BUSINESS STUDIES

KCSE QUICK REVISION

INTRODUCTION TO BUSINESS STUDIES

1. **State 4 reasons why people engage in business**
   - *To make profit*
   - *To provide goods and services*
   - *To dispose off surplus produce*
   - *To exploit individual talent*
   - *To keep oneself occupied or busy*
2. **Outline four ways in which a business can be socially responsible to its immediate environment**
   - *Availing its information concerning its operations to the public*
   - *Making donations to help develop and support education*
   - *Supporting the community by purchasing raw material it uses*
   - *Supporting the informal sector*
   - *Providing employment opportunities to society*
   - *Availing its products at a cheaper price to the community.*
3. **Highlight four benefits that a community should derive from a manufacturing firm**
   - *Participating in community programmes*
   - *Provision of job opportunities*
   - *Production of safe products*
   - *Proper disposal of waste products*
   - *Conservation of environment*
   - *Provision of safe and healthy working place.*

4. Outline four main reasons why business enterprise exist

- *Provide goods and services*
- *To earn profit*
- *To utilize extra resources*
- *To utilize spare time*
- *To be own boss*
- *To create employment opportunities*

5. State four benefits of learning business studies to a Kenyan student. (4 marks)

- *To relate knowledge, skills and attitudes to day to day.*
- *Skills necessary to start a business.*
- *Appreciate role of business in provision of goods and services.*
- *Appreciate need for good business practices.*
- *Self discipline and positive attitude towards work.*
- *Understand the role of government in business activities*
- *Understand the role of communication and information technology.*
- *Develop positive attitude towards the environment.*

BUSINESS AND ITS ENVIRONMENT

1. **Outline 4 elements that may comprise the internal environment of a business**
   - *Business culture*
   - *Business structure*
   - *Human resources*
   - *Financial resources*
   - *Technology*
   - *owners*
2. **Outline 4 measures to be taken by a businessman to improve internal business environment**
   - *Setting smart objectives*
   - *Developing an effective business culture*
   - *Availing necessary and required skills, knowledge and values*
   - *Carrying out service training for the existing personnel*
   - *Develop a workable business structure*
   - *Improving the workers welfare*
3. **State 4 ways in which a business may negatively affect the physical environment**
   - *Environmental degradation*
   - *Environmental pollution*
   - *Depletion of resources*
   - *deforestation*
4. **State 4 ways in which HIV/AIDS prevalence has negatively affected business activities**
   - *Regular absenteeism of workers*
   - *Low productivity due to ill health*
   - *Market loss*
   - *Resources being used to provide care for Aids patients*

- *Lose of skilled labour*
- *Increase in dependency ratio*

5. **Explain 4 measures a business can take to ensure that its environment is conducive to its business activities**
    - *Ensuring the business operates in surrounding that are clean and attractive to customers.*
    - *Ensuring that legal requirements and conditions have been fulfilled i.e. relevant permits and licences have been obtained*
    - *That all government taxes are paid promptly*
    - *Suppliers to the business paid promptly for their services*
    - *Ensuring the goods and services fairly priced in relation to their quality*
6. **Outline 4 measures an entrepreneur should take to ensure a conducive internal environment for his business**
    - *A good business structure*
    - *Proper resource allocation*
    - *Good business culture*
    - *Better decision making by the owners*

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

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

7. **Highlight 4 internal weaknesses that may affect business performance**
    - *Poor managerial structure*
    - *Use of inappropriate technology*
    - *Lack of adequate resources eg physical*

- *Unmotivated workers*
- *Poor internal communication*
- *Poor time management*
- *Poor planning*

8. Outline four elements that may comprise the external environment of a business

- *Political*
- *Economical*
- *Social- cultural*
- *Technological*
- *Legal structure*
- *Customers*
- *Intermediaries*
- *Geographical*
- *Demographical*
- *Supplies of raw materials*
- *Competition*

State four external factors that will enhance the performance of a business.

- *Increased population (Market)*
- *Improved infrastructure*
- *Favourable climate*
- *Improved technology*
- *Security*
- *Low taxes.*
- *Fashion and taste farming the business.*

State 4 ways in which HIV / AIDS prevalence has negatively affected business activities.

– Regular absenteeism of workers / owner / loss of time.
– Low productivity due to poor health.
– Loss of market.
– Increase in dependency ratio.
– Loss of skilled labour.
– Resources being used to provide care for patients

State 4 reasons for ethical practices in business.

– To ensure workers are paid fairly and on time.
– To ensure that there is no discrimination of employees.
– To create fairness in competition.
– To ensure rights of employees are protected / upheld.
– To avoid corruption / ensure responsible promotion.
– To avoid consumer exploitation.

– *To ensure protection of the environment / hence no pollution.*
– *To ensure compliance with country's laws and regulations.*

9. Explain five reasons why a new business may fail

- *Inadequate capital/ lack of funds- initial/ operation capital may be inadequate to sustain/ run/ expand due to lack of collateral/ security*
- *Poor inappropriate marketing/ strategies/ leading to low sales/ fewer customers/*
- *Unfair/ stiff competition*
- *Inadequate/ lack of poor/ inefficient management skills. The business may have insufficient skills to operate/ manager*
- *Lack of inadequate manpower*
- *The business may not have enough manpower to operate/ manage*
- *Lack /inadequate modern technology/inappropriate technology. This may lead to less quantity/ quality goods/ services*
- *Unfriendly / poor management policies. May be the government policies are unfavourable to the growth/ explosion of business*
- *Inadequate/ lack of market due to low income of buyers/ customers/ cultural practices/ beliefs*
- *Poor pricing which might make the produce/ services too expensive to attract buyers/ too cheap to sustain the business*
- *Inappropriate product/ business for the intended market/*
- *Political instability/ insecurity that may hinder smooth running of the business*
- *Poor/ inadequate infrastructure which may hinder access the market/ inputs/*
- *Lack of planning to accommodate future changes.*
- *Misallocation/misappropriation of resources leading to wastages/ misuse of resources.*
- *Poor customer relation/ care leading to loss of market.*
- *Poor time management which may cause loss of business opportunities/ inabilities to accomplish tasks*

10. Explain five ways in which effective management practices may contribute the success of a business

- *Proper planning is put in place so that good results can be anticipated and also accommodate future changes.*
- *Relevant strategies may be established so as to achieve desired results.*
- *Setting clear goals and objectives so as to achieve the intended results.*
- *Providing and using organizational resources efficiently and effectively. This involves budgeting to avoid wastage and misuse.*
- *Proper time management to ensure set activities (tasks) are accomplished within the required time.*
- *Good supplier/customer/employee relations to attract and retain them (suppliers, employees and customers).*
- *Corporate social responsibility is fostered. This builds on the image and reputation*

of the company.

