managed as a business in its own right
- Usually big in size
- Usually situated near main transport terminal

4mks**23. Identify four methods through which the government gets involved in a business**

- Regulation
- Training
- Trade promotion
- Creating enabling environment
- Provision of public utilities

4mks**24. State four limitation of trade restrictions to a country**

- Leads to retaliation
- Limited markets
- Hampers technology transfer
- Reduction in revenue collection
- May lead to BOP deficit

**25. Highway Stores
Balance sheet
As at 31st Dec. 2015**

Land & buildings	650,000	Capital	870,000
Motorvan	150,000	10 yrs loan	500,000
Stock	470,000	Creditors	220,000
Debtors	350,000	Bank overdraft	80,000
Cash	50,000		
	<u>1,670,000</u>		<u>1,670,000</u>

 $\frac{1}{2} \times 8 = 4mks$

GEM SUB-COUNTY FORM 4 JOINT EVALUATION

565/2

BUSINESS STUDIES

Marking scheme

1.

a) Ways in which the efficiency of a warehouse can be improved

- Ensuring appropriate / proper buildings to suit / match the type of goods to be stored
- Suitable / appropriate / adequate facilities / equipment (such as forklifts etc) for effective handling of goods
- (Should be linked to) good / appropriate / efficient / reliable transport network system to facilitate movement of goods in / out of the warehouse
- Linked to good / appropriate / efficient / reliable communication network / system to facilitate easier contact with clients / suppliers / other concerned parties
- Sufficient space to allow easy movement / accommodation of goods / personnel
- Qualified / (well) trained staff / skilled / efficient staff to enhance proper / efficient management / functioning of the warehouse
- Appropriate storage facilities depending on the type of goods to be stored (accept examples of storage facilities as an expansion e.g. refrigeration for goods requiring cold storage)
- Proper recording system / inventory control to ensure monitoring of goods moving in / out of the warehouse
- Compliance with legal requirements / govt policies to avoid conflicts with authorities / govt. (accept examples of legal requirements as a mention)
- Adequate security to ensure protection of goods / personnel (from theft / robbery / burglary / pilferages)

2 x 5 = 10mks

Splitting

1mk mention otherwise 2mks for a fully explained point

Total 10mks

b) Explain five reasons to account for the change in quantity supplied of potatoes in the market

- Poor climatic conditions (which do not favour the production of potatoes) hence decrease in supply of potatoes
- Increase in the cost of production limiting of producer to produce more hence decrease in supply for potatoes
- Increase in price of substitute product hence a decrease in supply
- Unfavourable government policies which do not favour mass production of potatoes (hence decrease in supply of potatoes)
- Change in the goals of the firm which do not favour increase in production of potatoes
- Exit / withdraw of firms from the industry / market causing a decrease in supply of potatoes
- Poor methods of production resulting to reduction in potatoes produced (hence a decrease in supply)
- Expectations of future increase in price of potatoes hence the producer supply less
- Inadequate factors of production limiting the producers ability to produce potatoes in large quantity (hence a decrease in supply of potatoes)
- Incidence of strikes - (workers go on strike) which interferes with the supply of potatoes (hence a decrease in supply)

1mk mention, otherwise 2mks each for any 5 fully explained points

Total 10mks

2.

a) Explain five reasons why many companies are offering hire purchase schemes to their customers

- They earn higher profits since they charge higher interest rates
- It increases their sales volumes
- Use of check off system reduces non-payment by salaried customers
- Goods / products are repossessed by the companies if buyers default in payment
- If goods are repossessed, no refund is made by seller / companies
- Ownership of goods remain with the seller / companies until full payment of products or $\frac{3}{4}$ of payment has been made

any 5 x 2 = 10mks

b) Explain five current trends in Kenya's banking sector

- Increased / widespread use of Automatic Teller machines ATMs / ATM cards has enabled banks to offer services to clients / purchase from designated retail outlets (using ATM cards / debt cards)
- Networking of branches / computerised services has facilitated ability to transact business from any branch countrywide / faster processing of transactions e.g. clearing of cheques take less time (accept examples of computerised services as a mention)
- Relaxation of conditions relating to operation of bank accounts since features of specific account types across different banks are no longer uniform (but keep on changing in line with competitive market) / accept examples of relaxed conditions as an expansion e.g. saving accounts - with cheque books)
- Easier credit conditions - variety of loan products / loans with minimal requirements are now available (to attract more customers)
- Customer care services to cater for customers who may require personalised / specialised advice / assistance
- Banking services by Micro-Finance Institutions through provision of basic banking services e.g. Faulu Kenya, Front Office Service Activities (FOSA, KWFT) accept examples of micro-finance institution as expansion)

- Emergence of Agency banking whereby some financial institutions allow some businesses to provide financial services on their behalf (accept benefits of agency banking as explanation)
- Liberisation of foreign exchange dealings / licensing of forex bureaux has enabled clients to access foreign exchange services more conveniently / readily
- E-banking has enabled clients to carry out some banking transactions by use of computers online
- M-banking - customers can carry out some banking transactions via mobile phones e.g. balance inquiries / salary deposit alerts / airtime top up / payment of bills / cheque book ordering etc.
- Restructuring / rationalizing of operations by merging / closing some branches / introducing new outlets / retrenching (to improve service delivery)

1mk for mentioning otherwise 2mks for any five well explained points

Total 10mks

3. a) Differences between private company and public corporation

Private Company

1. Owned by a minimum of 2 and a maximum of 7 members
2. Do not allow public to subscribe to its shares
3. Formed through companies Act
4. Managed by at least 2 directors
5. Source of capital is majorly from the members contribution
6. Do not allow members of public to scrutinise its books of accounts

Public Corporation

1. Owned by government which control over 50% shareholding
2. May allow public to subscribe to its shares
3. Formed through act of parliament
4. Managed by a board of directors appointed by the president or cabinet secretary
5. Initial source of capital is from the government
6. Allow members of public to scrutinise its books of accounts **any 5 x 2 = 10mks**

b) Preparation of relevant Journals

Sales journal / diary / day book

Date	Details	Invoice No.	LF	Amount (sh)
<u>2014</u>				14,000
3/9	Bukachi			18,000
3/9	Janet			9,000
24/9	Bukachi			
	Totals to be posted to sales A/C			41,000

Purchases journal / diary / day book

Date	Details	Invoice No.	LF	Amount (sh)
<u>2014</u>				
9/9	Shaban Traders			45,000
18/9	Nambaka			36,000
18/9	Janet			1,200
	Totals posted to the sales A/C			82,200

Sales returns / return inwards journal / diary / daybook

Date	Details	Credit Note	LF	Amount (sh)
<u>2014</u>				
14/9	Bukachi			2,500
26/9	Nehemiah			3,000
	Totals to be posted to sales returns A/C			<u>5,500</u>

Purchases returns / return outwards journal / diary / day book

Date	Details	Credit Note no.	LF	Amount (sh)
<u>2014</u>				
22/9	Shaban Traders			7,000
22/9	Nambaka			4,000
	Totals to be posted to purchases returns A/C			<u>11,000</u>

The journal / journal proper / general journal

Date	Details	Folio	Dr	Cr
2014				
30/9	Generator Dynamite power company		450,000	450,000
	To record generator bought on credit from Dynamite power Co.			

20 x ½ = 10mks

Notes :

- i) Award only if the title of the journal is correctly written
 - ii) Date and details must be correct
 - iii) Deduct ½mk for each journal incase invoice / credit note number columns are missing or not labelled
4. a) Explain five measures the Kenyan government may take to curb unemployment
- Population policy / check population growth rate / ensure population is growing at the same rate as the economy by adopting strategies that limit family size (accept examples of strategies as explanation)
 - Retraining / redesigning / transforming the education sector / system / adopting relevant education system with a view to emphasise (acquisition) of skills required by existing labour market / reduce job selectivity / promote multi- tasking
 - Establishment of appropriate employment policies e.g. adopting labour intensive techniques / setting appropriate retirement age / giving incentives to firms that absorb more workers to make it easy for people to get jobs
 - Transforming the agricultural / rural sector by providing adequate / better social amenities / initiating (new) income generating projects / setting favourable govt policies / reclamation of land / improvement of infrastructure etc to curb rural urban migration
 - Diversification of the economy by introducing a variety of economic activities to guarantee employment throughout the year
 - Encourage domestic / foreign investments (by creating an enabling environment) through enhancing security / tax reduction / exemption / subsidies / allowing foreign investors to repatriate profits home etc.
 - Optimum / effective utilization of local (natural) resources to grow the economy / through various incentives / to expand the number of persons (gainfully) employed

- Development / encouragement of jua kali / informal sector through incentives like subsidies / lowering / reducing taxes / training / credit facilities etc (to encourage self employment)
- Delocalization policy / spreading of industries in different parts of the country thereby ensuring balanced regional development / reduced rural urban migration / labour supply in an area does not exceed available job opportunities
- Adoption of appropriate income / wage policies thereby harmonising incomes / reducing / eliminating wide wage / income disparities between sectors / regions / genders
- Increasing government expenditure to expand / increase the size of the economy / finance devt projects
- Setting up specific Funds (e.g. YEF, UWEZOFUND etc) to assist the unemployed start / run / expand income generating activities
- Exporting labour by assisting the unemployed to acquire jobs abroad / in countries with labour deficiencies
- Improve infrastructure to stimulate / support economic activities (accept examples of infrastructure as a naming)
- Reviving collapsed / inactive industries / projects by injecting funds / selling them / increasing production activities
- Protecting local (infant) industries to guarantee employment of citizens / avoid competition from similar imported products
- b) Discuss five reasons why per capita income may not be a perfect measure of standard of living between different countries
- Different countries use different currencies meaning high per capita income in one country does not mean its better / low per capita income does not mean a country is worse off (since what a given amount of money can buy in one country may not be the same quantity it may buy in another)
- Different countries have different levels of inflation - high per capita income in a country where inflation is high may not indicate high living standards / lower per capita income in one country where inflation rate is lower does not mean they are badly off
- Population in different countries have different tastes / preferences / difference in basket of commodities
- Higher per capita income in one country may not indicate a higher standard of living since tastes / preferences in that country may be expensive / low per capita income in one country may mean inexpensive tastes of commodities and hence not necessarily lower standards of living
- Different countries may have different levels of accuracy of data
Its not easy to determine the country with higher / lower standards of living since there are high chances of inaccurate / unreliable data / information on population, incomes, GDPs etc.
- Different countries do not have similar income distributions
One country may have a more even / uneven income distribution than the other making it difficult to gauge where living standards are higher / lower
- Difference in level of sacrifice / effort in different countries
A country with higher per capita income may have simply attained that due to sacrifice / hardwork / extra effort and vice versa and cannot be presumed to have a higher standard of living than a country where workforce is lazy
- Expenditure of different countries on special needs / emergencies / calamities / social needs vary
A country may have a higher per capita income but with huge expenditure on wars, diseases, famine, natural calamities / social needs and vice versa
- Different countries have different size of subsistence sectors / non-marketed output / unpaid goods / services
A country may have low per capita income than another but with a large volume of non-marketed output and vice versa
- Expenditure of products not meant for immediate satisfaction
Some country may spend huge amounts of money on projects that may be completed in years ahead (making it difficult to compare welfare at present)
- 5. a) Explain five benefits that countries within East African cooperation enjoy from economic integration
- Extension of markets - (expansion of markets) for locally produced goods / allows the East African countries to produce more in order to cater for the expanded market
- Creation of industries - the large market resulting from the East African cooperation leads to establishment of large industries / maximum utilisation of the existing production plants
- Trade promotion - by allowing free movements of goods within East African countries will eventually lead to specialise along lines of cooperative advantage. Specialisation promotes trade hence creating new opportunities for trade
- Competition - the enlargement markets tend to encourage competition between the East African firms, this will promote efficiency in production and therefore high quality goods will be produced by these countries in order to embrace competition
- Research - research institutions are likely to be established for the purpose of increasing efficiency in production, each member country, will strive to produce very high quality products which cater for the needs of the people in East Africa
- any 5 x 2 = 10mks**
- b) Characteristics of economic resources
- They are scarce / limited in supply
- They have money / monetary value
- They have utility
- They can change ownership / transferability
- They can be combined to produce other goods and services **2 x 5 = 10mks**
- 6. a) Roles of advertising / promotional agencies
- They undertake advertising / promotional tasks on behalf of their clients
- They advice their clients on promotional / selling methods / techniques
- They assist firms in designing their trade marks / trade names / logos / packaging materials

- They select appropriate media suitable for advertising their client's products
- They book space / time in various media house for advertising on behalf of their clients
- They undertake creative work for advertisement like artwork / copywriting production

2 x 4 = 8mks

b) i) Baraka Traders
Trading, Profit and Loss Account
For the period / year ending 31/12/2012

Dr		Cr	
Opening stock	12,000	Sales	200,000
Add: purchases	120,000	Less: sales /ret. inwards	<u>1,200</u>
Add: carriage inwards	2,000	Net sales	198,800
	122,000		
Less: return outwards	<u>1,000</u>		
	<u>121,000</u>		
Goods available for sale	133,000		
Less: closing stock	8,000		
Cost of sales	125,000		
Gross profit c/d	<u>73,800</u>		
	<u>198,800</u>		<u>198,800</u>
<u>Expenses</u>		Gross profit b/d	73,800
Carriage on sales	4,000	Discount received	4,000
Discount allowed	3,000	Salaries	1,000
Salaries	2,000	Rent received	500
Insurance	10,000		
Telephone	9,000		
Electricity	8,000		
Net profit c/d	<u>43,300</u>		
	<u>79,300</u>		<u>79,300</u>

