BUSINESS STUDIES

Business Studies Paper 1 (565/1)

Types of wholesalers
(a) Specialized wholesaler
(b) Regional wholesaler
(c) Rack jobbers
(d) General line wholesaler (4 x 1 mark = 4 marks)

Factors to consider before buying office equipment include:
(a) space available
(b) use of which it be put
(c) technological trends in the industry
(d) funds available
(e) skills available

(Any 4x1 mark = 4 marks) Malpractices by traders against which consumers may need protection by the government include:
(a) selling of contraband goods
(b) overcharging
(c) selling under weight goods
(d) selling expired goods
(e) giving misleading information about the product
(f) hoarding

(Any 4x1 mark = 4 marks)
Features of insurable interest include:
(a) presence of property rights or interest
(b) potential insurable risk must be present
(c) the property must have monetary value
(d) the insurable risk must be legal
(e) there must be the possibility of suffering financial loss incase of a risk happening

(Any 3x1 = 3 marks)
Ways of reducing the level of unemployment in Kenya include:
(a) encouraging self-employment
(b) establishment of more labour intensive industries
(c) impart the right skills through education and training
(d) expanding the market for agricultural goods
(e) exporting surplus manpower

(Any 4x1 mark = 4 marks)
Services offered by a commercial bank to its customers include:
(a) [illegible]
(c) advancing loans
(d) offering management and [illegible]
(e) advisory services on financial [illegible]
(f) foreign exchange services

(a) taxes
(b) licences
(c) court fines
(d) donor aid
(e) fees
(f) treasury bonds and bills

(Any 4x1 mark = 4 marks)

Reasons why countries may trade with each other include:
(a) to sell their surplus
(b) to enhance bilateral ties
(c) to acquire what they are not able to produce
(d) protect special interest
(e) to improve the quality of life of their citizens/improve access to a variety of goods

(Any 4x1 mark = 4 marks)

Reasons why economic development is desirable to a country include:
(b) [illegible]
(c) create employment
(d) increase life expectancy
(e) reduce rural-urban disparity
(f) improve the social welfare of citizens

(Any 4x1 mark = 4 marks)

Factors of production and rewards they earn:

Factor of production	**Reward**
(a) Land	Rent
(b) Labour	Wages/salaries
(c) Capital	Interest
(d) Entrepreneur	Profits

(4 x 1 mark = 4 marks) Circumstances under which a co-operative society may be dissolved include:
(a) by Government order
(b) where the co-operative continuously make losses
(c) where stipulated majority of members agree to dissolve it
(d) by a *court* order
(e) where the co-operative society has achieved objectives for which it was formed

(Any 4x1 mark = 4 marks)

Features of a bonded warehouse include:
(a) mostly located at points of entry into a country like the ports
(b) stores goods that are under bond

Sources of public finance include:
(c) court fines
(d) donor aid
(e) fees
(f) treasury bonds and bills

(Any 4x1 mark = 4 marks)

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(Any 4x1 mark - 4 marks)

Reasons why economic development is desirable to a country include:
(a) improve standard of living of the citizens
(b) improve infrastructure
(c) create employment
(d) increase life expectancy
(e) reduce rural-urban disparity
(f) improve the social welfare of citizens

(Any 4x1 mark = 4 marks)

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Features of a bonded warehouse include:
(a) mostly located at points of entry into a country like the ports
(b) stores goods that are under bond

(c) guarantees payment of customs duty to customs authority
(d) very spacious to accommodate even bulky goods like motor vehicles
(e) must issue release warrants to owners of goods for customs clearance
(f) works hand in hand with customs officials for inspection of goods

(Any 4x1 mark = 4 marks 13 Factors that may be considered when measuring the size of a firm include:

(a) the level or volume of output
(b) the number of employees
(c) the capital invested
(d) the .production methods (technology) used
(e) the market served
(f) the floor area covered by the firm's premises
(g) the sales volume

(Any 4x1 mark = 4 marks)

14 Ledger Accounts

(a) Salim Traders Account

		(b) Shah Trade	
		March 10: Purchases	200,000 ;rs
Ksh.	Account		
March 25: Sales	420,000 (c)		

:count

Ksh.	
March 10: Salim Traders	200,000

Ksh.