- *Compliance with legal requirements in order to operate smoothly and avoid conflict with law enforcement authorities.*
- *Motivation of employees to increase productivity.*
- *Proper organization to avoid overlap/duplication of duties.*
- *Proper direction to ensure activities are geared towards achieving the set goals.*
- *Identifying the required skills/training relevant staff for smooth running of the organization*
- *Monitoring/evaluating/checking that planned activities take place in order to achieve desired results.*
- *Proper co-ordination to reduce conflicts.*

11. A manufacturing firm has been consistently releasing toxic wastes into the neighbourhood . outline four measures you can take to stop the firm from such malpractise

- *Publicize the malpractice*
- *Take legal action I sue the firm*
- *Report to National Environmental Management Authority (NEMA / Relevant authority*
- *Educate the neighbours on their tights.*
- *Boycott the farm products*
- *Carry out demonstrations against the firm.*

12. State four reasons why the government should create an enabling environment for investors

- *To minimize cost of doing business*
- *To open new areas/hitherto neglected by investors (local foreign)*
- *To expand the tax base and hence increase revenue*
- *To enhance economic development in the country*
- *To promote public/private sector relationship*
- *To create employment opportunities*
- *To increase the level of National/increase product*
- *To avail a variety of goods and services.*

13. Juma opened up a shop at musikoma. State five benefits the community around would benefit from the business

- *They can buy farm inputs from the shop*
- *They can buy consumer goods from the shop*
- *They can get goods on credit.*
- *They can sell some of the farm produce to juma shop*
- *The shop can be used as a communication centre.*
- *The shop can be used as a financial centre*
- *Juma can offer employment opportunities*
- *Advice can be offered*
- *Goods are brought closer to them*

14. Explain five factors that contribute to business success in the society

- *availability of capital.*
- *developed infrastructure.*
- *availability of skilled labour.*
- *government support.*
- *access to markets / customs*
- *aggressive marketing.*
- *proper management of the debts*
- *availability of security*
- *ideal location*
- *fair competition*
- *availability of raw materials/ stock*
- *good public relations*
- *being creative & innovative / enterprising / technology*
- *proper allocation of resources*
- *proper record keeping*
- *political stability*

15. State 4 ways in which the economic environment may positively influence the activities of a business

- *The prices of commodities are low leading to increased demand*
- *Increase in consumers incomes hence high demand*
- *If the taxes levied on goods are low as it will make prices of commodities to fall*
- *If banks charge low interest rates on loans, it encourages people to borrow loans and buy more goods*
- *If there is low levels of inflation increasing or maintaining higher ability to buy*

16. Explain five ways in which the internal business environment affects business operations

- Business structure / organisation as well as defined structures set up allows

duties to be allocated to the right people hence higher productivity
- Business policies - Rules that are well defined make it easier for employees to interpret them accordingly
- Human resources - Well trained and experienced workforce can increase productivity of business. Employees need to be paid well to prevent them from quitting for better payment
- Financial resources - Availability of physical resources can ensure efficient operation of the business
- Business culture - A positive relationship between the business and its employees will make them perform in their duties. Good relationship
with the customers increases demand for its good

17. Explain five external business environment factors that would influence the business negatively.

– Social/cultural beliefs of the people if the culture is against the consumption of the product being traded/if product being traded is against the values of the people.
– Political effect;– Political instability may make business fail/high taxation/un conducive legal systems are not conducive for business.
– Technological changes;– Failure to adopt high levels of technology may result to poor quality/low quantities.
– Competition;– Cut throat competition may impact negatively to the business/closing down.
– Lack of required suppliers – Business may experience shortages/irregular supplies.
– Economic environment – purchasing power/ inflation/High interest on loans/tariffs by trading partners boast/lower demand for the products.
– Legal factors – changes in laws/regulation may require new ways of conducting business/adjustments for business to continue/operation.
– Lack of intermediaries to distribute goods to consumers/may not reach consumers/leading to loss of market.

SATISFACTION OF HUMAN WANTS.

1. **State 4 characteristics of basic wants**
   - *One cannot do without them*
   - *They are felt needs*
   - *Cannot be postponed*
   - *They are satisfied first before secondary wants*

2. **Highlight 4 characteristics of capital as a factor of production**
   - *Capital is a man made resource*
   - *Capital can be moved from one place to another*
   - *It can reduce in value i.e. its subject to deprecation*
   - *Can be improved through advancement of technology*
   - *Its reward is interest*
   - *It is a basic factor of production*

3. **State 4 rewards of labour as a factor of production**
   - *Salaries*
   - *Wages*
   - *Fees*
   - *Commission*
   - *Royalties*

4. **Outline 4 difficulties faced in satisfaction of human wants**
   - *They are too many to satisfy*
   - *They are habitual*

- *They are repetitive/recurring*
- *They change with time, age, gender*
- *Limited resources required to satisfy them*
- *Problem of deciding which one to satisfy*

5. **State 4 reasons why consumers have to make choices between competing wants**
   - *Because of a wide variety of needs*
   - *Different tastes and preferences*
   - *Different prices of goods*
   - *Limited resources/income*

6. **State 4 ways in which a firm can improve the productivity of its human resource**
   - *Provide workers with more education and training*
   - *Pay workers well*
   - *Promoting workers*
   - *Provide medical care*
   - *Ensure good relationship with managers*
   - *Providing good working environment*
   - *Provide workers with good tools of equipment*

7. **7Outline 4 ways in which economic resources are useful to Kenya**
   - *They have money value thus can be sold and the money used to develop the economy*
   - *They can be combined to produce more useful goods for the country*
   - *They can be used to create goods and services that satisfy human wants*
   - *They lead to economic development of the country*

8. **State four difficulties consumers face when satisfying human wants**
    - *Human wants are too many to be satisfied fully*
    - *Resources to satisfy them are scarce*
    - *Human wants reccur and they require fresh resources to satisfy them*
    - *Human wants are competitive therefore faced with the task of deciding which want will be satisfied*
    - *Human wants are complimentary and require more resources to satisfy them*
    - *They change with time, age and gender*

9. **Mention 4 features which qualifies food as a primary want**
    - *Cannot be postponed*
    - *Required for survival*
    - *It is a felt need*
    - *Satisfied first before secondary want*
    - *Cannot be fully satisfied*

10. **Outline 4 reasons to account for continuous existence of direct production in modern society**
    - *Requires less capital*
    - *Lack of entrepreneurial skills*
    - *Cultural background/beliefs*
    - *Poor technology*
    - *Provide self employment*
    - *Leads to independence*

11. **State 4 characteristics of labor as a factor of production**
    - *It's a human resource*

- *It's a basic factor of production*
- *Its supply can be varied*
- *Its quality can be improved through education, training and experience*
- *Its reward is salaries, wages, commission, fees and royalties*
- *It cannot be stored ie labour is perishable.*
- *Labor is mobile that is can move from place to place*

State 4 reasons why shelter is a basic want.

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

12. **State 4 characteristics of human wants**
    - *They are insatiable*
    - *They are competitive*
    - *They are recurrent*
    - *Some are universal*
    - *They vary in intensity and urgency*
    - *They are habitual*
    - *They require resources*

13. **State 4 reasons why consumers try to satisfy basic wants before secondary wants**
    - *Consumers have limited resources*
    - *Basic wants cannot be postponed*

- *Basic wants are felt needs/urgent*
- *Basic wants are a must for survival*

14. State 4 occupations a person may engage in at the primary level of production

- *Fishing*
- *Farming*
- *Mining*
- *Lumbering*
- *Quarrying*

15. State 4 ways in which clothing satisfies human wants

- *It provides warmth*
- *It hides nakedness*
- *It protects an individual eg from insect bites*
- *It makes a person presentable/look good*
- *It protects from diseases*

16. Highlight four ways in which a firm can improve the productivity of its human resources

- *Training the workers*
- *Remunerating the workers according to their jobs*
- *Providing working tools and equipments*
- *Providing good working conditions*
- *Allowing workers to take part in some decision-making*
- *Giving promotions to deserving workers*
- *Promoting good working relationship between workers and management*

17. Highlight four situations in which the opportunity cost concept may be used

- *Where resources are scarce*
- *Where wants are many*
- *Where wants are compatible*
- *Where wants vary in urgency and intensity*

18. State four features of economic resources

- *They are scarce/limited in supply*
- *They have monetary value*
- *They are unevenly distributed*
- *They are complimentary*
- *They have utility*
- *They can change ownership*

19. Outline four benefits accrued from application of modern technology in the production sector

- *Reduction in the cost of production*
- *Increased value of output*
- *High quality of output*
- *Possible to standardize output*
- *Enhances efficiency and accuracy*
- *Faster production process thereby saving on time*

20. Explain the benefits of indirect production to a consumer

- *Variety of products are availed in the market leading to more range of choice*
- *Allows for exchange of product*
- *Encourages specialization- leading to production of high quality products*