24 ticks x 1/3 = 8mk

ii) Balance sheet
Baraka Traders
Balance sheet
As at 31st December 2012

<u>Fixed assets</u>		Capital	100,000
Motor vehicle	100,000	Add: net profit	<u>43,300</u>
Machinery	16,000	Net capital	143,300
<u>Current assets</u>	-	<u>Current liabilities</u>	-
Stock	8,000	Creditors	45,000
Debtors	33,500		
Cash	18,000		
Bank	12,800		
	<u>188,300</u>		<u>188,300</u>

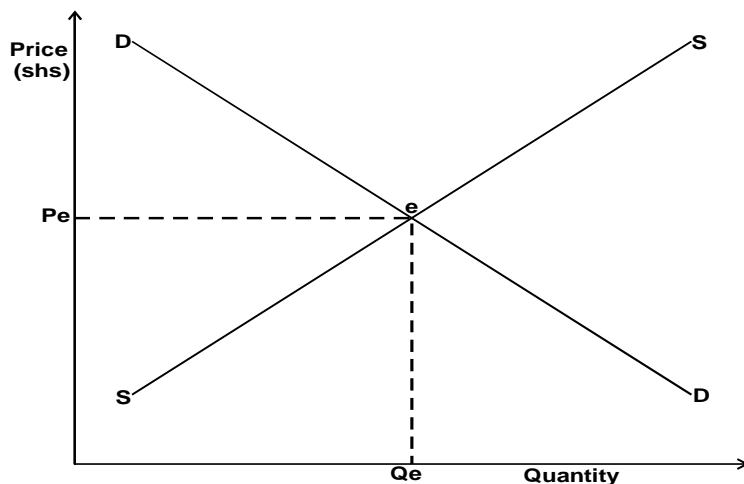
12 ticks x 1/3 = 4mks

KANDARA SUB-COUNTY FORM 4 JOINT EVALUATION**565/1****BUSINESS STUDIES****PAPER 1**

1. Outline four factors to take into consideration when planning an office layout. (4 marks)
2. Outline four drawback of inflation to a country's economy. (4 marks)
3. Outline four functions of the international Bank for Reconstruction and Development. (4 marks)
4. Outline four ways in which commercial bank facilitate business activities in Kenya. (4 marks)
5. Highlight four principles of insurance. (4 marks)
6. Indicate in the table the type of advertisement described. (4 marks)

	Description	Type of advertisement
i)	Used to promote a company name	
ii)	Where a product is advertised using a popular person	
iii)	Seeks to promote the sales of a new or existing product	
iv)	where the emphasis is to give full information about a product.	

7. State four factors that may limit the effectiveness of a warehouse. (4 marks)
8. The following diagram represents equilibrium price and quantity for a market. Outline four effects of a shift in demand curve to the left (4 marks)



9. Highlight four factors that may hinder the expansion of small business enterprises. (4 marks)
10. Outline four limitations of using National Income statistics to measure Standards of Living in a country. (4 marks)
11. State four ways through which face-face communication can be made more effective. (4 marks)
12. Outline four distinctions between perfect competition and monopoly. (4 marks)
13. Outline four factors that may hinder a country's development. (4 marks)
14. Highlight four activities that may be carried out in the Nairobi Securities Exchange market. (4 marks)
15. Name the factor of production associated with each of the rewards listed below. (4 marks)

Rewards	Factor of production
Commission	
Royalties	
Interest	
Profit	

16. State the type of unemployment relating to each of the following descriptions. (4 marks)

- a) Caused by alternating trading patterns occurring at similar times.
 b) Arises where workers have more skills and higher qualification than the job requirements.
 c) Arises out of a mismatch between the skills possessed by potential employees.
 d) Arises when people are unwilling to take up jobs due to low pay
17. Highlight four roles of entrepreneurship in an economy. (4 marks)
 18. Highlight four principles of taxation. (4 marks)
 19. State four ways in which the government can influence an increase in demand for a product (4 marks)
 20. State four advantages of air transport over road transport. (4 marks)
 21. Identify the term of payment associated with the following statements. (4 marks)

	Statement	Terms of payment
1	Payment is made when goods are delivered	
2	Payment is remitted alongside the order	
3	Payment is made instantly upon purchase of goods	
4	Payment is made within seven days upon purchase of goods	

22. Compute the missing figures and fill in the blank spaces. (4 marks)

Capital	Fixed Assets	Current Assets	Long term Liabilities	Short term Liabilities
40,000	9,000		15,000	6,000
82,000	100,000	94,000	72,000	
	103,000	100,000	150,000	70,000
150,000		63,000	27,000	23,000

23. Identify the type of ledger appropriate for the following accounts. (4 marks)

	Account	Type of ledger
i)	Land account	
ii)	Debtor Kamau account	
iii)	Creditor Kandara Wholesalers account	
iv)	Electricity expense account	

24. Record the following transaction in the cash book below. Duly balanced. (5 marks)
 On 1st Jan 2015, Mugo traders had shs 22,500 in cash and shs 250,000 at bank. During the month, the following transactions took place.
 5th Jan Received a cheque of shs 45,250 from Wacu traders in full settlement of her debt after allowing a 5% cash discount.
 25th Jan Paid Kandara traders shs 15,000 cash after deducting a cash discount of shs 600.
 30th Jan Deposited all cash into the bank except shs 500.

25. The following information relates to Gakarara traders for the year 2015. (3 marks)

	shs
Net sales	320,000
Margin	25%
Expenses	35,000
Rate of Stock Turnover	6 times

From the information above, calculate

- i) Gross profit (1 mark)
 ii) Cost of goods sold (1 mark)
 iii) Net profit (1 mark)

KANDARA SUB-COUNTY FORM 4 JOINT EVALUATION**565/2****BUSINESS STUDIES****PAPER 2**Answer any FIVE questions.

1. a) Explain **five** merits of pay as you earn (PAYE) system of tax collection (10 marks)
 b) The table below shows the demand and supply schedules for product A in a week.

Price (Sh)	Quantity demanded (kgs)	Quantity supplied (kg)
40	5	60
30	10	40
20	20	20
10	25	10

Using the information given in the table above, draw the demand and supply curves showing the market equilibrium for the product. (10 marks)

2. a) Explain any **four** uses of a computer in an office. (8 marks)
 b) Journalise the following transactions through a general journal. (12 marks)
- Jan 1 Sold an old typerwriter on credit to Githumu academy worth shs 53,000
 6 Bought an old sofa set on credit from Murata Sacco, for shs 8,000
 10 Proprietor converted his personal saloon car for business use worth Kshs 150,000
 12 Paid wages shs 6,000 cash.
3. a) Explain **five** services rendered by a retailer to the consumers. (10 marks)
 b) Explain **five** benefits that a customer may get by using Automated teller machines. (ATMs) for financial transactions. (10 marks)
4. a) Explain **five** benefits that Kenya may get by being a member of common market for East and South Africa States (COMESA) (10 marks)
 b) Explain five factors that one may consider when evaluating a business opportunity. (10 marks)
5. a) Explain **five** benefits that could be enjoyed by a person who takes out an endowment insurance policy. (10 marks)
 b) Describe five principles that distinguish cooperative societies from other forms of business organisations. (10 marks)
6. a) Outline **five** ways in which a society benefits from indirect production. (10 marks)
 b) The following information was extracted from the books of Zamzam traders as at 31st December 2015

	Ksh
Purchases	70,000
Sales	170,000
Stock (1 Jan 2015)	20,000
Capital	240,000
Bank overdraft	145,000
Cash	3,000
Discount allowed	5,000
Discount received	7,000
Return outwards	5,000
Return inwards	4,000
carriage on purchase	2,000
Rent and rates	30,000
Commission received	2,200
Machinery	40,000
Motor vehicles	70,000
Debtors	20,000
Creditors	30,000
Drawings	70,000
Wages and salaries	200,000

Additional information:

- i) Stock on 31st Dec. 2015 was 15,000
 ii) Wages and salaries accrued at 31st Dec. 2015 Kshs 10,000
 iii) Prepaid rates shs 6,000
 iv) Provide depreciation as follows;
 Machinery shs 4,000
 Motor vehicle 10% on cost
 v) Drawings of stock 2,000/=

Required:

Prepare Zamzam traders trading, profit and loss account for year ended 31st Dec 2015.

(10 marks)

KANDARA SUB-COUNTY FORM 4 JOINT EVALUATION**565/1****BUSINESS STUDIES****Marking schemes****1. Factors to consider in office layout**

- cost of construction - should be affordable
- size of the staff - avoid overcrowding / unnecessary free space
- maintenance and running cost - should be within reach
- nature of the organisation's work
- effect on staff morale - avoid negative impact on performance
- space available - to determine if adequate
- security for office and personal property
- legal requirements

4mks**2. Drawbacks of inflation**

- rise in prices of goods and services
- increased pressure for higher wages and salaries by trade unions
- decreased consumer purchasing power
- loss to creditors / lenders as rate of interest is fixed
- loss of confidence in monetary system
- imports become more expensive leading to unfavourable B.O.P
- uneven distribution of income
- reduced savings
- hampers effective implementation of developmental plans
- escalation of price of real estates
- erosion of long term investment e.g. pension

3. Functions of international bank for reconstruction and development

- loans at low interest to finance economic development activities
- provision of grants
- fighting against corruption and poor governance
- loans for balance of payment deficit
- advice on economic challenges
- technical assistance and personnel to run countries economic programmes

4mks**4. Functions of commercial banks**

- accept deposits
- give loans
- issuance of letters of credit
- provision of means of transfer payments
- custodian of valuable items
- financial advice
- trustees
- discounting of bills of exchange promisory notes
- guarantors / referees
- late night facilities e.g. ATM

4mks**5. Principles of insurance**

- utmost good faith
- indemnity
- subrogation
- proximate cause
- contribution
- insurable interest

4mks**6. Types of advertising**

- i) Institutional advertising
- ii) Celebrity advertising
- iii) Product advertising
- iv) Informative advertising

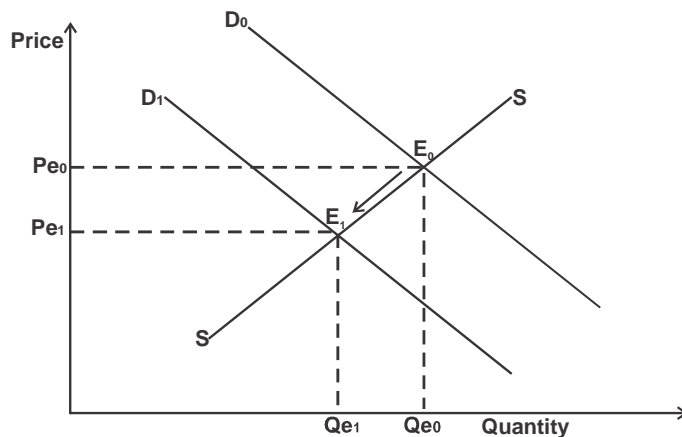
4mks**7. Factors which may limit the effectiveness of a warehouse**

- unsuitable and inadequate space
- poor / lack of proper handling equipment
- poor location
- unqualified and incompetent staff
- lack of good security
- failure of comply with legal requirements
- poor recording system

4mks

8. Effects of a shift of the demand curve to the left on the equilibrium price and quantity

- reduction in price from P_{e_0} to P_{e_1}
- decrease in equilibrium quantity from Q_{e_0} to Q_{e_1}
- shift of equilibrium to the left from E_0 to E_1
- shift in demand curve from DD_0 to DD_1

**9. Factors that may hinder the expansion of a small business enterprise**

- small size of the market
- nature of the product
- simplicity of the organisation
- legal constraints
- inadequate capital
- limited entrepreneurial skills
- shortage of skilled manpower
- belief that a small firm is more manageable

10. Limitations of using national income statistics to measure standard of living

- use inaccurate data
- unfair distribution of income
- changes in consumption patterns and lifestyle
- does not show percentage of income spent on unproductive activities
- high income could be at the expense of citizens social welfare
- may not reflect depreciation or appreciation of assets
- population figures may not have been taken into account

11. Ways through which face to face communication can be made more effective

- clarity of the message to avoid misunderstanding
- proximity / nearness of communicating parties
- use of common language
- positive attitude between communicating parties
- good listening
- proper timing
- free from noise
- audibility

13. Differences between perfect competition and monopoly market

14.

i) Many firms in the industry	i) Single firm in the industry
ii) Free entry and exit	ii) Barrier to entry
iii) Price determined through price mechanism	iii) Price determined by the seller
iv) Cannot practice price discrimination	iv) Practices price discrimination
v) No government interference	v) Government may allow firm monopoly power

13. Factors hindering a country's development

- lack of advanced technology
- poor infrastructure
- lack of capital
- high population growth rate
- limited natural resources
- inappropriate education system
- inappropriate land reforms
- political instability
- negative social cultural practices
- over-dependence of foreign aid

14. Activities carried out at the Nairobi security exchange market

- buying of shares
- selling of shares
- fixing prices of various securities
- provide useful information to investors through publication of business magazines or journals
- measures the economic progress of a country

*4mks***15. Factors of production**

- labour
- land
- capital
- entrepreneurship

16. Types of unemployment

- cyclical unemployment
- disguised / hidden unemployment
- structural / technological
- voluntary unemployment / real wage

17. Roles of entrepreneurship in an economy

- creation of employment
- use of available local resources
- development of new technology
- creation of wealth
- enhancing entrepreneurial culture
- generation of income for self and government
- innovation and creativity

18. Highlight four principles of taxation

- equity
- economy
- certainty
- flexibility
- diversity
- elastic
- simple

19. Ways in which the government can influence an increase in the demand for a product

- reduction in taxes (indirect taxes)
- provision of subsidies
- maintenance of good governance / political stability
- impose taxes on substitute goods
- reduce taxes on consumers income
- increase government expenditure
- provision of an enabling environment for business

*4mks***20. Advantages of air transport over road transport**

- suitable for perishable / fragile goods
- access to remote areas
- connects to different continents
- fastest means of transport
- secure for valuable goods
- minimal loss due to theft
- fixed timetable / reliability

21. Terms of payment

- COD
- CWO
- spot cash
- prompt cash

22. CA 10,000
 ST liabilities 40,000
 Capital - 17000
 FA 137000

23.