March 25: Shah Traders 420,000

(4 x 1 mark = 4 marks)

15 Amount paid

	Ksh.
Invoice price	12,000
Less: Trade discount (12,000 x 5%)	600
	11,400
Less: Cash discount (11,400x 10%)	1,140
	10,260

(4 x 1 mark = 4 marks)

(c) guarantees payment of customs duty to customs authority
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(4 x 1 mark = 4 marks)

Calculation of rate of return on

capital C = A-L

= 500,000 - (150,000 + 100,000)

= 500,000-250,000 = 250,000

ROROC = NP x 100 C

= 50,000x 100

250,000 = 20%

(8 x i ^ mark = 4 marks)

Amina Traders Trading Account for the year ended 31st December, 2006

	Ksh.	Ksh.		Ksh.
Opening stock	260,000	75,000	Sales 320.000 x 125 100	400,000
Purchases	12,500	272.0		
Add: Carriage		347,500		
		27.500		
Less: closing stock Cost of Goods Sold		320.000		
Gross profit		80.000		
320.000x25 100,000		400.000		400.000

Beatrice may get ... ansporting her produce to the m... by road

(a) Relatively flexible
(b) Relatively cheap
(c) Relatively available
(d) Relatively fast
(e) Variety of means of road

(Any 4x1 mark = 4 marks)

Causes of the declining supply of sukuma wiki include:

(a) fall in the price of kales (sukuma wiki) may have discouraged producers (farmers) as they opt to produce other goods
(b) there may have been an outbreak of diseases affecting the sukuma wiki
(c) there may have been prolonged drought which affects the sukuma wiki
(d) there may have been increased cost of farm inputs like fertilizer and seeds
(e) the farmers could be using inappropriate technology to produce the sukuma wiki
(f) this may just be the ploughing time and many farmers have not yet planted sukuma wiki

(Any 4 x 1 = 4 marks)

Ways in which households may contribute to national income of a country include:

(a) consumption of goods
(b) payment of taxes

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= 50,000x100
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(8 x y_2 mark = 4 marks)

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(b) Relatively cheap
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(e) Variety of means of road transport

(Any 4x1 mark = 4 marks)

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(Any 4 x 1 = 4 marks)

Ways in which households may contribute to national income of a country include:

(a) consumption of goods

payment of taxe

s

(b)

(c) provision of factors of production

(d) provision of savings for investment

(4 x 1 mark = 4 marks)

21 Circumstances in which a trader may use oral communication include:

(a) when there is need to negotiate a deal

(b) when there is need to explain the use and features of a product

(c) when there is need for immediate feedback

(d) when there is need to give an immediate compliment

(e) when selling over the counter

(4 x 1 mark = 4 marks)

22 Reasons why a firm may remain small include:

(a) Target market is small

(b) Limited production capacity

(c) Nature of the product

(d) Owner's decision to remain small

(e) Inadequate appropriate technology

(4 x 1 mark = 4 marks)

23 Two-column cash book for the month of January

RECEIPTS				PAYMENTS			
Date	Details	Cash	Bank	Date	Details	Cash	Bank
2007		Ksh.	Ksh.	2007		Ksh.	Ksh.
Jan 1	Balance b/d	25,250	-	Jan 1	Balance b/d	-	150,000
5	Sales	21,500	-	28	Creditor	-	80,000
16	Debtor		360,000	28	Creditor	20,000	-
				31	Balance c/d	26,750	130,000
		46,750	360,000			46,750	360,000
Feb 1	Balance b/d	26,750	130,000				

(10 x y_2 mark = 5 marks)

24 Benefits that accrue to a trader who advertises products in a newspaper include:

(a) wide coverage - message can reach a lot of people

(b) evidence of the message exists

(c) graphical details can be included

(d) a trader has a chance to compete with other traders

(e) a trader has a chance of increasing sales.