- *Results in surplus production hence no shortages/products are cheaper*
- *Promotes competition leading to production of high quality products*
- *Leads to interactions therefore promoting peace and understanding*

21. **Explain five benefits that may accrue to a producer who encourages division of labour and specialization**
    - *Output per worker is increased*
    - *It saves time due to use of machines*
    - *It encourages inventions and innovations*
    - *Enables worker to engage in trade which he/she is best at*
    - *Leads to production of quality goods and services*
    - *It leads to mechanization/use of machines hence easing work.*
    - *With specialization, a worker can engage in a trade which she/he is best talented or suited.*

22. **Explain four types of utilities created by production**
    - *Form utility – This is changing the form of a commodity by converting raw materials to finished goods. It is done through processing/manufacturing.*
    - *Time utility - This is created when a good is stored until when it is needed..done through storage or warehousing*
    - *Place utility – This is movement of goods and services from one place to another. Done through transportation*
    - *Possessive utility – Refers to transfer of ownership of goods and services from one person to another. Done through trade, gifts*

23. **Highlight four measures a consumer may under take to satisfy the unlimited wants**
    - *Has to make a choice*
    - *Have a scale of preference*
    - *Should conserve resources*

- *Should have opportunity cost*
- *Should invent new products*

24. Highlight 4 reasons for making choices between competing wants

- *Limited resources to meet the needs*
- *They are complementary i.e. if you satisfy one, it leads to need of the other*
- *Some human wants recur*
- *They are insatiable i.e. can not be satisfied fully*
- *They keep on changing with age, education level*
- *They are competitive*
- *Different prices of goods*

25. **Explain five features of human want apart from the fact that they require resources to satisfy.**

(i) They are insatiable/endless/unlimited- The satisfaction of one human need leads to the need to still have it but in a more improved way. One has a car, for instance but still works hard to buy a better one.

(ii) Some are universal- some human wants like food and clothing are common to all human beings

(iii) They are complementary- Some human needs, once satisfied will require that others are also satisfied so as for it to work or serve its purpose. For instance if on acquires a car, he or she must buy fuel so that he car can run.

(iii) They are repetitive/recurrent- Some human needs like hunger can only be satisfied temporarily

(iv) They are habit forming/addictive- use of certain goods to satisfy some needs may lead to dependence on such substances

(v) They vary in urgency and intensity- Some human wants are more urgent than others

(vi) They are dynamic- Human needs change with time, age, health status, social and even economic status

(vi) They are competitive- Human wants always compete for attention. Each would like to be satisfied first.

26. Explain 5 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;

27. Explain some of the 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.

PRODUCTION.

1. **State ways in which a society benefits from indirect production**

   - *Better quality goods*
   - *Avails a variety of goods*
   - *High production capacity/mass production*
   - *Better utilisation of resources*
   - *Facilitates exchange/trade*
   - *Goods become cheaper*
   - *Leads to high standards of living*
   - *Creates employment*
   - *Leads to specialisation/better skills*

2. **Outline ways in which the productivity of land can be increased**

   - *Irrigation to get perennial output/continuous output*
   - *Using fertilizers to increase or restore soil fertility*
   - *Afforestation to protect soil and attract rain*
   - *Crop rotation to ensure that soil nutrients are not exhausted*
   - *Furrowing to rejuvenate the land/land left uncultivated*
   - *Mechanisation to facilitate land cultivation/use of machinery*
   - *Reclamation to make land hitherto unproductive to more productive*
   - *Pest control to reduce damage*
   - *Land tenure system to ensure economically viable piece of land exists*
   - *To protect soil thus avoid soil erosion*

3. **List the benefits that subsistence producer may get by participating in production**

   - *Earning an income*
   - *Will be self employed*
   - *Getting what he does not produce*
   - *He may improve his skills*
   - *Disposing off his surplus*
   - *His living standards will be improved*
   - *He will produce goods of high quality*
   - *He will do mass production*

4. **State functions of an entrepreneur in production**

   - *Organises the factors of production controls/plans evaluates/coordinates business*
   - *Provides factors of production(land labour and capital)*
   - *Makes decisions*

- *Pays for the use of factors of production such as wages, salaries, interest*
- *Takes the risks*
- *Identifies business opportunity/starts business*

5. **Give reasons why Kenya should use methods of production that rely more on labour than machinery**

- *Machines are expensive/labour is cheap*
- *Maintenance of machine is expensive*
- *It will ease unemployment*
- *It will save foreign exchange*
- *Labour is abundantly available*

6. **Classify each of the following production activities as either primary or tertiary**

Activity	**Level of production**
Digging clay soil	*Primary*
Construction of a bridge	*Secondary*
Selling of a shop	*Secondary*
Growing vegetables	*Primary*
Transportation of medicine	*Tertiary*

7. **Highlight four ways in which an entrepreneur contributes to the production of goods**

- *Identifies viable business opportunities*
- *Provides guidelines on how production should be organized/ take/ place/ Coordinate*
- *Provides the capital necessary to carry on production*
- *Hire/ rewards all other factors of production*
- *Bears all the risks/ incurs losses/ enjoys all profits*
- *Decides how/ where/ when / what to invest the business*
- *Provides/ avails/ assembles/ marshals other factors of production*

8. **Outline four reasons why production in the subsistence sector is usually low**

- *Does not involve exchange and therefore no surplus production*
- *There is limited use of modern technology*

- *There is use of less capital*
- *Production is done on small scale*
- *There is limited use of machines*

9. Outline four reasons why a multi-national company may prefer setting up a production unit in a developing country instead of exporting finished goods to the country

- *Take advantage of cheap labour in the country*
- *avoid paying tax on the goods that would otherwise be imports*
- *To take advantages of suitable raw materials in the country*
- *To make products cheaper hence more sales*
- *To make transport cheaper*

10. Name the factor that each of the following resources relate to

Resources	Factor of production
Manager	Labour
Vehicle	Capital
Cotton	Land
Water	Land
Owner	Entrepreneur

11. Outline 4 characteristics of direct production

- *Productivity usually on small scale*
- *Usually for own consumption*
- *Production is not for the market*
- *Use simple method of production*
- *Low quality of products produced*

12. List four functions of entrepreneurs as a factor of production

- *Identifies viable business opportunity*
- *Combine the other factors of production*
- *Provides capital required to carry out production*
- *Employs and rewards other factors of production*
- *He bears all the risks and losses*
- *enjoys the profits*
- *He makes all the decisions on the business*
- *He controls and manages the business*

13. State 4 ways in which production activities may negatively impact on community health

- *Air pollution cause airborne diseases*
- *Water pollution causes water borne diseases*
- *Congestion – Congestion created as more people come to look for work (job)*
- *Noise – pollution – causing haring facilities- demand for health facilities increase*
- *Solid waste pollution – causing many diseases*
- *Environmental degradation- This may lead to health problems*
- *Social evils e.g immorality*
- *Occupational hazards*
- *Unhealthy production*
- *Global warming*

14 . Highlight four factors that could influence mobility of capital as a factor of production

- *Different uses in which capital can be put to/ degree of specialization*
- *Amount of capital available*
- *Skills of knowledge available to operate capital*
- *Government policy*
- *Government goodwill (support)*
- *Time taken to modify*
- *Reward offered*
- *Security in the new location*
- *Nature of capital (fixed or liquid)*
- *Cost of moving the capital*
- *Time the capital has been in the current use*
- *Infrastructure*

15. State 4 advantages of division of labour

- *Development of individual skills.*

- *Increased output.*
- *Production of standardized goods.*
- *Maximum use of machinery.*
- *Development of new talents.*
- *Encourages invention/innovation.*
- *Saves time.*
- *Less use of mental and physical effort.*
- *High quality goods/services produced /offered.*
- *Increases employment opportunities.*
- *Reduces training time.*
- *Facilitates planning and management.*