- General ledger
- Sales ledger
- Purchases
- Nominal ledger

24.

Date	Details	Disc. all.	Cash	Bank	Date	Details	Disc. rec.	Cash	Bank
1/1/15	Bal b/d		22,500	250,000	25/1/15	Kandara traders	600	15000	
5/1/15	Wacu traders	2381.5		45,250	30/1/15	Bank		7,000	
30/1/15	Cash			7,000	30/1/15	Bal c/d		500	32,200
		2381.58	22,500	302,250			600	22,500	302,250
30/1/15	Bal b/d		500	302,250					

10 ticks x 1/2 = 5mks

25. Gross profit = $\frac{GP \times 100}{\text{net sales}}$

$$G.P = \frac{25}{100} \text{ of sales} = \frac{25}{100} \times 320,000$$

$$= 80,000 \quad (1mk)$$

$$\begin{aligned} \text{ii) Cost of good sold} &= \text{net sales} - G.P \\ &= 320,000 - 80,000 \\ &= 240,000 \quad 1mk \end{aligned}$$

$$\begin{aligned} \text{iii) Net profit} &= G.P - \text{expenses} \\ &= 80,000 - 35,000 \\ &= 45,000 \quad 1mk \end{aligned}$$

-

KANDARA SUB-COUNTY FORM 4 JOINT EVALUATION

565/2

BUSINESS STUDIES**Marking schemes**

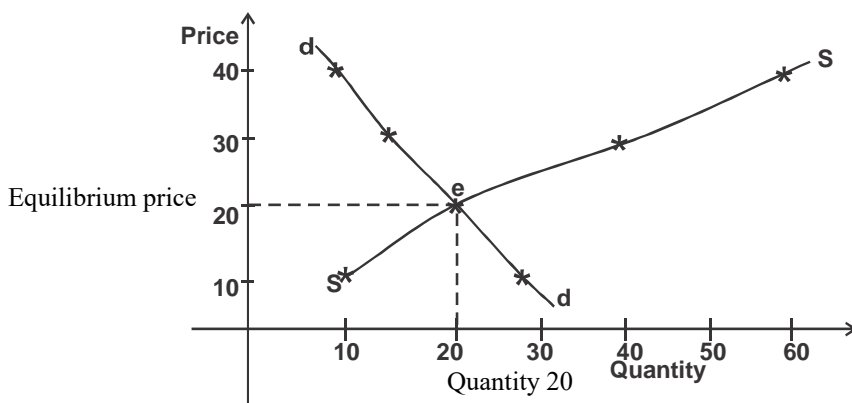
1.

a) Merits of pay as you earn (PAYE) system of tax collection

- certain to both tax payer and tax collector in terms of amount and time
- progressive in nature - hence equitable
- tax payers are conscious of their contribution / keen on how its utilised
- its elastic / as economy grows the amount collected expands
- can be used to control inflation - reduces disposal income
- economical in collection - collect at the source
- its simple to understand

5 x 2 = 10mks

b) Demand and supply curves



NB:

Scale must be correctly used for award of a mark on each of the axis

10 x 1 = 10mks

2.

a) Uses of a computer in an office

- typing / through programs such as word processing and keyboards
- preparation of payrolls / information about employees remuneration can be processed through computers and payrolls, payslips produced
- accounting / through accounting programs e.g. excel, financial transactions are not only keyed in but also analysed and financial statements produced
- stock records for stock control - information about goods bought, issued and balances are automatically processed through the computer
- communication - information can be relayed from individual to individual, organisation to organisation etc. by means of the internet and intranets
- filing - institutional records can be stored either in the internal storage and external storage devices e.g. flash disks

b)

Jan 1st 2015	Githumu academy ü Office equipment ü Being sale of an old typewriter on credit to Githumu academy) ü	53,000	53,000
Jan 6th 2015	Furniture ü Murata Sacco ü (Being purchase of an old sofa set on credit from Murata Sacco ü	8,000	8,000
Jan 10th	Motor vehicle ü Capital ü (Being a record of conversion of a saloon car for business use) ü	150,000	150,000
Jan 12th	Wages ü Cash ü Being payment of wages in cash ü	6,000	6,000

3. a) Functions of retailers to consumers

- break bulk - they sell goods in small quantities as per the need of consumers
- give advice - on the choice and use of goods
- they stock a variety of goods from different suppliers - convenient places
- they store goods and sell them when they are required - ensures continuous supply of goods
- transportation - provide transportation - they transport goods from producers / wholesalers and bring them nearer to consumers
- they may offer credit facilities due to their close contact with customers hence assessment of credit worthiness
- provide a link between consumers and suppliers
- they may offer after-sale services to consumers e.g. installation, repair *5 x 2 = 10mks*

b) Benefits of using ATMs

- access banking services 24 hours - as ATM's operate day and night / located outside banking halls
- fast / saves on time
- can be used to pay utility bills e.g. electricity, water
- enables acquisition of goods and services from designated outlets e.g. supermarkets, petrol station
- cheap to use - because of low charges and elimination of transport expenses
- convenient to use as one can access financial services through agency banking, other commercial banks e.g. Visa *5 x 2 = 10mks*

4. a) Five benefits of COMESA to Kenya

- a wider market is created for goods and services produced in the region
- Kenya is able to specialise in the production of those goods and services it is best endowed with
- promotion of peace and understanding with other member countries due to interaction
- it enhances access to a wider variety of goods and services which satisfy different consumer needs
- acquires high quality goods and services produced due to high competition from members
- creation of employment for individuals living within the region / elimination of work permits
- improved infrastructure due to increased economic activities / joint infrastructure development
- increased production of goods as a result of people engaging in different business activities to satisfy the wider market *5 x 2 = 10mks*

b) Factors that an entrepreneur would consider when evaluating a business opportunity

- profitability / reasonable profit from the investment / in order to cover all the expenses / get surplus
- appropriate technology / should be efficient / cost effective / available
- size / availability of the market / demand should be adequate
- government policy / legal requirements should be favourable / easy to be met / to operate smoothly
- level of competition should be fair / healthy / capable to cope with
- inputs / supplies should be readily available
- capital should be adequate to start to operate
- risks involved / should be minimal / manageable *5 x 2 = 10mks*

5. a) Benefits of an Endowment policy

- saving plan - get compensation either on the expiry of contract period or death
- compensation in case the insured dies / compensation to the beneficiaries
- security - can be used as a security for finance
- in case the contract expires before the insured dies, he enjoys compensation
- can secure a loan for medical / education purposes *5 x 2 = 10mks*

b) Principles of cooperative societies

- open and voluntary membership / no discrimination. Free to join and leave
- democratic administration / one man one vote
- limited interest on capital / limited return on capital in terms of interest
- cooperation with other cooperatives e.g. in purchasing and selling the produce / leads to low costs
- education to members on cooperative activities e.g. on voting rights

6. a) Benefits of indirect production to a society

- goods and services produced are of high quality due to use of machines / technology
- it avails a wide variety of goods and services in the society
- it enhances interdependence among producers in the society thus promoting peace
- trading activities provide employment to people in society i.e. self employment and employment
- large scale production / due to use of improved technology
- there is use of modern technology which reduces the cost per unit
- it promotes division of labour and specialisation / high quality products are produced / large output *5 x 2 = 10mks*

b)

ZamZam Traders
Trading, Profit and Loss account
For year ended 31st Dec. 2015

Opening stock	20,000	Sales	170,000
Add: purchases	70,000	Less: sales returns	<u>(4,000)</u>
Carriage inward	<u>2,000</u>	Net sales	166,000
	92,000		
Less: return outward	<u>5,000</u>		
COGAS	87,000		
Less: closing stock	<u>15,000</u>		
	72,000		
Less: drawings of stock	2,000		
Cost of goods sold	70,000		
Gross profit c/d	<u>96,000</u>		
	<u>166,000</u>		
Rent and rates 30,000		Gross profit b/d	<u>166,000</u>
Less: prepaid <u>6,000</u>	24,000	Discount received	7,000
Wages and salaries 200,000		Commission received	22,000
Add: accrued wages <u>10,000</u>	210,000	Net loss c/d	139,800
Depreciation on motor vehicle	7,000		
Depreciation on machinery	<u>4,000</u>		
	<u>245,000</u>		
Net loss b/d	139,800		

20 x ½ = 10mks

GUCHA SOUTH EVALUATION TEST (GSET)**565/1****BUSINESS STUDIES****PAPER 1**

1. Highlight four advantages of using rail transport to transport goods. (4 marks)
2. Outline four limitations of direct production. (4 marks)
3. State four reasons why a business may prefer to use electronic mail instead of postal mail to communicate. (4 marks)
4. Outline four ways in which political stability in a country is of benefit to a business growth. (4 marks)
5. State four types of errors that may be disclosed by a trial balance. (4 marks)

6. The table below shows the changes in population size in Kenya between the year 1999 to the year 2002

Year	Total population
1999	50,000,000
2000	46,000,000
2001	42,000,000
2002	38,000,000

State four factors that might have contributed towards the population trend above. (4 marks)

7. State four external diseconomies of scale. (4 marks)
8. The following information relates to Undugu traders for the year ended 31st December 2015

Average stock	50,000
Rate of stock turnover	3 times
Mark up	20%

From the above information determine :

- i) Cost of goods sold (2 marks)
 - ii) The gross profit (2 marks)
9. Omwega traders had the following balances on 30th June 2009. (5 marks)

Sales	420,000
Motorvan	300,000
Purchases	240,000
Equipments	120,000
Debtors	80,000
Creditors	40,000
Expenses	160,000
Capital	440,000

Prepare a trial balance for Omwega traders as at 30th June 2009. (5 marks)

10. The following balance were extracted from the books of Nyachenge discount centre for the year ended 31st December 2010

Cash	20,520
Bank	160,230
Premises	800,000
Debtors	40,000
Creditors	40,000
2 year loan	62,000
Stock	2500

Prepare a balance sheet as at 31st December 2010. (5 marks)

11. Mention any four sources of government revenue. (4 marks)
12. Identify three advantages of a sole proprietorship. (3 marks)
13. Highlight the five stages of obtaining an insurance policy cover. (5 marks)
14. State four sources of monopoly power. (4 marks)
15. Highlight four internal weaknesses that may affect business performance. (4 marks)
16. For each of the following transactions given below indicate in the appropriate columns the source document and the book of original entry. (4 marks)

Transaction	Source document	Book of original entry
Purchase of goods on credit		
Sale of desks on credit		
Payment to a creditor		
Goods returned by a client		

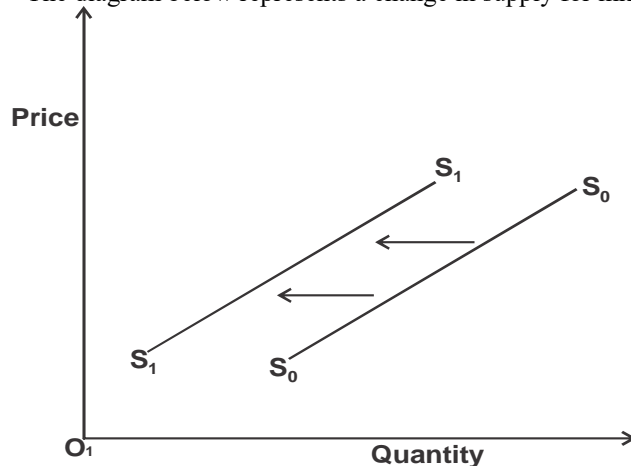
17. Identify three functions of a proforma invoice. (3 marks)
18. Outline four reasons that may make it difficult to realise the satisfaction of human wants. (4 marks)
19. State three reasons that make people hold onto money in form of cash. (3 marks)
20. State four reasons why most companies have adopted the use of road shows to promote their products. (4 marks)
21. Recent studies have shown that the Kenya's national income has been growing steadily. Give four reasons to account for this. (4 marks)
22. Outline four emerging trends in office management. (4 marks)
23. Highlight four ways through which demand-pull inflation may be controlled. (4 marks)
24. State four benefits of a bonded warehouse to the government. (4 marks)
25. The following transaction refer to Ratemo Traders for the month of December 2015.

