Instructions to Candidates

1. Answer ALL the questions
2. Marks for each question is indicated alongside the question
3. Answer ALL the questions in the spaces provided in this paper.
4. Ensure that there are 25 questions.

CANDIDATE’S SIGNATURE
______________________________________________

FOR EXAMINERS USE ONLY

<table>
<thead>
<tr>
<th>Question</th>
<th>1</th>
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<th>14</th>
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TOTAL MARKS

This paper consist of 8 printed pages.
Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no question is missing.
1. Outline four current assets that a business is likely to possess. (4 marks)
   a) ________________________________________________________________
   b) ________________________________________________________________
   c) ________________________________________________________________
   d) ________________________________________________________________

2. Highlight four ways in which HIV/AIDS may negatively impact on business operations. (4 marks)
   a) ________________________________________________________________
      ________________________________________________________________
   b) ________________________________________________________________
      ________________________________________________________________
   c) ________________________________________________________________
      ________________________________________________________________
   d) ________________________________________________________________
      ________________________________________________________________

3. State four advantages of using M-pesa account to an individual. (4 marks)
   a) ________________________________________________________________
   b) ________________________________________________________________
   c) ________________________________________________________________
   d) ________________________________________________________________

4. Outline four reasons why Kenya should exploit the recently discovered oil immediately (4 marks)
   a) ________________________________________________________________
   b) ________________________________________________________________
   c) ________________________________________________________________
   d) ________________________________________________________________

5. List three secondary human wants in society (3 marks)
   a) ________________________________________________________________
   b) ________________________________________________________________
   c) ________________________________________________________________
6. Show four differences between insurance and gambling using the table below. (4 marks)

<table>
<thead>
<tr>
<th>INSURANCE</th>
<th>GAMBLING</th>
</tr>
</thead>
<tbody>
<tr>
<td>a)</td>
<td></td>
</tr>
<tr>
<td>b)</td>
<td></td>
</tr>
<tr>
<td>c)</td>
<td></td>
</tr>
<tr>
<td>d)</td>
<td></td>
</tr>
</tbody>
</table>

7. Identify four circumstances under which water transport may be used in a country. (4 marks)
   a)_______________________________________________________________________________
   b)_______________________________________________________________________________
   c)_______________________________________________________________________________
   d)_______________________________________________________________________________

8. In what four ways may a monopoly market structure disadvantage consumers? (4 marks)
   a)_______________________________________________________________________________
   b)_______________________________________________________________________________
   c)_______________________________________________________________________________
   d)_______________________________________________________________________________

9. Outline four characteristics of chain stores (4 marks)
   a)_______________________________________________________________________________
   b)_______________________________________________________________________________
   c)_______________________________________________________________________________
   d)_______________________________________________________________________________

10. State four roles played by entrepreneurs to the economy of a country. (4 marks)
    a)_______________________________________________________________________________
    b)_______________________________________________________________________________
    c)_______________________________________________________________________________
    d)_______________________________________________________________________________
11. **Outline four** methods used by the government to protect consumers. (4 marks)
   
   a) 
   
   b) 
   
   c) 
   
   d) 

12. **Highlight four** consequences that may result from poor arrangement of goods in a public warehouse. (4 marks)
   
   a) 
   
   b) 
   
   c) 
   
   d) 

13. **State four** ways in which home trade may differ from international trade. (4 marks)
   
   a) 
   
   b) 
   
   c) 
   
   d)

<table>
<thead>
<tr>
<th>Description</th>
<th>Shs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases</td>
<td>20,000</td>
</tr>
<tr>
<td>Sales</td>
<td>30,000</td>
</tr>
<tr>
<td>Sales returns</td>
<td>1,200</td>
</tr>
<tr>
<td>Discount allowed</td>
<td>800</td>
</tr>
<tr>
<td>Cash at bank</td>
<td>44,000</td>
</tr>
<tr>
<td>Purchases returns</td>
<td>3,000</td>
</tr>
<tr>
<td>Capital</td>
<td>29,000</td>
</tr>
<tr>
<td>Discount received</td>
<td>4,000</td>
</tr>
</tbody>
</table>

15. Outline four steps involved in personal selling.

a) ________________________________________________________________

b) ________________________________________________________________

c) ________________________________________________________________

d) ________________________________________________________________
16. Illustrate in a diagram how equilibrium price \( p_e \) and equilibrium quantity \( Q_e \) may be determined in a market. (4 marks)

17. The balance sheet prepared by the owner of a school canteen (Peter) as at 1st January 2012 showed capital of Shs 350,000. The following information pertains to the year ending 31st Dec. 2012.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total drawings</td>
<td>Shs. 40,000</td>
</tr>
<tr>
<td>Additional capital</td>
<td>Shs 80,000</td>
</tr>
<tr>
<td>Ending capital</td>
<td>Shs 700,000</td>
</tr>
</tbody>
</table>

How much was profit/loss made? (4 marks)
18. State **four** reasons why a census has to be conducted after ten years in Kenya (4 marks)
   a)_______________________________________________________________________________
   b)_______________________________________________________________________________
   c)_______________________________________________________________________________
   d)_______________________________________________________________________________

19. Outline **five** essential elements of effective communication. (5 marks)
   a)_______________________________________________________________________________
   b)_______________________________________________________________________________
   c)_______________________________________________________________________________
   d)_______________________________________________________________________________
   e)_______________________________________________________________________________

20. Highlight **four** complaints that people have to show that inflation is a real problem. (4 marks)
   a)_______________________________________________________________________________
   b)_______________________________________________________________________________
   c)_______________________________________________________________________________
   d)_______________________________________________________________________________

21. State **four** sectors/areas of the economy where you could have allocated more money if you were asked to prepare a budget for Kenya. (4 marks)
   a)_______________________________________________________________________________
   b)_______________________________________________________________________________
   c)_______________________________________________________________________________
   d)_______________________________________________________________________________
22. Classify the following accounts as either real or nominal. (4 marks)

<table>
<thead>
<tr>
<th>ACCOUNT</th>
<th>CLASSIFICATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Sales</td>
<td></td>
</tr>
<tr>
<td>b) Motor car</td>
<td></td>
</tr>
<tr>
<td>c) Stock</td>
<td></td>
</tr>
<tr>
<td>d) Purchases</td>
<td></td>
</tr>
<tr>
<td>e) Insurance premium</td>
<td></td>
</tr>
<tr>
<td>f) Commission income</td>
<td></td>
</tr>
<tr>
<td>g) Premises</td>
<td></td>
</tr>
<tr>
<td>h) Bicycle</td>
<td></td>
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</tbody>
</table>

23. State the meaning of the following as used in cash book preparation. (4 marks)

a) Contra entry
   ____________________________________________________________
   ____________________________________________________________
   ____________________________________________________________
   ____________________________________________________________

b) Discount received
   ____________________________________________________________
   ____________________________________________________________
   ____________________________________________________________
   ____________________________________________________________

24. Outline four challenges that may be encountered by using a long channel to distribute farm produce. (4 marks)

a) ____________________________________________________________
   ____________________________________________________________

b) ____________________________________________________________
   ____________________________________________________________

c) ____________________________________________________________
   ____________________________________________________________

d) ____________________________________________________________
   ____________________________________________________________

25. Highlight four implications of production activities on the environment and community health. (4 marks)

a) ____________________________________________________________
   ____________________________________________________________

b) ____________________________________________________________
   ____________________________________________________________

c) ____________________________________________________________
   ____________________________________________________________

d) ____________________________________________________________
   ____________________________________________________________