16. State four factors that may affect the geographical mobility of labour

- *Unfavorable climatic conditions*
- *Language barriers*
- *Job security*
- *Relocation costs*
- *Inadequate information about job opportunities elsewhere.*
- *Social tips / relatives! family*
- *Security of the place*
- *Political stability*
- *Government policy (immigration rules)*
- *Age*
- *Social amenities (schools, hospitals)*
- *Cost of living*
- *Availability of infrastructure*
- *Rewards (salaries,*

17. Explain five benefits of division of labour to an organization

- *Less time is spent in completing a job/ saves time/faster/quicker/speedier. There is less movement by workers. No/minimal changing from doing one work to another.*
- *Increased production/quantity/output- People become more expert/specialist at their jobs as they do it repeatedly (hence increasing productivity)*
- *Standardized goods/uniform goods- Goods produced are of uniform quality due to use of machines/work can be automated leading to lower costs of production /making work easier/efficient.*
- *Better/improved/enhanced management- This facilitates control/co-ordination/Planning/directing/accountability/staffing/evaluation/organization/supervision.*
- *High quality goods/service produced- People concentrate in doing jobs for which they are best suited(which improve quality of output)/repeating same task/repeating same task/specialization.*
- *Increased creativity/invention/innovation- the organization may tap workers talents and skills which may help to modify existing products/develop new products/initiate new methods of production/technology/discover new markets.*
- *Improved efficiency –due to better use of resources/ improve image/reputation of the organization*

18. State four characteristics of indirect production

- *Goods are produced for sale / market.*
- *Goods are produced in large quantities / surplus*
- *There is specialization in production.*
- *High quality goods are produced.*
- *Modern technology is extensively used/ machines*
- *Promote interdependence*

19. Outline 4 ways in which land influences the location of industries

- *Cost of the land*
- *Government policy on land utilization*
- *Nature of the land/terrain*
- *Proximity to auxiliary services*
- *Available room for expansion*

20. State 4 occupations engaged in tertiary level of production

- *Nursing*
- *Hair dressing*
- *Teaching*
- *Transport*
- *Communication*
- *Warehousing*
- *Insurance*
- *Banking*

21. Give any four reasons why occupational mobility of skilled labor is low

- *Cost of retraining is too high*
- *Fear of unknown*
- *Period of training is long*
- *Lack of information about opportunities in other occupations*
- *Professional barriers to job entry*

ENTREPRENEURSHIP.

1. **What are the factors that have contributed to the growth of entrepreneurship in Kenya.**
   - *need to exploit talent*
   - *high market availability*
   - *growth in awareness*
   - *improved security*
   - *improved infrastructure*
   - *Need to be own boss*
   - *Availability of source of finance*
2. **Outline four reasons for establishment of a business enterprise**
   - *Profit generation /maximization*
   - *Creation of employment*
   - *Provision of goods and services*
   - *For prestige/enhancing own image*
3. **State four reasons to consider when evaluating a viable business opportunity**
   - *Potential profits*
   - *Availability of market*
   - *Availability of raw materials*
   - *Amount of capital required*
   - *Level of competition*
   - *Security*
   - *Government policy*
   - *Level of development of infrastructure.*
   - *Future growth*
   - *Acceptance by the community*
   - *Cost of capital*
   - *Ability to manage*

4. **A surgeon set up a clinic in a distant rural centre. The business was closed after six months. Identify four possible causes for the failure**
   - *Inadequate capital*
   - *Poor working strategies*
   - *Unfavorable government policies*
   - *Insecurity in the area*
   - *Inadequate academic and technical knowledge*
   - *Inadequate business management knowledge*
   - *Inadequate demand market*
   - *Poor record keeping*
   - *Poor customer relations*

- *Large drawings from firm*
- *Lack of self discipline and poor moral character*
- *Poor planning*
- *Changes in technology*
- *Changes in business environment*

6. **State four reasons why the government of Kenya is encouraging entrepreneurial knowledge in schools**
   - *To reduce rate of unemployment*
   - *Equip learners with entrepreneurial skills and knowledge*
   - *Create informed population on commercial activities*
   - *Learners to be able to utilize local resources*
   - *Enable learners to be self reliant*

7. **Identify four benefits of entrepreneurship to the developing economies such as Kenya**
   - *Promotes job creation*
   - *Promote production of a wide variety of goods*
   - *Improves infrastructure of a country*
   - *Promotes healthy competition hence production of high quality goods*
   - *Enhances full exploitation of a country's resource*
   - *Promotes industrial development*
   - *Provides consumer with variety of goods*
   - *Promotes savings and investments*
   - *Raises the living standards of citizens*
   - *Reduction of rural urban migration*
   - *It saves the country on importation of goods*
   - *Leads to promotion of entrepreneurial culture*
   - *Reduces foreign dominance of the economy*

9. **Identify 4 gaps that may create a business opportunity in the market**
   - *Poor quality products*
   - *Inavailability of products*
   - *Unaffordable prices*
   - *Poor services*
   - *Insufficient quantities*

10. **Outline 4 factors that may hinder entrepreneurship in Kenya**
    - *Degenerative cultures*
    - *Insufficient support and good will by the government*
    - *Lack of role model entrepreneurs in society*

- *Lack of financial support*
- *Lack of entrepreneurial culture*
- *Lack of business skills*
- *Stiff competition from outside the country.*
- *Poor infrastructure such as poor road network.*

11. State 4 roles of an entrepreneur in production

- *Provides capital required for production*
- *Combines other factors of production*
- *Identifies viable business opportunities*
- *Employs and rewards other factors of production*
- *He bears all risks and losses*
- *He makes all decisions on the business*
- *He controls and manages the business*

12. State 4 problems that may be faced by entrepreneurs without business plan

- *The entrepreneur will commit to many mistakes or errors in the business operations.*
- *The entrepreneur will not be able to identify strengths and weakness of the business.*
- *The business will not be be able to meet the requirements by the financiers before they provide finance.*
- *There will be poor allocation of resources*
- *The entrepreneur will not be able to determine the finance/capital that is required by the business.*
- *The workers of the business may not be motivated*

13. State 4 sources of business ideas

- *Newspapers*
- *Shows and exhibitions*
- *Magazine articles*
- *Hobbies*
- *Listening to what people say*
- *Spotting a market gap(niche)*
- *Surveys*
- *Vocational training and experience.*
- *Listening to what people say*
- *Waste products*

14. Highlight 4 measures that the government may take to encourage entrepreneurship in the country

- *Offering subsidies to entrepreneurs*
- *Providing security.*
- *Providing tax incentives and tax holidays.*
- *Funding institutions that train entrepreneurs.*
- *Improving infrastructural facilities.*

15. Highlight 4 factors that favour entrepreneurial growth in Kenya today

- *Availability of good role models*
- *Favorable government policies*
- *Availability of appropriate technology.*
- *Appropriate education system.*
- *Easy access to loans.*
- *Good infrastructure.*
- *Availability of market.*
- *Entrepreneurial culture*

16. State 4 advantages of business plan to a business

- *Enhances communication in a firm*
- *Helps determine the amount of finance required*
- *Helps identify the strengths and weaknesses of the business*
- *Used to evaluate performance of the business*
- *Used to attract external funding.*
- *Tests business ideas on paper.*
- *Proper allocation of business sources*
- *Motivates workers and management*

17. Mention 4 components of a good business plan

- *Name of the business*
- *Product to be sold*
- *Personnel to manage the business*
- *Amount of finance required*
- *Market to be served*
- *Types of employees required*
- *Summary of the plan*

18. The government of Kenya though the Ministry of Trade and Industry has developed policies to promote entrepreneurship. Explain five importance of such initiative to the economy of Kenya