Dec. 2nd	Cash sales Ksh.30,000
" 8	Took cash Ksh.15000 to bank
" 10	Withdrew Ksh.10,000 from bank for office use

Prepare a two column cash book and balance it off as at 31/12/2015. (4 marks)

GUCHA SOUTH EVALUATION TEST (GSET)**565/2****BUSINESS STUDIES****PAPER 2****Answer any five questions.**

1. a) Explain five challenges that may be experienced by a new entrepreneur who is intending to start a business in Kenya. (10 marks)
- b) Explain five measures that the government can take to reduce income inequalities among citizens in a country. (10 marks)
2. a) Explain five roles played by the insurance industry in the economy of Kenya. (10 marks)
- b) Explain five methods that can be used by a country to solve the problem of deficit balance of payment. (10 marks)
3. a) Explain five problems that consumers may encounter as they try to satisfy their wants. (10 marks)
- b) The diagram below represents a change in supply for milk in Nyamarambe market.



4. Explain five factors that may be responsible for the change in the above diagram. (10 marks)
- a) Explain five limitations of using oral communication. (10 marks)
- b) Prepare a duly balanced three column cash book from the following information extracted from the books of Omwami traders. (10 marks)

Jan 1st Balance b/d cash sh.4,000, Bank Sh.27,000
 Jan. 4th Settled Olweny creditors account of shs.8000 by cheque having deducted 6% cash discount
 Jan 8th Received shs.6,000 cash from Mutoma traders
 Jan 16th Deposited shs.4,500 to bank account
 Jan 24th Withdrew shs.9200 from bank for private use
 Jan 29th Received shs.19950 from Kahawa by cheque after allowing 5% discount
 Jan 31st Banked all the cash leaving shs.1500 in the office

5. a) Discuss five ways of improving the efficiency of a warehouse. (10 mark)
- b) Most African countries are categorised as underdeveloped economies. Explain five characteristics that justify this statement. (10 marks)
6. a) Many youths in Kenya remain unemployed. Explain six measures that can be taken to solve unemployment in Kenya. (12 marks)
- b) The following balances were extracted from the books of Ongware traders as at 31st December 2015
 Sales during the year amounted to Ksh.2,000,000
 Stock on 1st Jan. 2015 was shs.100,000
 Stock on 31st Dec. 2015 was shs.200,000
 Creditors shs.250,000
 Bank overdraft shs.400,000
 Cash in hand shs.150,000
 Gross profit margin was 20%

Calculate :

- i) Current ratio
- ii) Cost of goods sold
- iii) Mark up
- iv) Rate of stock turnover

(8 marks)

GUCHA SOUTH EVALUATION TEST (GSET)**565/1****BUSINESS STUDIES****Marking scheme****1. Advantages of using rail to transport goods.**

- Has capacity to carry heavy and bulky goods.
- Cheaper over relatively long distances on land.
- Has fixed schedules and hence enable one plan the journey.
- Has special containers for carrying special goods like petrol.
- Goods are more safe because of less handling.

*any 4 × 1 = 4 marks***2. Limitations of direct production.**

- Low quality goods produced.
- Low quantity goods are produced.
- Does not encourage innovation and invention.
- A lot of time is wasted as one moves from one job to another.
- Does not encourage use of modern technology.
- Leads to low living standards.
- Discourages specialization.

*any 4 × 1 = 4 marks***3. Reasons why people may prefer electronic mail rather than posted mail to communicate.**

- It is faster
- It is more secure.
- Provides immediate feedback
- It is cheap
- Enhances prestige.

*any 4 × 1 = 4 marks***4. Ways through which political stability in a country is of benefit to a business.**

- Attract labour required by business.
- General security of a business is assured.
- Have a better access to auxiliary services.
- Production activities will go on well.
- Easy access to raw materials.
- Easy access to capital for expansion
- Decreased cost of doing business.

*any 4 × 1 = 4 marks***5. Types of errors disclosed by a trial balance.**

- Arithmetic error in balancing ledger accounts.
- Arithmetic error in balancing the trial balance.
- Failure to follow the rule of double entry.
- Transferring a wrong balance to a trial balance
- Different amounts for same transaction.
- Misleading figures on the trial balance due to poor writing.

*any 4 × 1 = 4 marks***7. External diseconomies of scale**

- Scramble for available raw materials.
- Scramble for available land for expansion.
- Scramble for available labour.
- Scramble for available market.
- Scramble for other production inputs.

*any 4 × 1 = 4 marks***8.**

$$R.S.T.O = \frac{\text{Cost of sales}}{\text{Average stock}}$$

$$3 = \frac{C.S}{50,000}$$

$$\text{Cost of sales} = 150,000 / =$$

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

$$\frac{20}{100} = \frac{G.P}{150,000}$$

$$G.P = 30,000$$

9. Omwega Traders.

Trial Balance

For the year ended 30th June 2009

Particulars	Dr.	Cr.
Purchases	240,000	
Sales		420,000
Motor Van	300,000	
Equipment	120,000	
Debtors	80,000	
Creditors		40,000
Expenses	160,00	
Capital		440,000
	900,000	900,000

 $10 \times \frac{1}{2} = 5$ marks

10.

Nyachenge Discount centre

Balance sheet

As at 31st Dec. 2010

Assets			
Premises	800,000	Capital	921,250
Debtors	40,000	<u>LIABILITIES</u>	-
Stock	2,500	Creditor	40,000
Bank	160,230	2 year loan	62,000
Cash	20,520		
	1,023,250		1,023,250

 $10 \times \frac{1}{2} = 5$ mark11. Sources of government revenue.

- Fines imposed by courts on offender.
- Rent and rates paid for the use of government property.
- Licence fee paid by those who want to operate businesses
- Dividends and profit earned from government direct investments.
- Interest earned on loan, advanced by government to firms.
- Proceeds from sales of government property.
- Taxes.
- Government borrowing.

any $4 \times 1 = 4$ marks12. Advantages of sole proprietorship

- Few legal requirements during formation.
- Decision making and implementation is fast.
- The proprietor exercise direct and personal control on the business.
- A sole trader is accountable to him / herself
- A sole trade is able to maintain top secrete of his/her business.
- A sole trader enjoys all the profits alone.
- A sole trader can get assistance from the family members.
- A sole trader has personal contact to his/her customers.

13. Five stage involved in obtaining an insurance policy.

- Filling a proposal form.
- Determining of a premium to be paid.
- Payment of the first premium
- Issuing cover note (binder)
- Issuing of policy

 $5 \times 1 = 5$ marks14. Sources of monopoly power

- Financial factors.
- Control of an important input in production.
- Ownership of production rights.

- Size of the market
- Additional costs of other firms.
- Where a group of firms combine to act as one
- Restrictive practices.

any 4 × 1 = 4 marks

15. Internal weaknesses that may affect business performance.

- Inadequate skills / inexperience / lack of knowledge among employees.
- Outdated machine / technology.
- Inadequate finance.
- Poorly laid goals and objectives.
- Poor managerial skills.

4 × 1 = 4 marks

16. For each of the following transaction given below indicated in the appropriate columns the source document and the book of original entry in which the transaction should be recorded.

Transaction	Source Document	Book of original entry
Purchases of goods on credit	Purchases invoice	Purchases journal
Sales of debts on credit	Sales invoice	General journal
Payment to a creditor	Payment voucher	Petty cash book
Goods returned by a client	Credit note	Sales returns journal

any 4 × 1 = 4 marks

17. Identify three functions of a pro-forma invoice

- Serves as a polite request for payment before goods are sent to the buyer.
- Used to serve the same purpose as a quotation.
- Used by importers to get customs clearance before goods are sent.
- Sent when the seller does not want to sell goods on credit to the buyer.
- It is sent to the buyer to show him / her what he / she would have to pay upon the arrival of goods.

3 × 1 = 3 marks

18. Reason why satisfying human wants may be difficult

- Age
- Health status.
- Government policies.
- Geographical distance
- Change in taste and preference
- Inadequate resources
- Sex
- Security level

4 × 1 = 4 marks

19. Three motives for holding of money in cash

- Transaction motive
- Precautionary motive
- Speculative motive

3 × 1 = 3 marks

20. Reasons why most companies have adopted road show to promote their products.

- Allow for immediate feedback.
- Demonstration on the usage of technical goods is possible.
- Reaches a big audience.
- Reaches both literate and illiterate persons.
- Different language can be used.
- It is appealing.

4 × 1 = 4 marks

21. Reasons for Kenya economic growth

- Increased availability of labour of various kinds from unskilled, semi skilled and skilled.
- Improved security.
- Improved use of modern technology in research and production.
- Supportive government policies such as low taxation, subsidies and loans.

- Increased number of entrepreneur as role models.

$4 \times 1 = 4$ marks

22. Emerging trends in office management

- Location of office outside city and town centres to allow for easy accessibility and reduced noise pollution.
- Increased use of mobile phones for communication in offices.
- Use of computers for information storage.
- Change from enclosed office layout to landscape office layout to maximize on production.
- Introduction of entertainment electronic office to spell boredom among clients.
- Introduction of easy furniture in offices to enhance comfort among workers and clients.

$4 \times 1 = 4$ marks

23. Ways of controlling demand-pull inflation

- Reduction in government expenditure.
- Increase in production of goods and services.
- Family planning to reduce increasing population growth.
- Increased use of modern technology to increase the quantity of goods supplied.
- Increase in income tax
- Subsidizing production.
- Reduction tax on production

$4 \times 1 = 4$ marks

24. Benefits of a bonded warehouse to the government.

- Source of government revenue.
- Government able to control the entry of harmful goods.
- Government able to verify documents of goods on transit.
- Government able to control the quality of goods entering the country
- Government able to control the quantity of goods entering the country.
- Government able to check on illegal goods entering the country
- Government able to inspect type or nature of goods imported.

$4 \times 1 = 4$ marks

25.

Two column cashbook

Date	Details	L.f	Cash	Bank	Date	Details	L.f	Cash	Bank
2/12	Sales		30,000						
8/12	Cash			15,000	8/12	Bank		15,000	
10/12	Bank		10,000		10/12	Cash			10,000
					31/12	Bal c/d		25,000	5,000
			40,000	15,000				40,000	15,000
31/12	Bal b/d		25,000	5,000					

GUCHA SOUTH EVALUATION TEST (GSET)**565/2****BUSINESS STUDIES****Marking scheme****1. a) Challenges that may be experienced by a new entrepreneur in Kenya**

- Inadequate capital / funds to sustain / expand.
- Inadequate skills / poor management.
- Unfriendly / poor government policies e.g. high taxes which are unfavourable to the growth /expansion of the business.
- Poor infrastructure / poor roads which may hinder access to markets or inputs.
- Inappropriate technology which may results in less quantity or poor quality products.
- Unfair competition.
- Inadequate manpower to run the business effectively/ labour supply.
- Poor pricing which might make the product to be too expensive to attract buyer or too cheap to sustain the business.
- Inadequate market.

any 5 points well explained × 2 = 10 marks**b) Measures the government can take to reduce income inequalities.**

- Equitable development - its expenditure should be spread fairly across all sectors / regions of the economy / country.
- Creation of jobs to enable as many people as possible to earn income from employment.
- Fair taxation policies - to ensure that those who earn more are taxed higher / more than those who earn less.
- Affirmative action - in order to assist economically marginalised groups / people / regions to uplift themselves economically.
- Provision of loans - to assist / encourage people to start businesses to earn an income.
- Social welfare - to provide a living income to the old aged unemployed people.
- Provide social amenities e.g. schools and hospitals fee / at subsidized cost to the general public.

any 5 points × 2 = 10 marks**2. a) Roles played by the insurance industry in the economy.**

- Encourage investment in the economy - by providing protection against financial losses giving confidence for investment in commercial activities.
- Creates employment opportunities - many people are employed hence improving their living standards.
- Policies provide security for loans - life policies can be used as collateral for acquiring loans for investment.
- Revenue to the government - tax from insurance firms is a source of revenue to the government.
- Economical growth - insurance firms invest in the economy stimulating economic growth in a country.
- Savings - Life policies are used as a saving plan and on maturity the money can be invested.

any 5 points well explained × 2 = 10 marks**b) Methods used by a country to solve deficit balance of payment problem**

- Control of imports - a country can control imports using total ban, increase tariffs or issue quotas etc.
- Increase the volume of exports - a country may give incentives to encourage exports.
- Devaluation of home currency - this will encourage exports and discourage imports.
- Encourage foreign investment in a country so as to produce goods for export.
- Through import substitution - a country can put up industries to produce goods for home consumption instead of importing.
- Giving subsidies to local manufacturer in order to increase exports.
- Using foreign reserves - a country can exchange reserves and gold to offset its deficit.
- Borrowing from other countries - a country can borrow from another country so that such money can be used to offset a deficit balance of payment.

any 5 well explained pts × 2 = 10 marks**3. a) Problems encountered by consumers as they try to satisfy their wants.**

- Means/ resources of satisfying their wants are limited due to scarcity.
- Wants keep on recurring.
- Wants are habitual and hence require one to continue looking for resources to satisfy them
- Some wants are essential for survival thus can not be postponed.
- Wants change with age, time and gender.
- Some wants are complimentary - satisfaction of one want requires satisfaction of another.
- Competitive nature of some wants.
- Wants are numerous/ unlimited.

any 5 points × 2 = 10 marks**b) Factors leading to the decrease / contraction of supply.**

- Increase in costs of production for the milk.
- Decrease / unfavourable demographic structure i.e. decrease in number of people rearing cows and poor structure.
- Reduced income rate per household - hence reduced purchasing power which discourage suppliers.
- Decrease in market price of milk in the market.
- Decrease in price of alternative milk / milk products e.g. powder / packet milk.
- Unfavourable government policies .e.g. high taxes on milk or animal feeds.
- Natural factors e.g. prolonged drought leading to high expenditure on grass and other feeds.
- Exit of suppliers from the market i.e. some animals keepers quit the market or dispose / sell their cows.