(4 x 1 mark = 4 marks)

25 Calculation of the increase in consumer price index

Base year 2006 = 100%

-y^j-x 100 = 133%

Increase (133 -100) = 33%

33.2 Business Studies Paper 2 (565/2) (4 x 1 mark = 4 marks)

1. (a) Explaining the types of inflation
   (i) Demand-Pull inflation
   Refers to a progressive increase in the general level of prices brought about by an expansion in demand. There is too much money chasing very few goods.
   (ii) Cost-Push inflation
   A progressive increase in the general price level brought about by a general increase in the cost of production.
   (iii) Imported inflation
   Refers to an increase in domestic prices resulting from importation of primary goods and inputs at higher prices.
   (iv) Structural inflation
   Refers to a persistent *rise* in prices resulting from failure of the economy to meet the general increase in demand.
   (4 x 2 = 8 marks)

   (b) Factors that may hinder the development of a country include:
   (i) Low demand for goods and services which discourages production activities hence interfering with development.
   (ii) Inadequate capital which leads to low levels of development
   (iii) Negative sociocultural practices which may hinder production and consumption of certain goods and services.
   (iv) Inadequate foreign exchange which limits access to imports hence affecting production and consumption.
   (v) Limited entrepreneurial abilities resulting into inefficiency in production.
   (vi) Poor management of resources arising from inadequate skills, corruption and poor governance which limit the extent of growth and development.
   (vii) Poor nutrition and disease prevalence which renders some of the people unproductive as well as channelling much of the income into provision of health care instead of investment.
   (viii) Use of inappropriate technology which compromises the quantity and quality of goods and services produced.
   (Any 6 x 2 = 1 2 marks)

2. (a) Circumstances under which containerization may be used to transport goods include:
   (i) Where bulky goods are imported. Bulky goods are usually transported by sea where containers are used.
   (ii) Where specialized equipment are available for handling containers.
   (iii) Where container terminals are available - containerization require container terminals which are specially built to handle them.
   (iv) Where specialized means of transport like railways are available.
   (Any 5 x 2 = 10 marks)

(v) Where security of goods need to be guaranteed. Goods of very high value and those that are risky require high level of security which is guaranteed by containers.

(vi) Where skilled personnel are available. The handling of containers require specially trained workers to handle and manage them.

(Any 5 x 2 = 10 marks)

Procedure for making an insurance claim

(i) Notifying the insurer of the loss suffered.

(ii) Filling a claim form from the insurer.

(iii) Carrying out investigation to determine or ascertain the cause of loss.

(iv) Insurance company making a report.

(v) Determination and payment of the claim.

(5 x 1 = 5 marks)

(II) Determination of compensation

$$\text{Compensation} = \frac{\text{Sum assured}}{\text{value of property}} \times \text{Actual loss}$$

$$\frac{900.0}{1{,}200{,}000} \times 500{,}000$$

= Ksh 375,000

(5 x 1 = 5 marks)

Factors to consider when choosing a method of promoting a product include:

(i) Cost of the method. The organization should choose a promotion method that is affordable.

(ii) Geographical area of coverage. The organization should choose a method that will reach the customers in their various locations.

(iii) Target group. The organization must choose a method that appeals to the relevant target group.

(iv) Speed of the medium or method in relation to urgency of the message. The organization should choose a method that will reach the customers within the desired time frame.

(v) Nature of the product. Different methods may be chosen depending on the nature of the product e.g. technical products may require demonstrations best achieved through personal selling.

(vi) Nature of the message. The organization should choose a method that will best present the various aspects of the message.

(Any 5 x 2 = 10 marks)

Features of economic resources include:

(i) Scarcity. They are found in small quantities compared to the many uses into which they have to be put and hence not sufficient to satisfy all human wants.

(ii) Monetary Value. They have a price attached to them which have to be paid for their use.

(iii) Uneven distribution. They are not distributed uniformly in society, hence some people, regions or countries have more of the resources than others.

(Any 5 x 2 = 10 marks)

(iv) Combinability. They can be used in different proportions to produce goods and services.
(v) Usefulness. They are used to satisfy human wants (have utility).
(vi) Transferability. They may be transferred from one person to another in terms of ownership.