- *Creation of employment.*
- *Exploitation of resources*
- *Promotion of technology.*
- *Promotion of entrepreneur/culture.*
- *Formation of capital/joining.*
- *Increase of consumers' choice.*
- *Development of infrastructure.*
- *Foreign exchange earnings and conservation*

20. Entrepreneurship is becoming the driving force behind most economies in the world and most governments support it. Explain why entrepreneurship is important to these economies

- *Creation of employment/jobs by absorbing people who would otherwise be jobless*
- *Formation of capital through profits which may be used to expand the business*
- *Reducing rural-urban migration as businesses in rural area offer employment opportunities*
- *Raising standards of living through receipt of salaries and wages as well as availing a variety of quality goods and services*
- *Saving on imports as entrepreneurs are able to produce good and services that are substitutes to imports*
- *Improving infrastructure through improvement of roads and security by the government*
- *Reducing foreign dominance of the economy by increasing the participation of local entrepreneurs in various business activities*
- *Making use of local resources which would otherwise be idle or thought to be a waste*
- *Promotion of technology through the entrepreneurs creativity and innovation*
- *Promotion of entrepreneurial culture by using successful entrepreneurs as role models*

21. Explain five factors that may hinder entrepreneurship development in Kenya

- *Cultural practices that does not allow individuals to be successful*
- *Teachers do not encourage their student to be entrepreneurs*
- *Lack of relevant business courses in schools*
- *Lack of role models in the society*
- *Peer group influence the way people act*
- *Lack of financial and business consultancy institution*
- *HIV/AIDS is becoming a de-motivating factor*
- *Gender discrimination in many African traditions*

22. Explain any five reasons why a new business may fail

- *Wrong choice of business: Evaluate your business in terms of acceptability, finance,time, market e.t.c.*
- *Availability of finances and inadequate finances: Business take time before they can generate profits. It is then important to have enough money*
- *Failure to understand the market: You need to understand the market trends e.g. are a product seasonal, target consumers, competitors e.t.c.*

- *Poor pricing: Not too low as to realize losses and not too high for the target consumers*
- *Competition: Always try to stay ahead of your competitors by doing the normal things in a different and appealing way e.g. packaging*
- *Ignoring consumers needs: always strive to satisfy your customers*
- *Poor location*
- *Poor planning*
- *Ineffective or poor marketing*
- *Poor time management*
- *Poor record keeping*
- *Poor management of finances*
- *Poor public relations*
- *Lack of creativity and innovation*

23. Explain any five factor to be considered when evaluating a business ideas

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

24. Explain five ways in which the government of Kenya can promote entrepreneurial development in her economy. (10marks)

- *improvement of infrastructural facilities in the economy*
- *Beefing up security in the economy*
- *Enacting laws that favors/promotes registration of businesses*
- *Fixing price controls for basic necessities*
- *Offering incentives to businesses i.e. tax holidays*
- *Extending credit facilities to local entrepreneurial/giving soft loans*
- *Protecting local industries from excessive importation of foreign goods and*
- *services/foreign traders*
- *Creating fair competitive business environment*

25. Explain 5 factors that hinder entrepreneurial activities

– Unfavorable government policies which tend to discourage establishment of businesses e.g. high taxation
– Poor infrastructure which discourage smooth running of businesses
– Lack of adequate knowledge and skills to start and manage businesses
– Lack of market which discourages establishment of new businesses / continuation of the existing ones
– Inadequate resources to start / run businesses smoothly
– Stiff competition with cheap and higher quality imports making demand for local goods to decline hence closure of local
businesses
– Political instability creating a poor environment for businesses to start / thrive
– Unfavorable culture - some values and norms discourage establishment of businesses / consumption

26. Explain 5 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 and operating a business.-It guides the owner /management's decision and actions on day to day business.
– When a tool 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

27. Explain 5 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.

LATEST HIGH SCHOOL NOTES

0714497530 (Mr Isaboke)

Maths form 1-4

English form 1-4

kiswahili form 1-4

chemistry form 1--4

Biology form 1-4

Physics form 1--4

Agriculture form 1--4

Business form 1--4

Cre form 1--4

History form 1--4

Computer form 1--4

Geography form 1--4

Homescience f1--4

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OFFICE .

1. **Highlight 4 qualities of an effective office manager**
   - *Should be able to lead his/her staff*
   - *Should be able to make wise decisions*
   - *Should have a strong character*
   - *Should be a disciplined person*
   - *Should be pleasant and polite*

2. **State 4 advantages of landscape office layout to an organization**
   - *Give good impression of an organization*
   - *Creates an attractive/condusive working environment*
   - *Supervision of workers is easy since the manager may be at a raised ground.*
   - *Low construction cost*
   - *Easy location of workers*
   - *Staff movement is minimum hence saving time*
   - *Low maintenance cost*
   - *Saving of floor space*
   - *Promotes teamwork among employees*
   - *Discourages absenteeism of employees*
   - *Promotes sharing of office equipment thereby reducing the cost of buying more*

3. **Name 4 features of a landscape office layout**
   - *Modern facilities*
   - *Internal decorations/flowerly look*
   - *Single office may serve/house many workers*
   - *Entertainment facilities e.g video shows*
   - *Covers a large space*

4. **State the uses of the following office machines**
   - *Guillotine - trimming documents into required shapes and sizes*
   - *Folding machine - folding letters and sealing envelopes*
   - *Franking machine - printing postage impressions on envelopes*
   - *Paper shredder – for destroying unwanted documents*
   - *Composite- to fold documents place them in envolopes and seal them*

5. **List 4 reasons why most firms still prefer closed office layout to open one**
   - *There is less noise*
   - *It presents a conducive working environment*
   - *It confers status to top level employees*
   - *There is privacy for confidential discussions*

- *Provides security for valuable and sensitive items such as documents and cash*
- *Air conditioning, lighting and heating in the room may be controlled according to the needs of the occupant.*
- *It is easier to maintain*

6. **Most organisations today have come up with customer care desks. Outline 4 functions that they play**
   - *Advise management on issues and complaints*
   - *Attend to any enquiry*
   - *Build confidence in clients(efficient service)*
   - *Attend to complaints*
   - *Ensure that clients are attended to fast enough*

State 4 ways in which it computerization contributes to the success of an organization.
- *It has enable globalization*
- *It has made communication faster.*
- *It has reduced paper work.*
- *Has assisted in data storage and inventory control.*
- *It facilitates market research activities*
- *Makes it easy the performance of any complex mathematic procedure*
- *Aid in security controls*

7. **Highlight 4 advantages of using a franking machine in an organisation**
   - *Can be used to print messages*
   - *Can print accurate postage amounts*
   - *Lessens theft/misuse of loose stamps by employees*
   - *Minimizes loss of stamps*
   - *Produces neat work*

8. **State 4 reasons why the computer is increasingly being used for reproducing documents** in an office instead of a typewriter
   - *Produces neat documents*
   - *Faster in producing documents*
   - *Easier to manipulate documents in computers*
   - *Requires less physical documents*
   - *Computers are efficient or faster in producing documents*

9. **Outline 4 merits of replacing manual systems with automated ones in carrying out office** activities
   - *They are labour saving*
   - *Faster(saves time)*
   - *They are accurate*

- *Presentable output*
- *Control fraud*
- *Uniformity of output*

10. **State 4 measures that can be taken by an office to safeguard the property of the** organization
    - *Keep records to the assets movements*
    - *Taking insurance cover*
    - *Enhancing security against theft eg by employing watchmen, installing security lights and fencing*
    - *Ensuring physical care by people using the property*
    - *Proper repairs servicing and maintenance of equipments*
    - *Keeping records of movement and usage of each of the property.*
    - *Issue directives on their use*
    - *Keep proper records on the assets acquired*
    - *Control/expenditure on assets*
    - *Formulates systems and policies regarding assets authorization*