- Time /season - May be a time / season more cows are not productive / being milked - hence reduced quantity brought into the market.

any 5 points × 2 = 10 marks

4. a) Limitations of using oral communication

- Lacks record for future reference
- May be costly where the sender and receiver are far apart.
- May not be suitable for confidential messages since unauthorised person may listen.
- Limited reach - especially where the audience is large / widespread.
- Inappropriate gestures / body language - may lead to misinterpretation of the message / communication and hence being ineffective.
- Not suitable for technical /complicated messages e.g. technical drawings and charts.
- Mostly prone to distortion of the message especially when a messenger / second person is involved.

any 5 points × 2 = 10 marks

b)

Date	Details	Folio	Discount All.	Cash	Bank	Date	Details	Folio	Discount Rec.	Cash	Bank
Jan 1st	Bal b/d			4,600	27,000	Jan 4th	Olweny		480		7,520
Jan 8th	Mutoma			6,000		Jan 16th	Bank 'c'			4,500	
Jan 16th	Cash 'c'				4,500	Jan 24th	Drawings				9,200
Jan 29th	Kahawa		1050		19,950	Jan 31st	Bank 'c'			4,600	
Jan 31st	Cash 'c'				4,600	Jan 31st	Bal c/d			1,500	39,330
			1050	10,600	56,050				480	10,600	56,050
Feb 1st	Bal b/d			1,500	39,330						

20 × 1/2 = 10

5. a) Ways of improving the efficiency of warehouse.

- Ensuring that there is proper handling equipment to handle goods safety / easily.
- Ensuring that staff / management are well trained / motivated hence enhancing their performance.
- Ensure proper use of space to allow easy movement/ accommodation of goods / people.
- Ensuring adequate security to avoid theft of goods.
- Ensure proper system of inventory control /record system to monitor stock movement, avoid fraud, losses etc
- Ensure that legal requirements adhered to for smooth running / to comply with laid down laws.
- Ensure adequate communication facilities for effective communication within or without the warehouse.
- Ensure adequate transport/ better roads to move goods and workers in and out of the warehouse.

any 5 points × 2 = 10 marks

b) Characteristics of underdevelopment economy

- High levels of unemployment
- Poor development of infrastructure.
- Low education levels
- low technological levels
- large subsistence sector -production for own consumption
- dependency on other countries for essential goods.
- High population growth rate

any 5 points × 2 = 10 marks

6. a) Measures which can be taken to solve unemployment problems in Kenya.

- Rural development - develop rural areas to create jobs and to avoid rural-urban migration.
- Adoption of the relevant education system - adoption of education system that emphasis on skills that are required by the labour market.
- Population control - controlling population through family planning to reduce the number entering the labour market.
- Increase in government expenditure - increasing expenditure on projects hence creating more jobs.
- Encouraging the use of local resources - the government to encourage investment on economic activities that use locally available raw materials.
- Encouraging direct foreign investment - e.g. by reducing taxes and guaranteeing security in order to create jobs.
- Improvement of the informal sector - by providing appropriate training and finances in this sector to encourage self employment.

- b) i) Current ratio
 = Current assets : current liabilities. ü
 = (cash + stock + debtors) : (creditors + bank overdraft)
 = (150,000+200,000+300,000) : (250,000 + 400,000)
 = 650,000 : 650,000
 = 1 : 1

$4 \times \frac{1}{2} = 2$ marks

- ii) Cost of Goods sold
 COGS = sales - gross profit.
 = 2,000,000 - GP

$$\text{Margin} = \frac{GP}{\text{Sales}}$$

$$20\% = \frac{GP}{2,000,000}$$

$$\frac{1}{5} = \frac{GP}{2,000,000}$$

$$\frac{5}{5} GP = \frac{2,000,000}{5}$$

$$GP = 400,000$$

$$COGS = shs(2,000,000 - 400,000)$$

$$= Shs1,600,000$$

$$\text{Mark up} = \frac{GP}{COGS}$$

$$= \frac{400,000}{1,600,000} = \frac{1}{4}$$

$$= 25\%$$

OR

$$\text{Mark up} = \frac{1}{5-1}$$

$$= \frac{1}{4} (25\%)$$

- iv) Rate of stock turn over.

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

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

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

$$= Shs150,000$$

$$ROSTO = \frac{1,600,000}{1,500,000}$$

$$= 10.67 \text{ times}$$

NYERI COUNTY FORM 4 JOINT ASSESSMENT**565/1****BUSINESS STUDIES****PAPER 1**

1. State four advantages of advertising through the radio. (4 marks)
2. Identify the type of goods described by the following statements given in the table. (4 marks)

Statements	Type of good
i) Used to create other goods	
ii) Require further processing in order to have utility	
iii) Government is obligated to provide them to her citizens	
iv) Goods that are bought more frequently by consumers to satisfy common wants	

3. The following statements refer to different office layouts. Identify the type of office layout explained in the following statements. (3 marks)
- a) All staff members operate from the same room
- b) Senior managers are assigned separate rooms from where they coordinate activities.
- c) High class office designed to enhancing the image of the organisation.
4. State four ways in which the government may be involved in training entrepreneurs in Kenya. (4 marks)
5. Outline four ways in which the consumer can address the challenge of scarce resources in the satisfaction of human wants. (4 marks)
6. Highlight four ways of making a warehouse efficient in its operations. (4 marks)
7. State four factors that influence the demand for a product. (4 marks)
8. Outline four difficulties encountered when determining the national income using the output approach. (4 marks)
9. Outline four features of mail order businesses. (4 marks)
10. The following transactions took place in the month of January 2015 for Karuku Retailers.
- Jan 12th Sales to Juma worth shs.200,000 invoice no. 231
- 20th Sales to Kiama worth sh.150,000
- 26th Sales to Mercy worth sh.125,000
- Required : A sales journal for Karuku. (5 marks)
11. Highlight four circumstances for using the short message service (SMS) to communicate. (4 marks)
12. Outline the significance of each of the following insurance policies a trader may take for his business. (4 marks)
- a) Fidelity guarantee
- b) Workman's compensation
- c) Public liability
- d) Consequential loss
13. Identify four rights of a partner as expressed in the Partnerships Act of 1963. (4 marks)
14. The following balances were extracted from the books of Murungari General stores. (4 marks)

	shs.
Premises	350,000
Creditors	150,000
5yrs bank loan	100,000
Motor vehicle	200,000
Bank overdraft	250,000
Stock	170,000
Debtors	120,000
Cash	60,000
Prepaid rent	22,000
Capital ?	

Required :

Prepare a balance sheet as at 30th April 2014.

(5 marks)

15. On 1st April 2015, Nyamothe Retailers has sh.20,000 in cash and sh.45,000 at bank. During the month of April the following transactions took place :

April 2nd	Credit sales to Juma sh.5,000
12th	Cash sales directly banked sh.15,000
16th	Paid rent 8,000 and wages 2,000 all in cash
18th	Credit purchases from Kamau 20,000
20th	Paid telephone bills by cheque shs.12,000
29th	Deposited all the cash into bank except sh.1000

Required :

Prepare dully balanced two column cash book. (5 marks)

16. Outline four ways through which an entrepreneurs may generate business ideas. (4 marks)

17. The following information was extracted from the books of Bizna Traders for the month ended 29th February 2016

	Shs.
Rent received	4,000
Discount allowed	10,155
Discount received	5,144
Gross profit	23,005
Carriage outwards	6,000
Salaries	19,637
Depreciation expenses	2,000

Required :

Prepare a profit and loss account for the business for the month ended 29th Feb.2016 (5 marks)

18. Mention four factors that may discourage decentralisation of industries in a country. (4 marks)

19. Outline four factors that can hinder timely implementation of a development plan. (4 marks)

20. Outline the procedure of balancing a ledger account. (3 marks)

21. Give four reasons why free trade is not suitable to a developing country. (4 marks)

22. Outline four ways in which a good transport system contributes to economic development of a country. (4 marks)

23. Outline four fiscal measures that are used by government to control inflation. (4 marks)

24. Outline three ways through which the competitive environment would positively influence a business enterprise. (3 marks)

25. Outline four reasons why a trader may prefer a direct channel of distribution. (4 marks)

NYERI COUNTY FORM 4 JOINT ASSESSMENT**565/2****BUSINESS STUDIES****PAPER 2**

1. a) Explain five factors that should be considered when choosing a filing system. (10 marks)
- b) Explain five differences between perfect competition and monopoly market. (10 marks)
2. a) Explain five factors which have contributed to increased trading activities. (10 marks)
- b) Explain five factors that have led to increased use of containerization. (10 marks)
3. a) Outline four challenges facing Consumer Association in Kenya. (8 marks)
- b) Luanda Traders had the following balances at 1st Jan 2015
Cash Sh. 180,000 (Dr.) Bank Sh. 67,000 (Cr.)
During the month of Jan 2015, the following transaction took place
Jan 2 cash sales Sh. 14,500
Jan 6 Mwangi a debtor settled his account of Sh. 45,000 by cheque less 5% cash discount
Jan 8 Sold goods on credit with Sh. 25,000
Jan 14 Paid salaries in cash 50,000
Jan 18 Settled Laboso's account of 60,000 by cheque less 3% cash discount.
Jan 21 Received a cheque of 84,000 from Rotich after deducting 10% cash discount
Jan 22 Cash purchases paid by cheque sh. 65,000
Jan 24 Cash sales worth 340,000 directly banked Sh. 300,000 cash into the account
Jan 28 Took cash 39,000 for children's school fees
Jan 31 Banked all cash except Sh. 36,000
Prepare a dully balanced three column cash book (12 Marks)
4. a) Explain five characteristics of general insurance (10 Marks)
- b) Outline five measures that can be used to curb the rapidly increasing population in Kenya. (10 Marks)
5. a) Explain four benefits of mobile phone money transfer services. (8 marks)
- b) The following trial balance was extracted from the books of J.B. Traders as at 31st Dec. 2014.

**J.B. TRADERS
TRIAL BALANCE
AS AT 31.12.2014**

Details	Dr.	Cr.
Purchases and Sales	140,000	190,000
Stock (1.1. 2014)	25,000	
Advertising	8,000	
Debtors and Creditors	21,000	22,200
Returns	3,000	4,800
Salaries	28,000	
Cash	5,000	
Bank Overdraft		20,200
Capital		177,600
Rent	20,800	
Land & Premises	164,000	
	414,800	414,800

Stock on 31/12/2014 was valued at sh. 13,000

Required: Prepare a Trading Profit and Loss account for the period ended 31/12/2014 and a balance sheet as at 31/12/2014 (12 Marks)

6. a) Explain five principles of public expenditure (10 Marks)
- b) Explain five benefits that may accrue to a business organization that expands its scale of operations. (10 Marks)

NYERI COUNTY FORM 4 JOINT ASSESSMENT**565/1****BUSINESS STUDIES****Marking scheme****1. Advantages of advertising through the radio**

- Serves many people at the same time hence reaches more people at once
- Use of different local languages make adverts clearer
- More appealing as it can be accompanied by music
- Advert can be repeated many times
- Can have a specific target audience to be more effective
- Used even in remote areas where other methods cannot reach
- Serves both literate and illiterate audience
- It is cost effective / cheaper
- It is fast, takes a short time to be relayed

4mks**2. Types of goods described by statements**

- Producer goods / capital goods
- Intermediate goods
- Public goods / social goods
- Convenience goods

4mks**3. Type of office layout explained by statement**

- a) Open office layout
- b) Partitioned / enclosed office layout
- c) Landscaped / panoramic office layout

4. Ways in which government may train entrepreneurs

- Through organising shows, trade fairs and exhibitions
- Conferences and seminars / workshops
- Use of commercial attachées who train exporters on market technology
- Providing relevant curriculum in schools, polytechnics, colleges, institutes of technology and universities
- Publishing business journals, reports, periodicals, books, magazines etc.
- Sponsoring short business courses for business people
- Through mass media - radio, television, newspapers, government website etc

4mks**5. Ways in which consumers can address the challenge of scarcity of resource**

- Drawing up a scale of preference
- Rationing / using resources sparingly / reasonable amounts
- Avoiding wastages through careful planning on what to use / proper budgeting
- Recycling waste products
- Regenerating / restoring used up resources
- Engage in production of simple items
- Change of lifestyle to avoid unnecessary expenditure
- Reduce the family size / dependency ratio
- Look for alternative sources of additional income

4mks**6. Ways of making a warehouse efficient in its operation**

- Suitable location to facilitate receipt and release of goods
- Establishing proper structures in line with goods stored
- Provide appropriate equipment for storage, movement, weighing
- Install safety facilities for protection against damages
- Ensure security against losses, theft
- Provide adequate space to allow storage and movement
- Employ qualified staff to attend the goods
- Ensure proper recording systems to properly monitor movement of goods
- Comply with the law
- Have a good transport system for easy access
- Ensure proper communication channels
- Clearly outline procedures to be followed when receiving and releasing goods
- Provide special facilities for special goods - refrigeration, air conditioning