4. (a) Benefits that may accrue to an organization that adopts an open office plan include:

(i) Easy supervision. It is easy to monitor employee's performance since they are in the same room.
(ii) Economy of space. More floor space is available since space has not been lost through partitions.
(iii) Minimal cost. It is cheap to construct and maintain.
(iv) Sharing of resources. It makes possible for joint use of office facilities.
(v) Easy communication. Communication between workers and departments is made easier and faster since there are no physical barriers between them.
(vi) Easy reorganization. It is easy to re-arrange the office when need arises.
(vii) Enhanced teamwork. Employees work as a team and learn to be together.

(Any 5 x 2 = 10 marks)

(b) Circumstances under which a partnership may be dissolved include:

(i) Expiry of time or accomplishment of purpose. Where the partnership was formed for a definite time or a particular purpose, the expiry of time and accomplishment of purpose terminates the partnership.
(ii) Mutual agreement among partners - where the partners agree among themselves to terminate the partnership.
(iii) Bankruptcy of a general partner - where a court declares the value of one of the general partner's property insufficient to settle his or her debts.
(iv) Change in law that makes the operations of the partnership illegal.
(v) Permanent inability of a general partner to perform or fulfil his part of the partnership agreement either as a result of disease, insanity or death.
(vi) Internal dissension among partners - where partners disagree irreconciliably, then the partnership may be terminated.
(vii) Persistent losses in operation - where the business has continued to operate at a loss, then it is terminated.
(viii) Fraud, mistake or misrepresentation - where the partnership was formed under fraud, mistake or misrepresentation, a Court of Law may order its dissolution.

(Any 5 x 2 = 10 marks)

(Any 5 x 2 = 10 marks)

5. (a) Factors that may influence the choice of a channel for distributing flowers include:

(i) Nature of the flowers - flowers are perishable and therefore need a short channel in order to be distributed quickly.
(ii) Cost. The cost of different channels of distribution should be considered and the cheapest channel used.
(iii) Nature of the market. If consumers are widespread, then agents may be necessary to reach them.
(iv) Tastes and preferences of consumers. Consumers may have specific preferences which might require the personal attention of the producer hence use of a shorter channel.
(v) Competition. Where competition is high, the producer will have to close to the consumers and will therefore use a short channel of distribution.
(vi) Quantity. If the quantity of flowers to be sold is large, then more middlemen may be required.
(vii) Availability of technical personnel. If the producer does not have the required technical personnel, then he may have to use a longer channel.

(Any 6 x 2 = 1 2 marks)

(b) Reasons for maintaining books of original entry include:

(i) To reduce details to be recorded in the ledger accounts.
(ii) Act as back-up data from which other information may be extracted if need arise.
(iii) Contain information which act as reference such as units, trade discounts and terms of sale.
(iv) The general journal is used to correct errors made when recording transactions.
(v) The three-column cash book is used as a book of original entry as well as a ledger.

(Any 4x2 = 8 marks)

6. (a) Causes of unfavourable balance of payment for most developing countries include:

(i) Reliance on primary products for export. Most developing countries mainly export primary agricultural products which fetch low prices in' the international market.
(ii) Heavy importation of finished goods. Most developing countries import finished manufactured goods whose value are very high hence spend more on them.
(iii) Low levels of technology. Most developing countries rely on low levels of technology in production which compromises the quality of their exports and also lowering their value.
(iv) Too much reliance on foreign borrowing. Most developing

(Any 5 x 2 = 10 marks)

countries finance their development projects through heavy borrowing yet such loans are repaid with heavy interests.

(v) Susceptibility to natural calamities. Many developing countries are easily affected by natural disasters like drought which adversely affect their production.

(vi) Preference towards foreign goods. Most consumers in developing countries prefer goods manufactured in foreign countries in the belief that they are of better quality.

(vii) Unfavourable world economic order. The developing countries have very little say in international trade forums and cannot influence the world economic order in their favour.

(Any 5 x 2 = 10 mark

(Any 5 x 2 = 10 marks)

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Rehema Traders Balance Sheet As at 31 December 2007				
Fixed Assets			Capital	590,000
Motor Van	200,000			
Furniture	140.000	340,000		
			Current Liabilities	210,000
Current Assets				
Stock	160,000			
Debtors	100,000			
Cash	200.000	460.000		
		800.000		800.000

(b)

(10 X 1 = 10 marks)

(Any 5 x 2 = 10 marks)