11. **State 4 ways in which office equipment may facilitate the operations in an organization**
    - *Is labour saving*
    - *Reduces firm's labour related problems e.g unrest*
    - *Work produced is of high quality and presentable*
    - *Speeds up rate of production*
    - *Improves level of accuracy*
    - *Lowers cost of production*

12. **State 4 circumstances under which an organization may choose to sell out an office** machine
    - *When it is expensive to maintain*
    - *When it cannot adopt to a new technology/changes in the business*
    - *When it ha sbecome absolete/outdated*
    - *If it lacks spare parts for repair*
    - *If it cannot cope with increased workload*

13. **Highlight 4 disadvantages of using modern technology in production**
    - *May lead to loss of jobs*
    - *Expensive to afford and maintain*
    - *Pollution of the environment*
    - *Harmful effects/accidents*

14. **State 4 characteristics of a good filing system**
    - *Easy to access*

- *Should be compact-not occupy too much space*
- *Should be safe*
- *Should be economical-not expensive to start and maintenance*
- *Should be expandable*
- *Should be simple to understand and operate*
- *Should be elastic- flexible i.e can cater for future changes or expansion.*
- *Should be economical on space*

15. State 4 modern trends in office management in Kenya

- *Use of computers in most organizations*
- *Most organizations have introduced customer care desks*
- *Use of mobile phones/cell phones*
- *Most offices have relocated from urban setting to sub-urban areas to avoid traffic jams*
- *Most offices have adopted landscape office layouts*

16. Name four equipment that can be available in the accounts office

- *Adding machine*
- *Cash register*
- *Calculating machine*
- *Accounting machine*
- *Computer*
- *Money counting machine.*

17. Identify four qualities of a personal secretary

- *loyal*
- *able to work for long hours*
- *qualified in secretarial duties*
- *good planner*
- *able to keep secrets*
- *good communication skills*
- *good grooming*

18. Give four characteristics of a good memo

- *Properly addressed*
- *should be dated*
- *should be précised*
- *Must contain the main objective/massage*
- *Be signed*

19. Outline four duties of a company secretary

- *Provide legal advice*

- *Writing minutes of board meetings*
- *Maintains confidential records of the organization*
- *Maintains and updates organizations legal registers*
- *Ensures compliance by the organization with legislation or law*
- *Preparation of contracts, leases and other legal documents*
- *Interprets law and legal notices to the directors*

20.. Mwita has introduced computers in his business operations, outline four benefits that he may experience

- *Fast/quick*
- *Store large amount of information/data*
- *Large output*
- *Quality output/standard output*
- *Save on labour*

21. Highlight four ways in which an open office lay-out can contribute to efficiency in office operations

- *Easy to supervise*
- *Cheaper as there are no partions*
- *Movements are faster*
- *Sharing of ideas*
- *Work is done in unity*
- *Sharing of equipment*
- *Office can be put to various uses (e.g. conference)*

22.State four reasons why an organization should keep stock records for its office stationery

- *To ensure efficient use/prevent misuse*
- *Maintain their safe custody*
- *For accounting purposes/store keeping records*
- *To monitor their movement within the organization*
- *Ensure adequate supply at all times*

23.State four limitations of adoption of new technology by a business

- *Leads to unemployment*
- *Hinders creativity and innovativeness*
- *Many machines are subject to frequent breakdowns*
- *Expensive to acquire, install and maintain*

24. State 4 measures that can be taken by an organization to ensure security of information and documents in the office

- *filing information in time*
- *ensuring only authorized persons handle the files*
- *ensuring proper recording of files leaving he registry*
- *training staff on how to handle files*
- *using secure files*
- *conducing regular physical checking of files in the registry / other offices*

25. State 4 trends in office management.

Use of computers to perform different tasks.
Customer care to deal with customer issues.
Use of closed circuit television (CCTV) for surveillance.
HIV/AIDS awareness in the office.
Stress management to reduce stress at work place.
Use of better office layout e.g. adoption of open plan offices.
Signing of performance contract by workers.
Team-building among different categories of office staff.

<u>Paper 2</u>

17. Discuss 5 factors to be considered when enclosing a means of reproducing documents in an office

- *Number of copies needed*
- *Quality required*
- *Availability of personnel*
- *Cost of production*
- *Availability of other means of reproducing documents*
- *Nature/type of document to be produced*
- *Desired impression*

18. Explain 5 factors to consider when choosing a filling system to adopt

- *Economical in space/compactness/should occupy small space to create room for office activities*
- *Less expensive to install/maintain/operate*
- *Security/safety to avoid loss/protect documents from the theft/damage/misplacement*
- *Accessible to facilitate fast retrieval of documents*
- *Simplicity – should be easy to operate/understand to avoid confusion/delay in retrieving information*
- *Adaptable/flexible to suit changing needs of an organization*

- *Suitability of the needs of the organization*
- *Cross referencing to facilitate easy location of related documents*

19. **Discuss five consideration a business person may take into account when preparing a business plan**
    - *Objectives of venturing into the business*
    - *Skills to start and run the business*
    - *Commitment to the business*
    - *Interest whether the intended business will interest the enterprenuer or not*
    - *Availability of market where exists a market gap*
    - *Technology required to run the business/appropriate/cost of technology*
    - *Availability of raw material – quality of raw material*
    - *Government policy*
    - *Amount of capital*
    - *Level of competition*
    - *Difficulties in marketing*
    - *Security*
    - *Possibility of expansion*

20. **Explain five reasons why modern government offices have adopted the open office layout as opposed to enclosed plan layout**
    - *Bid to curb corruption/menace/problem*
    - *Exposed public officers are discouraged from soliciting for bribes from clients*
    - *Limited machines like telephones,printers can be sgherd by the government staff.this reduces the cost of operation*
    - *Creates team work spirit because workers consult each other regularly and informally.it increases productivity in the office*
    - *It is easy to supervise employees fro m one location as opposed to management by walking around hence reducing time wastage*
    - *It reduces/eliminates absentism of employees from their place of work.it increases man hour at work place*
    - *It reduces bureaucracy/red – tape when dealing with senior staff. some emerging issues are solved by top management fast as they arise*
    - *Discourages absenteeism by employees*
    - *Staff movement is minimized thus saving time used in passing information.*
    - *Office equipments and machinery are not misused due to close supervision of workers*
    - *Construction cost is low because partitions are few*

21. **Explain five reasons why effective filling is important in an office**
    - *Tidiness in the voice is maintained as documents are neatly arranged*
    - *Quack access to information /retrieved of information is made easy since*

documents are serialized /coded

- *Safety of information from damaged by bad weather/fire/pests*
- *Saving on storage space /minimize space as documents are kept compactly*
- *Prompt decision making possible /saves time in making decisions as information encourage transparency/accountability as on documents are easily misplaced as movement of document can easily be monitored*
- *Security for information against loss due to theft/misplacement*
- *Safeguard confidential information as documents are kept away from unauthorised access*

22. Identify and explain five characteristics of an efficient office layout

- *Work flow - an efficient layout is one where there is smooth work flow or;*
- *Movement - one where there is least staff movement*
- *Consultation - one where there is easy consultation*
- *Floor space – one where floor space should not restrict movement*
- *Furniture – arrangement of furniture should allow easy supervision*
- *Should not restrict natural light*
- *Should enhance physical appearance*

23. Discuss 5 factors an organization will consider when selecting an office layout

- ***Cost of layout*** *- should be cheaper /economical to construction*
- ***Government policy****-should consider government policy on the layout to adopt or else will go against the law*
- ***Number of workers****-if the number is larg e open layout is choosen and if the number is small closed layout is chosen*
- ***Space of land available****- if small open layoutnis chosen if large closed layout is chosen*
- ***Need for supervision****- if workers need close supervision an open layout ois chosen*
- ***Flow /speed of work****-where work need to be done faster an open layout is chosen*
- ***Flexibility in appearance****-when the sitting plan needs to be changed easily then open layout is chosen*

24. Outline 5 advantages of a paperlerss office

- *The office is kept neat*
- *Time saving is document retrival*
- *Environmentally friendly/conserve trees*
- *Economises space*
- *Enhances good image of the business*

Explain any 5 uses of a computer in an office.