4mks**7. Factors that influence demand for a product**

- Price of the product
- Consumers incomes
- Prices of related goods
- Changes in population
- Government policies
- Seasons, weather conditions
- Future expectations of price changes

- Tastes and preferences
 - Social cultural factors **4mks**
- 8. Difficulties encountered when determining the national income using output approach**
- Inaccurate data / information
 - Problem of valuing government output as it is not sold in the market
 - Deciding on which goods and services to include in measuring national income is a problem
 - Inadequate output data
 - Price fluctuations affect valuation of output
 - Illegal activities that bring output are not included in the measurement
 - Double counting of output at different levels of production
 - A large subsistence sector that has no records
 - Problem of differentiating intermediate inputs from primary inputs
 - Goods in stock are difficult to value **4mks**

9. Features of mail order businesses

- Use the post office or courier service to deliver goods to their customers
- Sales are strictly on cash under the terms cash on delivery or cash with order
- Deal with limited varieties of goods
- Orders are done online / through mail / all transactions are done through post / online
- Carry out heavy advertising to popularise their business in the dailies
- No personal contact between business and customers
- Well designed catalogues, price lists are used to display their products **4mks**

10. Preparing a sales Journal for Karuku
Sales Journal

Date	Details	Invoice No.	LF	Shs.
2015 Jan 12	Juma ü	231	SL1	200,000
" 20	Kiama ü	232	SL2	150,000
" 26	Mercy ü	233	SL3	125,000
" 26	Total posted to the sales a/c in the ügeneral ledger (Cr)			475,000

$15 \times \frac{1}{3} = 5mks$

- i) Proper date award a tick
- ii) Correct details entered award a tick
- iii) Award a tick for correct invoice number
- iv) Award a tick for the correct amount and total
- v) Award a tick for a good narration

11. Circumstances for using SMS to communicate

- When there is need to save on cost
- Where the parties are both literate
- When there is need to have immediate feedback
- If both the sender and recipient have phones
- Where there is need for evidence
- Where there is need to store information for future reference
- Incase the message is to be given to several people
- If the sender wants to be brief and straight to the point

12. Outline significance of insurance policies

- a) Fidelity guarantee - to offset losses arising from dishonesty of employees
 - b) Workman's compensation - so that if workers are injured in the line of duty they are compensated instead of pushing liability to the employer
 - c) Public liability - to relief the insured of any liability claims when their activities bring out losses to third parties
 - d) Consequential loss - to cushion the business for the loss of profits due to disruption of its activities by fire outbreak
- 4mks**

Note : significance must come out properly

13. Rights of a partner as outlined in the partnership Act of 1963

- Right to an equal share of profits
- Right to inspect the books of account

- Right to decision making / management
- Right to be compensated incase of incurring losses on behalf of the business
- Right to the consulted on admission of a new partner

4mks

14. Preparing a balance sheet

Murungari General stores
Balance sheet
As at 30th April 2014

<u>Fixed assets</u>	shs.	shs.	<u>Capital & liabilities</u>	-	shs.
Premises	350,000		Capital		422,000
Motor vehicle	<u>200,000</u>				
Total F.A		550,000	<u>Long term liabilities</u>		
<u>Current assets</u>	-		5yr bank loan		100,000
Stock	170,000				
Debtors	120,000		<u>Current liabilities</u>		
Prepaid rent	22,000		Creditors	150,000	
Cash	<u>60,000</u>		Bank overdraft	<u>250,000</u>	
Total C.A.		<u>372,000</u>	Total C.L.		<u>400,000</u>
		<u>922,000</u>			<u>922,000</u>

10 x ½ = 5mks

- Title must be given for marking to take place
- Accept a correct balance sheet entries even if the items are not classified / order not required
- Penalise any item wrongly classified

15. Preparing a two column cash book

Dr Nyamothe Two Column Cash Book Cr

Date	Details	F	Cash	Bank	Date	Details	F	Cash	Bank
2015					2015				
April 1	Balance b/d		20,000	45,000	April 16	Rent		8,000	
" 12	Sales			15,000	" 16	Wages		2,000	
" 29	Cash	C1		9,000	" 20	Telephone			12,000
					" 29	Bank	C1	9,000	
					" 29	Balance c/d		1,000	57,000
			<u>20,000</u>	<u>69,000</u>				<u>20,000</u>	<u>69,000</u>

10 x ½ = 5m

Note:

Award a tick only if date, details and amount are all correct

16. Ways through which an entrepreneur may generate a business idea

- Improving on an existing idea
- Combining two existing ideas
- Listening to what people say
- Reading books, magazines, newspapers, journals, periodicals
- Gaining from wastes / making use of wastes
- Surveying and researching
- Brainstorming / consultations with business people
- Building on ones skills, hobbies and interests
- Vocational training and experience
- Attending trade shows, fairs and exhibitions
- Identifying market gap / niche / spotting market gap
- Innovation and creativity

Note:

Do not accept sources but award for ways e.g. magazines are not methods but source reading is the way

17. Preparing a trading account

Bizna Traders
Profit and Loss Account
For the month ended 29/2/2016

<u>Operating expenses</u>	-	Gross profit b/d	23,005
Carriage outwards	6,000	Discount received	5,144
Discount allowed	10,155	Rent received	4,000
Salaries	19,637	net loss c/d	5,643
Depreciation expenses	2,000		
	<u>37,792</u>		<u>37,792</u>

10 x ½ = 5mks

18. Factors that may discourage decentralisation of industrialization

- Inadequate capital to develop infrastructure
- Tax incentives offered by the government lead to increased burden for tax payers
- Improvement of security in rural areas imply increased government expenditure
- Difficult to attract professionals in rural / remote areas
- High costs of land / unavailability of land
- Lack of social amenities / public utilities in the rural areas - water, health etc.
- Lack of power in rural areas
- Low market in the rural areas
- Insecurity in rural areas
- Lack of support services / auxilliary services such as banking, insurance etc.

4mks

19. Factors that hinder timely implementation of development plans

- Lack of political goodwill
 - Over ambitious plans
 - Lack of adequate funding
 - Corruption / lack of transparency
 - Effects of inflation
 - Unforeseen costs / disasters etc.
 - Poor estimates due to lack of adequate data
 - Poor accounting systems that give inaccurate data
 - Lack of support at grassroot level
 - Lack of skilled personnel to implement plans
20. Procedure of balancing a ledger account
- Identify the ledger account / title account
 - Find the totals of debit side and credit side
 - Get the difference between debit total and credit total
 - Insert the difference on the side with the smaller total and label it as balance c/d
 - Confirm and put the equal totals of the two sides and double underline each
 - Transfer the account balance to the side with the greater total below it as balance b/d

6 x ½ = 3mks

Notes

Steps must follow each other correctly

If a candidate makes a mistake at any point, mark up to that point

21. Reasons why free trade is not suitable to a developing country

- Encourages dumping of low quality goods
- Threatens domestic industries due to unfair competition
- Denies government revenue as there are no duties
- May result to importation of harmful goods
- Leads to unfavourable B.O.P
- Government lack statistics on flow of goods in and out of the country
- Compromises a country's political ideology
- May cause mass unemployment
- Limits consumer choice
- Loss of opportunity to obtain cheaper goods

4mks

22. Ways how transport contributes to economic development

- Creates employment for the citizens - drivers, touts etc.
- Encourages specialization
- Increases production / mass production
- Promotes industrialisation
- Minimises wastages as goods are marketed
- Source of government revenue used in developing infrastructure
- Increased supply of labour and raw materials
- Widens the market
- Encourage exploitation of natural resources

4mks**23. Fiscal measures that are used to control inflation**

- Increasing direct taxes / income taxes
- Restricting the imports
- Reducing government expenditure / spending
- Subsidizing production
- Reducing taxes on imports to increase supplies
- Reducing taxes on imports
- Wage legislation / restricting increase on salaries
- Use of buffer stocks
- Import substitution policy

4mks**24. Ways through which competitive environment would positively influence a business**

- Brings quality goods
- Triggers research for better methods
- Improves on efficiency of the firm
- Helps to create new varieties
- Helps to reduce costs of operation through research
- Encourages collaboration in research and waste disposal

3mks**25. Reasons why a trader may use direct channel of distribution**

- Where there is need to keep prices low
- To meet customers specifications incase of orders
- To prevent spoilage of goods that are perishable
- To prevent fragile goods from breakages
- Where intermediaries are not available
- To take advantage of a localised market
- To comply with the government law
- To get direct feedback from consumers
- To maximise profits by eliminating intermediaries
- To maintain its control over the product

4mks

NYERI COUNTY FORM 4 JOINT ASSESSMENT

565/1

BUSINESS STUDIES

Marking scheme

1. a) Factors considered when choosing a filing system

- Economy - selecting the filing system that would be cheap to maintain / one which business can afford
- Nature of the documents - where documents are official, written etc system chosen should be able to meet this requirement
- Time needed for the documents - the length the documents should be retained in the firm
- Confidentiality - where there is need to keep privacy and prevent documents accessed by wrong people / secrecy required
- Flexibility - need to have a system that accommodates future changes in the business
- Suitability - a system that fits the needs of the business
- Size of the documents / compactness - where the volume is big, a system that is able to hold more in a small space
- Elasticity - ability of a system to be expanded or contracted
- Retrieval - ease of retrieving the documents when required for use
- Legal requirements - where the government dictates or outlines the system, the business must comply
- Simplicity - ease of operation, a system that is simple to understand and use

mention 1mk

expansion 1mk

Mark only the first five points

any 5 @ 2 = 10mks

b) Differences between perfect and monopoly market structures

Perfect competition

- a) Consists of many sellers
- b) Product is homogeneous (uniformity of products)
- c) Many firms make the industry
- d) No government influence
- e) Free entry and exit
- f) No transport costs incurred
- g) There is perfect knowledge in the market
- h) No firms controls the raw materials
- i) Firms earn normal profits
- j) Demand curve is horizontal for each firm
- k) Price determined by market forces / firms
- l) No price discrimination

Monopoly market

- a) Made up of one seller
- b) Product is the only one in the market
- c) The firm is the industry
- d) Government interferes
- e) Entry and exit restricted
- f) Transport costs are incurred
- g) There is restricted flow of information
- h) The firm controls the source of raw materials
- i) Firms earns supernormal profits
- j) Demand curve is steep and downward sloping
- k) Price determined by the monopoly firm / firm is price giver
- l) Price discrimination is common

Note

i) *No half a mark for any point*

ii) *Any 5 @ 2mks = 10*

iii) *Points must match for any mark*

2.

a) Factors that contribute to increased trading activities

- High levels of unemployment - may people result to business activities to create self employment
- Improved security - this has increased confidence in starting businesses
- Cheap labour - increased population provide cheap supply of labour
- Improved technology - this has created an avenue to engage in business online
- Improved transport network - help in the movement of raw materials and labour to the firms and finished goods to the markets
- Availability of power - rural electrification and government vision of connecting every part with power has increased business opportunities
- Supportive government policies - policies like Kazi kwa Vijana has encouraged businesses
- Large population - this offers wide market for products
- Easy access to loans / credit facilities - this has encouraged many people to open up businesses
- Exposure to business opportunities - increased training, seminars and workshops for young entrepreneurs
- Improved communication network - allows flow of information that provide business ideas

state 1mk, expand 1mk

any 5 at 2 = 10mks

b) Factors that have led to increased uses of containerisation

- Low insurance premiums - goods transported under this mode attract cheap insurance premiums due to consolidation
- Security of goods - goods are protected against loss by theft as containers are sealed by the exporter (consigner)
- Safety of goods - goods are protected against damages, breakages and handling is reduced

- Large carrying capacity / spacious - containers are large in size and thus hold more goods at a time
- Special containers - special goods are packed in special containers to maintain their standards
- Economy of space - due to stucking containers occupy small space on the trucks, trains or ships
- Adequate handling facilities - handling equipment are used at the ports and loading points make it easier
- Cheap - carry large quantities using the same transport fees on the roads, rail lines and on water
- Improved port facilities - ports authorities have improved their port facilities that allow quick off loading and unloading at the terminus
- Inland container depot - establishment of the container depot at Embakasi has increased the use of containerisation

10mks**3.**a) Challenges facing consumer associations

- Lack of sufficient education to consumers - consumers are not aware of their rights and thus take no action
- Consumer apathy - consumers do not report exploitative actions by traders
- Inadequate funds / finances - the associations lack funds to carry their activities related to consumer protection
- Low membership - few consumers are unaware of their existence and thus do not join
- Lack of sufficient government support - many consumer organisations are not supported by the government as they are seen as human rights groups
- Lack of political goodwill - politicians do not support consumers in their fight for their rights
- Individualism - consumers prefer to act individually when buying goods or handling unfair traders, they do not unite and complain as a group

*1mk stating 1mk expansion**otherwise 2**any 5 @ 2 = 10mks***b)**

Luanda traders

Three column cashbook for Jan. 2015

Dr

Cr

Date	Details	F	DA	Cash	Bank	Date	Details	F	DR	Cash	Bank
2015						2015					
Jan 1	Balance	b/d		180,000		Jan. 1	Balance	b/d			67,000
" 2	Sales			14,500			Salaries			50,000	
" 6	Mwangi		2,250		42,750		Laboso	1,800			58,200
" 21	Rotich		9,500		84,600		Purchases				65,000
" 24	Sales			40,000	300,000		Drawings			39,000	
" 31	Cash	C1			109,500		Bank	C1		109,500	
							Balance	b/d		36,000	346,650
			11,650	234,500	536,850				1,800	36,000	346,650
Feb. 1	Balance	b/d		36,000	346,650						