– Inventory control – it can accurately keep a record of stock at hand, receipts and

issue.

– It can be used to process accounting transitions and prepare ledger accounts and payrolls.

– Data storage – it can store information relation to the Business.

– Used in communication services such as internet, intranet and website.

– Used for entertainment such as music, video and games.

– Product promotion / marketing production through internet, website.

– To carry out market research using internet

State 4 reasons why shopping malls have become popular in Kenva

– Offer extensive parking facilities

– Customers do all their shopping in one building hence saves time

– Shopping mails save on space which reduces rents and rates

– Usually open for long hours

– They accept credit cards

– They offer a wide variety of goods

– They are convenient to shop in since they provide services such as restaurants, post offices, reading rooms etc.

– Are usually situated in town centres

Explain five reasons why a business may replace an old machine with a new one

– Adaptability - when the machine is not able to cope with new changes / obsolete

– Lack of spare parts - which makes it difficult to service / repair

– When it has affected the office - morale negatively to improve performance

– When the complementary resources e.g. power are lacking yet the new one can use the new resources

– When the manpower available for its operation is no longer available

– When its no longer secure to store the machine in the premises which makes it endangered

– When it suffers from occassional breakdown hence making it expensive to operate

25. **Describe five qualities that a manager is expected to have in order to promote teamwork among members of the staff**
    - *Should be able to set clear and achievable goals for the members of staff.*
    - *Should be sociable with staff members*
    - *Should have adequate knowledge about the job he supervises*
    - *He should be able to delegate duties to staff members*
    - *Should be concerned about staff welfare*
    - *Should always listen to staff members in matters decision making.*

26. **Explain 4 factors a manager would consider before buying office equipment for**

the organization

- *Cost- it should not be too expensive to acquire and maintain*
- *Adaptability – it should be able to cope with the future changes and development*
- *Durability – it be able to last for long.*
- *Effect on staff morale – it should not discourage staff from working*
- *Availability of manpower – The personnel to run and operate the equipment should be available.*
- *Availability of the room – the room for keeping the equipment should be available.*
- *Security of the equipment – one has to consider whether the available resources are adequate to offer enough security for the equipment or not*

27. Explain five ways in which a firm can improve the productivity of its human resource

- *Training workers*
- *Remunerating working according to their jobs/tasks - paying them well*
- *Providing good working conditions*
- *Allowing workers to take part in decision making*
- *Promoting good working relationship between workers and the management*
- *Giving promotions to deserving workers*
- *Providing working tools and equipment*

28. Explain five benefits that accrue to a business that conducts trade through E-commerce/Website

- *Facilitates access to a large market*
- *Large and small businesses can transact business through the internet without discrimination*
- *A fast way of doing business*
- *Reduces paper work since many dealings are online*
- *Saves on the cost of sending, receiving and storing information*
- *One can access important business information which would be used to enhance running of the business.*

29 Explain five acceptable codes of behavior in an office (10marks)

- ***Courtesy;*** *one should be polite and pleasant*
- ***Respect****- one show regard to others.*
- ***Punctuality****- one should have the ability to keep time in attending duties and*

appointments.

- ***Loyalty****- being committed and devoted to his or her work.*
- ***Accuracy*** *- by performing duties with excellence, precision and correctness.*
- ***Honesty*** *– being sincere by telling the truth.*
- ***Cooperation*** *– one should work with other people without malice, friction or selfishness.*
- ***Initiative*** *– one should be able to make proper decisions and be creative in ideas.*
- ***Judgment*** *– be able to consider all possibilities and come up with right decisions.*
- ***Diplomacy*** *– one should be able to convince other people tactfully.*

Explain five factors to consider when buying office equipment.

– Cost of buying / maintaining the equipment: If cost is high consider the most affordable.
– Quality of equipment – Consider the long lasting / best quality appropriate for its use.
– Durability of the equipment – should choose the most durable.
– Manpower / Personnel to operate the equipment – choose equipment that the personnel can operate / look for / train
personnel.
– Availability of spare parts – choose an equipment whose spare parts are readily available /affordable.
– Space / room for the equipment – choose an equipment that can fit the available rooms / avail the rooms.
– Comfort / security of workers – choose equipment that are not injurious to workers health / comfort.
– Effect on morale of workers – choose equipment in accordance with government policy.

HOME TRADE.

1. **State 4 features of supermarkets**
   - *Require large capital to invest*
   - *Stocks variety of goods*
   - *Offers self service facilities*
   - *Goods have price tags*
   - *No credit facilities are offered*
   - *Sale at comparatively low prices*
   - *Prices of goods are fixed*

2. **State 4 benefits that consumers get from small-scale retailers**
   - *Free advice*
   - *Wide variety of goods*
   - *Steady supply of goods*
   - *Credit facilities*
   - *Brings goods near to the consumers*
   - *They break bulk for consumers*

3. **State 4 uses of proforma invoice for a seller of goods**
   - *Informs the buyer on what he would pay if he decides to buy the goods*
   - *A polite way of asking for payment before the goods are delivered*
   - *Sent when the seller does not want credit*
   - *Can be used to serve as a quotation*
   - *Issued to an agent who sells goods on behalf of the seller*

4. **Identify the documents that each of the following descriptions refer to:**

Description	Document
i)Used to inform buyer that seller has received the order	*Acknowledgement note*
i) Used to ask about the availability of goods	*Letter of inquiry*
ii) Used to organize for transportation of goods between seller and buyer	*Consignment note*
iii) Used to show goods sold on credit	*Invoice*

5. **Outline 4 benefits of using M-pesa as a means of payment**
   - *Easy to use as agents provide assistance*
   - *Fast as it is conveyed through sms*

- *Convenient as it can be sent and received from any location*
- *Accessible as agents are located in most urban and rural areas*
- *Confidential as PIN is used*
- *Affordable as sending and receiving money is relatively cheaper.*

6. **Outline 4 benefits the retailers may derive from the presence of wholesalers in an area**
   - *Provide a wide variety of goods.*
   - *Provide goods at convenient prices.*
   - *Provide transport facilities to retailers.*
   - *Advice retailers on available goods and prices.*
   - *Offer credit facilities to retailers.*
   - *Break the bulk to enable them buy in suitable quantities.*

7. **State 4 disadvantages of using cheque as a means of payment**
   - *Requires payee to travel to the bank.*
   - *Cheques may be dishonoured*
   - *Bank charges are paid*
   - *Can only be issued by the holder*
   - *Not readily acceptable by everybody.*
   - *Can only be issued by an account holder*

8. **State 4 circumstances under which an overcharge may occur in an invoice**
   - *Arithmetic error eg additional mistake.*
   - *Use of higher prices than the correct price*
   - *Inclusion of items in the invoice that were not delivered.*
   - *Not allowing a deserved discount*
   - *Inclusion of transport or delivery charges*

9. **Mention 4 types of large scale retailers**
   - *Departmental store*
   - *Hypermarkets*
   - *Supermarkets*
   - *Chain stores*

10. **State 4 uses of an invoice for a seller of goods**
    - *It used for future reference*
    - *Acts as an evidence of transaction*
    - *It is used to request the buyer to make a payment.*
    - *Can be used as security to borrow money for the business*

11. **Outline 4 circumstances under which a credit note may be issued**
    - *To correct an overcharge*

- *When goods are returned*
- *When empty cases previously included in the invoices are returned*
- *Where the seller forgot to deduct discount*