*24 x 1/2 = 12mks*Notes:

- Format with all required columns must be correct
- Each entry must have a correct date, details and amount for a tick
- Totals must be correct for both sides to get a tick for cash and bank
- D.A and D.R correct totals attract each a tick
- A title for a three column should be present - if missing but format and columns have correct titles continue marking

4.a) Characteristics of general insurance

- Premium charged is dependent on the degree of risks / number of risks or value of the property higher premiums are charged for higher risks)
- It is a contract of indemnity - compensation is done for the financial loss to the owner
- It is a short term contract - insurance contract ends after a specific period and must be renewed annually to be in force
- Policy cannot be assigned - the owner cannot transfer the policy to a next of kin. In case of sale, the contract expires
- It has no surrender value - if the policy holder terminates the contract prematurely, he is not entitled of any refund
- There must be insurable interest in the property - one can only insure his own property and not another persons; owner must suffer financial loss in case of occurrence

- There is a maximum limit to the amount of compensation usually upto the value of the property insured
- The policy cannot be used as a collateral - holder cannot use it to acquire a loan as security
- Contract of contribution applies - in case of underinsurance the insurer shares the loss with the insured
- Uncertainty - the risk may or may not happen, risk is not guaranteed of occurring
- Principle of subrogation applies - the insured should not benefit from the scrap or benefits from third parties

any 5 @ 2 = 10mks

b) Outlining measures used to curb rapidly increasing population

- Family planning in order to reduce the number of children one will get during the child bearing period
- Raising the marriage age through legislation so as to reduce the fertility rate
- Raising the cost of bringing up a child hence making it difficult to cater for their needs which makes them to reduce the number of children
- Limiting the number of children to give birth per woman via legislation
- Raising the level of education to change the culture and attitudes of the society
- Increasing employment opportunities for women to engage them more at work as an alternative of bringing up children
- Create public awareness about the benefits of smaller families

No splitting

any 5 well outlined points @ 2 = 10mks

5.

a) Benefits of mobile phone banking

- Ease of use - mobile phones are easy to operate and access the account
- Speedy transfer of money - money is sent and received without delays
- Security - it is more secure and safe as a phone is used by the owner for monetary transactions
- Cheap to use - some banks charge very little fees for the use of banking services
- Facilitates loan facilities - owners can access loans through mobile phones
- Utility bills - easy to pay bills by the customers - water, power, airtime
- Service is available for 24 hours convenient for the account holder
- Statement of account - account holders can access their statement from the phone
- Provide a record - transactions through mobile phone have evidence of records for any future reference
- Banking services become cheaper in terms of costs and time at the touch of the button, or transport costs
- Instant feedback is available for any transaction

any 4 each 2 = 8mks

state 1, explain 1 otherwise 2mks each

b)

J.B Traders Trading, Profit and Loss A/C For the year ended 31/12/2014			
Opening stock	25,000	Sales	190,000
Purchases	140,000	Less: returns in	<u>3,000</u>
Less: returns out	<u>4,800</u>	Net sales	187,000
Net purchases	<u>135,200</u>		
Cost of goods available	160,200		
Less: closing stock	<u>13,000</u>		
Cost of goods sold	147,200		
Gross profit c/d	<u>39,800</u>		
	<u>187,000</u>		<u>187,000</u>
<u>Operating expenses</u>	-	Gross profit b/d	39,800
Advertising	8,000	Net loss c/d	17,000
Salaries	28,000		
Rent	<u>20,800</u>		
	<u>56,800</u>		<u>56,800</u>
Net loss b/d	17,000		

14 x 1/2 = 7mks

J.B Traders
Balance sheet
As at 31/12/2014

<u>Assets</u>		<u>Capital and Liabilities</u>	
Land & premises	164,000	<u>Capital</u>	
Stock	13,000	Opening capital	177,600
Debtors	21,000	Less: net loss	17,000
Cash	5,000	Closing capital	160,600
		<u>Liabilities</u>	
		Creditors	22,200
		Bank overdraft	20,200
			42,400
	<u>203,000</u>		<u>203,000</u>

10 x ½ = 5mks

Title must be written for any marking to start

6.

a) Principles of public expenditure

- Sanctions : It must be approved or authorised by a relevant body
- Maximum social benefit - must be incurred in order to benefit majority of the citizens
- Flexibility - should be capable of being adjusted in order to meet the prevailing economic changes
- Economy - should be cheap to administer and avoid public waste
- Proper financial management - should be well managed by maintaining proper records for transparency

any 5 @ 2 = 10mks

state 1, expansion 1

b) Benefits that accrue to a business that expands its operations

- Firms are able to enjoy marketing economies - large volumes of sales at cheap rates
- Advertising economies - firm is able to finance advertising campaigns to capture a wider market
- Financial economies - the firm has wider access to capital sources through credit
- Reduced operational costs - average cost of production lowers as output increases
- Personnel economies / labour - firm is able to attract professional or qualified personnel for better operations
- Purchasing economies - the firm is able to buy in bulk and enjoy huge trade and quantity discounts on stocks / raw materials
- Technological economies - the firm can afford modern technology for improved qualities and quantities
- Staff welfare economies - the firm is able to offer welfare to the staff that motivates its workers
- Managerial economies - the firm is able to get professionals in the managerial posts that improve efficiency of production
- Spreading risks - the firm is able to spread its risks
- Research economies - the firm can carry out research for future development of the firm

any 5 @ 2 = 10mks

NANDI EAST / TINDERET SECONDARY SCHOOL
BUSINESS STUDIES
PAPER 1
Pre - mock
565/1

1. State **four** reasons why people start business. (4 marks)
2. State **four** characteristics of land as a factor of production. (4 marks)
3. Suggest **four** reasons why an organization should use landscape office layout. (4 marks)
4. State **four** disadvantages of trains as a means of transport. (4 marks)
5. For each of the following transactions indicate the account to be debited and account to be credited and the ledger in which each account would be maintained. (4 marks)

	TRANSACTION	ACCOUNT TO BE DEBITED	LEDGER	ACCOUNT TO BE CREDITED	LEDGER
a)	Sold goods to Kipruto shs. 100,000 on credit				
b)	Paid shs. 25,000 in cash for rent				

6. Outline **four** factors to be considered when evaluating a business idea. (4 marks)
7. State **four** methods of determining prices other than price mechanism. (4 marks)
8. The following information relates to Malugei Enterprises for the year ended 30th June 2014.

Sales	sh. 480,000
Stock (01/07/2013)	sh. 60,000
Stock (30/06/2014)	sh. 36,000
Margin	25%

 Determine:
 - i) Gross profit
 - ii) Cost of sales
 - iii) Net purchases
 - iv) Rate of stock turnover (4 marks)
9. Highlight **four** functions of money. (4 marks)
10. Mention **four** ways through which the government can ensure a clean environment. (4 marks)
11. State **four** functions of a cash book. (4 mark)
12. State **four** main daybooks (journals) (4 marks)
13. Name **four** circumstances under which a partnership may be dissolved (4 marks)
14. Name **four** contents of Memorandum of association. (4 marks)
15. Highlight **four** dangers of locating a firm in a central place. (4 marks)
16. Outline **four** challenges that a distributor of fresh milk is likely to face in his/her operations. (4 marks)
17. Outline **four** contributions of households to the national income of a country. (4 marks)
18. Outline **four** advantages of a declining population. (4 marks)
19. State **four** reasons why a trader would use a cheque to make payments as opposed to using cash. (4 marks)
20. Mention any **four** types of bill of exchange. (4 marks)
21. State any **four** essential elements in communication. (4 marks)
22. State any **four** principles of insurance. (4 marks)
23. State **four** types of warehousing. (4 marks)
24. State **four** reasons why the government issue trade licenses. (4 marks)
25. Outline **four** characteristics of basic wants. (4 marks)

NANDI EAST/TINDERET SECONDARY SCHOOLS EXAMINATION (NETSSE) 2016

BUSINESS STUDIES

565/2

Pre - mock

PAPER 2

Answer ANY FIVE questions in the answer sheets provided.

1. (a) Explain any five uses of national income statistics (10 mks)
(b) Describe any five channels that can be used to distribute locally manufactured goods. (10 mks)
 2. (a) Explain five differences between monopoly and oligopoly market structures. (10 mks)
(b) Mr. Kiharu started a business on 1st January 2014 with cash in hand sh.50,000 and cash at bank sh.19,000 (CR). His transactions for the first two weeks ending on 16th January 2014, were as follows:

January	1:	Bought furniture worth shs.10,000 by cash
	2:	Deposited sh.5200 cash in the business bank account from the cash till.
	4:	sold goods to Michael worth sh 7900 on credit
	5:	Mr. Kiharu disposed off a van at shs.70000 receiving payment of sh.2700 by cheque and the balance in cash.
	6:	Paid rent sh.1720 cash
	12:	Paid salaries shs.2200 by cheque
	13:	Received donations shs.15000 by cheque
	14:	Withdrew cash shs.10000 for personal use
	16:	Transferred all cash into the bank except shs.1200
- Required: Prepare Mr. Kiharu's two column cash book duly balanced.
3. (a) Explain five factors that may limit the use of pipeline as a mode of transport in a country. (10 mks)
(b) Explain five roles played by the Nairobi Stock Exchange (NSE) market in Kenyan economy. (10 mks)
 4. (a) Explain any five benefits that may accrue to a business organization which use e-mail to communicate. (10 mks)
(b) Explain any five limitations of advertising goods in newspapers. (10 mks)
 5. (a) Explain any five circumstances under which a firm would be located near the market of its products. (10 mks)
(b) Explain any five motives which influence a person to keep money for transactive purposes. (10 mks)
 6. (a) Explain any five current trends in office management. (10 mks)
(b) The trial balance given below was extracted from the books of account of Kapkenda traders at 31st Dec.2015.

Kapkenda Traders
Trial Balance
As At 31st Dec.2015.

Details	Dr.	Cr.
Purchases and sales	625388	1,000,000
Returns	4275	5388
Capital		150,000
Land and Buildings	120,000	
Discounts	4829	1139
Drawings	27459	
Debtors and creditors	71820	61040
Stock	28284	
Furniture and fittings	81,000	
Cash	43797	
Miscellaneous expenses	87695	
Carriage outwards	141120	
	1234567	1234567

Closing stock was valued at sh.68964

Required:

Prepare:

- i. Trading, profit and loss account for Kapkenda Traders for the year ended 31st Dec.2015.
- ii. A balance sheet as at 31st December 2015.

(5 marks)

NANDI EAST/TINDERET SECONDARY SCHOOLS EXAMINATION (NETSSE) 2016**Business Studies****Paper 1****Pre - mock****MARKING SCHEME**

1. Reasons why people start businesses:
 - To be one's own boss
 - To make use of a talent
 - To make profit
 - To earn a living
 - To serve the community
 - To make use of local resources
 - To create employment for themselves and others.
 - To provide goods and services
 - To make use of spare time.
 - To emulate other successful business people(role models)
2. Characteristics of land as a factor of production:
 - It is a basic factor of production that is production cannot take place without it.
 - Its supply is fixed
 - It lacks geographical mobility
 - Quality of land is not homogenous; productivity of one piece of land is different from that of another.
 - Productivity of land can be increased by increasing quantity and quality of capital.
 - It is subject to the law of diminishing returns.
 - It is natural resource.
3. Reasons why an organization should use landscape office layout:
 - It creates a relaxed atmosphere for the workers
 - It is more attractive and beautiful
 - The image of the organization/firm is enhanced.
 - It promotes good working relations and co-operation among workers.
 - Equipment and office facilities may be shared among employees.
 - The plants or flowers used break the monotony of open spaces.
4. Disadvantages of trains as a means of transport:
 - Not flexible as trains follow a strict timetable.
 - Railway lines are expensive to construct and maintain.
 - Not all areas are served by railway lines.
 - Trains are expensive to acquire and maintain
 - Unsuitable for transporting urgently required or perishable goods as it is slow.
 - Unsuitable for transporting goods over short distances.
- 5.

	A/C Debited	Ledger	A/C credited	Ledger
a)	Kipruto(debtor)	Sales ledger	Sales a/c	General ledger
b)	Rent A/C	General	Cash a/c	Cash book

6. Outline four factors to be considered when evaluating a business idea. (4 marks)
 - The products the business will sell.
 - The market.
 - Competition
 - Management
 - Objectives of the business
 - Profitability
 - Government policy
 - Availability of raw materials/product
 - Level of technology required
 - Capital required
 - Methods of determining prices other than price mechanism:
7. Methods of determining prices other than price mechanism:
 - Auction
 - Price fixing: usually done by suppliers who have no competitors e.g. KPLC
 - Government policy through price controls,taxation,subsidies
 - Hagglng/bargaining

- Price discrimination: where a supplier charges different customers
 - Sale by tender
8. (i) $\text{gross profit} = \text{margin} \times \text{sales}$
 $= 0.25 \times 480,000$
 $= \text{sh } 120,000$
- (ii) $\text{Cost of sales} = \text{sales} - \text{gross profit}$
 $= 480,000 - 120,000$
 $= \text{sh } 360,000$
- (iii) $\text{Purchases} = \text{cost of sales} - \text{opening stock} + \text{closing stock}$
 $= 360,000 - 60,000 + 36,000$
 $= \text{sh } 336,000$
- (iv) $\text{Average stock} = (\text{opening stock} + \text{closing stock}) \div 2$
 $= (60,000 + 36,000) \div 2$
 $= \text{Sh } 48,000$
- $\text{Rate of stock turnover} = \text{cost of sales} \div \text{average stock}$
 $= 360,000 \div 48,000$
 $= 7.5 \text{ times}$ (4×1=4 marks)
9. Functions of money (4 marks)
- It is a medium of exchange for goods and services
 - It is a measure of value of goods and services (a measure of wealth)
 - It is a store of value (one can store his wealth in terms of money)
 - It is used for transfer of immovable assets such as land and buildings.
 - It is a standard for deferred payments (present debts are settled in future in terms of money)
 - It is a unit of account (value of goods and services are recorded in books of account in money terms.)
10. Ways through which the government can ensure a clean environment. (4 marks)
- Through training of personnel and fostering of education on environment conservation issues.
 - Through formulating and passing laws that will prevent degradation of the natural environment.
 - Through awards to individuals, firms or institutions that play a key role in the conservation of the natural environment.
 - Through provision of funds that will be used in research into better methods of production that are environment friendly.
 - By encouraging and promoting the conservation of the forest cover.
11. Functions of cashbook (4 marks)
- To reduce entries made to the general ledger.
 - To enhance preparation of cash budgets and decisions on business liquidity
 - Shows the source of money received by a business
 - Show how business money has been spent.
 - Access to cashbook is limited is limited to a few trustworthy persons.
 - It enhances specialization in bookkeeping by allocating different ledgers to different workers.
 - The cash received and paid is shown on the same page this makes the balances be available easily.
 - It eases the monitoring of cash flow in and out of the business.
 - All transactions somehow end up at cashbook point as receipts or payments. IN this case the management can keep watch and control over all transactions at the cashbook point.
 - A three-column cashbook shows total discounts allowed and /or received during a given period, including to whom or from whom.
12. Main daybooks/journals (4marks)
- Sales journal
 - Sales returns journal
 - Purchases journal
 - Purchases returns journal
 - Cash receipts journal
 - Cash payments journal
 - General journal.
13. Circumstances under which a partnership may be dissolved (4 marks)
- At the end of the duration of the partnership i.e. completion of intended project
 - On notice by one or more of the partners.
 - On death of a partner, insanity or bankruptcy of any of the partners
 - A court order
 - A government legislation rendering a partnership business illegal
 - On mutual agreement among partners.
14. Contents of a memorandum of association:
- Name clause
 - The object clause

- Situation clause
 - Liability clause
 - Capital clause
 - Declaration clause
15. Dangers of locating firms in a central place. (4 marks)
- Causes rural-urban migration
 - May lead to development of slums.
 - High population in an area will cause congestion
 - Contributes to escalation of crimes in urban areas.
 - Other firms may collapse when key firm, which attracted the others in the first place, goes under.
 - Health hazards will come up due to poor living conditions.
 - Could provide a good target by an enemy during war and terrorism
 - Leads to unbalanced regional development.
 - Leads to pollution in the localized area.
16. Challenges that a distributor of fresh milk is likely to face in his/her operations.
- Problems of handling the product e.g. hygienic containers
 - Competition from other milk traders
 - Insecurity
 - Lack of good transport facilities
 - High perishability of milk.
 - Lack of market
 - Government policy e.g. The Dairy Board requirement and regulations.
 - Lack of storage facilities such as coolers.
17. The contribution of households to the national income of a country.
- They consume goods and services
 - They pay taxes to the government
 - They provide labour to the economy
 - They provide savings for investment in the economy thus creating capital
 - They provide land
 - They provide entrepreneurship to the economy
18. The advantages of a declining population:
- Less pressure on economic resources
 - Reduces government expenditure on public utilities
 - Improved standard of living
 - Reduces unemployment
 - Reduces budgetary deficits
 - Crime rate is likely to decrease
19. Reasons why a trader would use a cheque to make payments as opposed to using cash.
- A cheque is easy to carry
 - It is safer than cash
 - The counterfoil acts as evidence of payment
 - One does not need to travel when making payment
 - A cheque can be endorsed, that is, transferred to third party.
20. Types of bills of exchange. (4marks)
- Sight bill
 - Trade bill
 - Accommodation bill of exchange
 - Foreign bill
 - Inland bill
21. Essential elements in communication. (4 marks)
- The sender
 - The receiver
 - The message
 - The channel
 - Feedback
22. Principles of insurance (4 marks)
- Utmost good faith
 - Subrogation
 - Proximate cause
 - Insurable interest
 - Indemnity

- Contribution
23. Types of warehouses. (4 marks)
- Bonded warehouse
 - Free warehouse
 - Private warehouse
 - Public warehouse
 - Retailers warehouse
 - Wholesalers warehouse
 - Manufacturers warehouse
24. Reasons why the government issues trade licenses. (4 marks)
- To avoid illegal businesses in the country
 - To ensure that professional service providers are genuine
 - To control import and export of goods
 - To raise revenue
 - To avoid concentration of businesses in one line of trade or a particular area.
25. Characteristics of basic human wants. (4 marks)
- One cannot do without them.
 - They are felt needs
 - They cannot be postponed
 - They are satisfied before secondary wants.

NANDI EAST/TINDERET SECONDARY SCHOOLS EXAMINATION (NETSSE) 2016**BUSINESS STUDIES**

565/2

Pre - mock**PAPER 2**

Answer ANY FIVE questions in the answer sheets provided.

1. (a) Explain any five uses of national income statistics (10marks)
- Accessing the performance overtime by comparing national income in two different periods, the government can consider the period with higher national income to be better off.
 - Comparing the standards of living in different countries. The national income figures are used to compare the standards of living in different countries where the country with higher national income is derived to have higher standards of living.
 - Assisting the government to plan the economy national income statistics are used by the government in planning.
 - Investment decision-potential investors use data provided by national income statistics to understand market trends and make appropriate investment decision.
 - Assisting the government to plan the economy-national income statistics are used by the government in planning.
- indicator of the standard of living-an improvement in the size of national income indicator increased standards of living of the citizens.
- (b) Describe any five channels that can be used to distribute locally manufactured goods. (10 marks)
- Local producer→Agent→Wholesaler→Retailer→Local consumer
 - Local producer→Whosaler→Rtyailer→local consumer
 - Local producer→ consumer
 - Local producer→ manufacturer's Representative
 - Wholesaler → Retailer→ local consumer
 - local producer→ wholesaler→ local consumer
 - local producer→ Retailer→ Local consumer
2. (a) Explain five differences between monopoly and oligopoly market structures. (10 marks)

Monopoly	Oligopoly
i. There is one firm in the industry	i. The market is dominated by few firms
ii. There are no price wars hence no competition	ii. There is existence of non-price competition.
iii. The firm is independent in relation to the output and pricing strategies	iii. There is high level of interdependence in relation to pricing and output.
iv. The monopoly is a price maker	iv. The sellers are price takes
v. Products have no close substitutes.	v. The differentiated products are close substitutes of each other.
vi. The firm faces a downward sloping demand curve	vi. The firm faces a kinked demand curve.

(b)

MR KIHARU'S CASHBOOK
For the month of January 2015.

DATE	DETAILS	CASH	BANK	DATE	DETAILS	CASH	BANK
2013							
JAN 1	Bal b/d	50,000		JAN 1	Bal b/d		19000
JAN 2	Cash		5200	JAN 2	Bank	5200	
JAN 5	M. van	47,300	22700	JAN 6	Rent	1720	
JAN 13	Donations		15000	JAN 12	Salaries		2200
JAN 16	Cash		79180	JAN 14	Drawings	10000	
				JAN 16	Bank	79180	
				JAN 16	Bal c/d	1200	100880
		<u>97300</u>	<u>122080</u>			<u>97300</u>	<u>122080</u>
	Bal b/d	1200	100880				

3. (a) Explain five factors that may limit the use of pipeline as a mode of transport in a country. (10 marks)
- Easy targets for sabotage. They usually cover long distance in remote areas or jungles.
 - Expensive for small quantities. It is not economical to transport small volumes of items.
 - Suitable for liquids and gases. Cannot transport one product at a time this prevents its popularity
 - High costs of construction-initial costs involved in construction are usually very high.
 - Heavy losses of leakages-leakages along the pipeline may be disastrous and can lead to huge losses if not identified quickly.

- Require qualified personnel and modern equipment. This is to help in controlling and monitoring movement. These are quite expensive.
 - Environmental degradation. In case of leakage it can harm marine life and people.
- (b) Explain five roles played by the Nairobi Stock Exchange (NSE) market in Kenyan economy. (10 marks)
- Facilitates the buying and selling of shares amongst citizens.
 - Mobilizing savings-It helps to mobilize savings by providing an opening for buying of shares and prevent misuse of funds.
 - Indicator of performance.NSE provides an indicator of the company's performance when prices go up.
 - Safeguarding inventor's interests. This is achieved by requiring companies that want to be quoted to attain certain standards of performance.
 - Assist companies to raise capital.
 - Raising revenue for the government ie.by collecting dues and fees from activities carried out in the stock exchange market.
 - Protection of investors' interests.NSE helps to monitor the activities of various listed companies thereby safeguarding the interest of the investor.
4. (a) Explain any five benefits that may accrue to a business organization which use e-mail to communicate. (10 marks)
- Saves on the cost of sending/receiving information.
 - Reduces paper work.
 - Saves on the cost of storing information
 - It is fast.
 - Facilitates access to a larger number of recipients
 - One can send messages that contain photograph and diagrams.
 - There is evidence of communication.
 - It is possible to forward the information to other businessmen.
- (b) Explain any five limitations of advertising goods in newspapers. (10 marks)
- Not all potential customers are able to read newspapers
 - The newspapers may be written in a language or medium that is not familiar to many customers
 - It is expensive to buy newspapers and many people cannot afford.
 - It is expensive to advertise using newspaper as one incurs extra cost.
 - Newspapers are not able to discriminate between the intended group and others
 - Newspapers may not reach all parts of the country.
 - Newspapers have a short life and therefore easily discarded
- Any five well explained points@2 marks
5. (a) Explain any five circumstances under which a firm would be located near the market of its products. (10 marks)
- When the products are perishable thus require fast delivery.
 - When the products are bulky/heavier than raw materials.
 - Where the products are fragile to avoid losses through breakage
 - When it is cheaper to transport raw materials than the final product.
 - When the raw materials are in the same location as the market for the product.
 - Where the government policy requires so.
 - When the unit value of the product is high/may pose security threat during transport
- (b) Explain any five motives which influence a person to keep money for transactive purposes. (10 marks)
- Individual's level of income. The more a person's income is, the more he/she is likely to hold.
 - Interval between receipts of incomes. The longer the interval between the receipt of money and the next one, the more money is expected to be kept for transactive motives.
 - Individual's spending habits. It will depend on lifestyle of the individual e.g. someone who spends a lot of money on luxuries will tend to hold more money than the one who spends money only on basic needs.
 - Price of commodities-where the prices of commodities are high, consumers tend to hold a lot of money as opposed to when prices are low.
 - Availability of credit.-people who are assured of short term credit facility hold little amount of money for daily transactions. On other hand people without access to credit facilities hold comparatively more money in order to finance their daily activities.
- Any five well explained points.@2 marks.
6. (a) Explain any five current trends in office management. (10 marks)
- Use of computers to process and store data
 - Teleconferencing has reduced the cost of attending meetings/seminars.
 - Location of offices in sub-urban/outskirts of town.
 - Adoption of open office plan
 - Use of cell phones in the office for communication
 - Introduction of public relations department to attend to customers complains
 - Many traditional office procedures and routines are becoming outdated as offices adopt the element of automation
 - Office staff putting on similar uniforms on specific days of the week or weekends for identification.
 - Emergence of glass-storey buildings.
- Any five well explained points@2 marks.

- (b) i) Trading, profit and loss account for Kapkenda Traders for the year ended 31st Dec. 2015.

Kapkenda's trader's
Trading Profit and Loss Account.
For the year ended 31st December 2015

Dr	Cr
Opening stock	28284
Purchases	625388
Loss: Returns	5388
Cost of goods avail.	<u>620000</u>
Less. closing stock	648284
Cost of goods sold	<u>68964</u>
Gross profit c/d	579320
	<u>416405</u>
	<u>995725</u>
Discount allowed	4829
Miscellaneous expenses	87695
Carriage outward	140020
Net profit c/d	<u>202000</u>
	434544
	Sales
	1000000
	Less: returns in
	<u>4275</u>
	Net sales
	995725
	<u>995275</u>
	Gross profit
	416405
	Discount received
	18139
	434544
	Net profit b/d
	202000

- ii. A balance sheet as at 31st December 2015. (5 marks)

Kapkenda traders
Balance sheet
As at 31st December 2015

Fixed assets	Opening capital	150000
Land & building	120000	Add : net profit
Furniture & fittings	81000	202000
	201000	352000
Current assets		Less: drawings
Stock	68964	27459
Debtors	71820	Closing capital
Cash	43797	324541
	<u>184581</u>	Current liabilities
	<u>385581</u>	Creditors
		61040
		<u>385581</u>