Under what circumstances is a cheque appropriate as a means of payment.(4 marks)

- *Where the amount of money involved is large.*
- *Where the policy of the business demands so*
- *Where a cheque is the only means available.*
- *Where there is need to avoid risk associated with other means of payment.*

12. List 4 types of retailers that mainly sell goods and services on cash basis

- *Supermarkets*
- *Automatic vending machines*
- *Mail orders stores*
- *hawkers*

13. Give 4 benefits that consumers get from small scale retailers

- *Variety of goods for choice.*
- *Advice on use of products*
- *After sale services*
- *Goods are availed at convenient places/points/shops*
- *Credit facilities*

14. Outline 4 factors that may discourage consumers from buying goods from the supermarket

- *Fixed prices*
- *Impulse buying*
- *Do not offer transport for consumer*
- *No credit facilities*

15. Outline 4 features of a hypermarket

- *Deal in different lines/variety of goods*
- *Good access roads*
- *Located in the outskirts of town*
- *Usually located out of towns*
- *Open upto late hours on all days*
- *Provide parking space for cars*
- *Operate under one roof though owned by different people.*

16. Highlight 4 types of small scale retailers with shop

- *Single shops*
- *Tied shops*
- *Kiosks*
- *Market stalls*

- *Canteens*
- *Mobile shops.*

17. State 4 differences between Hire purchase and Credit buying

Hire Purchase	Credit buying
i)The hire purchase price is higher than cash price	*Credit price is usually the same as the cash price*
ii)The buyer does not become the owner of the product on possession	*ii)The buyer becomes the owner of the product on taking possession*
iii)The buyer cannot resell the product	*iii)The buyer can resell the product*
iv)There is down payment	*iv)There is no down payment*
v)There is an agreement to hire with an option to buy or return the good	*v)There is no option of returning the goods*
vi)Goods can be repossessed in case of default in payment	*vi)Goods cannot be repossessed*

18. State 4 disadvantages of Hire purchase to the seller

- *Goods become more expensive*
- *Temptations to buy more hence financial problems*
- *Goods belong to the seller until last installment is paid.*
- *Limited type of goods can be bought on hire purchase.*

19. Highlight 4 advantages of Hire purchase to the seller

- *Increase in sales volume.*
- *Higher profit margins are realized.*
- *Goods can be repossessed if the buyer defaults.*
- *Ownership of the goods is retained until the payment is completed.*

20. State 4 factors that may discourage the use of credit cards as terms of payment

- *The holders are charged high interest rates by the card company.*
- *Their use is limited to specific areas*
- *Only few businesses accept the cards*
- *They are prone to abuse through fraud.*
- *The buyer may be tempted to overspend.*
- *Acquisition process is long.*

21. Highlight features of mail order stores

- *Goods are sold through post office.*
- *Customers do not visit the selling premises.*
- *Goods are dispatched mostly on CWO or COD*
- *They may have large warehouses*
- *They advertise through means such as print media, electronic media, journals*

22. State four features of chain stores

- *Purchases are centralized*
- *Sales are decentralized*
- *Prices are standard for all their products in all their branches*
- *All branches deal in the same type of products*
- *They are uniform in outward appearance and interior layout*

23. State four characteristics of departmental stores

- *They offer a wide variety of goods at relatively lower prices*
- *They are attractive and convenient to shop in.*
- *They are usually situated in town centres.*
- *They may provide services such as restaurants, reading rooms and post office.*
- *Each department is managed by a departmental manager dealing in a different line of goods*

PAPER 2.

24. Explain five reasons for the continued use of ordinary cheques in settling debts despite advancements in modern form of money transfer

- *Evidence of payment -The counterfoil provides proof that payments have been made*
- *Convenience of payment- The drawer does not need to travel to make payment*
- *Secure - If it is stolen it can be traced to the person who cashed it.*
- *It can be negotiable. - It can be transferred to the third party to settle transactions.*
- *Can be discounted - Can be cashed before maturity under special circumstances*
- *Easy/light to carry. - It can be easily used to carry large sums of money.*

25. Enumerate five differences between a chain store and a departmental store

Departmental store	Chain store
i)Each department sets its own price	i)Prices are uniform in all the branches
ii)Stocks a variety of goods	ii)Stocks limited type of goods
iii)All departments operate under one	iii)Have branches all over the country

roof	
iv)Each department deals with a different line of goods	iv)All branches sell similar goods
v)Purchases are decentralized	v)Purchases are centralized
vi)Goods remain in their departments even if demand is low	vi)Goods may be moved to other branches where their demand is high

26. Outline five disadvantages of Hire purchase arrangement to a buyer

- *Buyer has no ownership of goods until payment is completed*
- *Hire purchase is expensive as the buyer pays more due to high interest charged.*
- *Item/property can be repossessed when the buyer defaults in paying instalments.*
- *Buyer cannot resell./transfer item to a third party because it does not belong to him.*
- *Buyer loses all instalments paid if the item is repossessed.*
- *Hire purchase may encourage impulse buying /buyer may be tempted to buy more goods that she cant afford to pay.*

27. Explain five benefits offered by the wholesalers to retailers

- *They stock a wide variety of goods in large quantities relieving the retailer from buying from different producers*
- *They avail goods at places convenient to retailers*
- *They break bulk for the benefit of retailers*
- *They offer transport facilities to retailers*
- *They offer advisory services to retailers regarding market trends*
- *They offer credit facilities to retailers*
- *They engage in product promotion on behalf of retailers*
- *They sort, blend, pack and brand goods saving retailers from having to do it.*

28. Explain five circumstances under which a seller may send a debit note to a buyer

- *When goods are undercharged*
- *When omissions are made in the invoice*
- *When packing cases and many empty containers which were not returned are charged by the buyer*
- *When there are calculation errors resulting in lower figures in the invoice*
- *When more goods than ordered are delivered and kept by the buyer*
- *When more expensive goods than ordered are sent and the buyer is charged for cheaper goods.*

29. Explain any five means of payments available to businesses in Kenya

- *Cash – this is the use of coins and notes of different denominations for payments*
- *Cheque – is a written order by an account holder with the bank(drawer) to the bank to pay on demand a specified amount of money to the named person or to the bearer*
- *Bill of exchange – it is an uncomditional order in writing addressed by one person another, requiring the person to whom it is addressed to pay on demand the sum of money on the bill to a named person or bearer.*
- *Promissory note- is a document whereby one person promises to pay a specified sum of money at a certain stated date.*
- *Money order- money orders are sold by post office for the purpose of remitting money,*
- *Postal order- these are also sold by the post office in denominations eg 5. 10, 20, 50 100, 200 for the purposes of remitting money. For example a person wishing to send ksh 230 will buy 200, 20 and 10*
- *Bankers cheque(bank overdraft) – this is a cheque drawn by the bank. One can send it to a payee to cash it.*

30. Explain five disadvantages for the use of credit cards as means of payments

- *The card holder is charged high interest rate by the card company*
- *Interest is also charged when there is delay in payment*
- *It is prone to abuse through fraud*
- *A minimum age of 18 years is required for one to become a holder*
- *Their use is limited to specific areas or urban areas*
- *Faces competition from other means of payment such as cheques, money orders and postal orders*
- *Only few businesses accept the cards*
- *Long procedures are involved in getting the cards*
- *Holder may be tempted to overspend*
- *The cards can only be afforded by people with high income*

31. Explain five circumstances where after sales services are needed

- *Where goods sold are of technical nature and may need advice/demonstration on use.*
- *Where expertise is required in installation and the trader has technical knowledge/ability/ backup.*
- *Where the product is new in the market and the trader requires feedback on the product's performance.*
- *Where competition is stiff and the trader uses after sales services as a product promotional tool to win more customers and increase sales.*
- *Where expertise is required in maintenance/service/repairs and the trader is able to provide the service.*

- *Where it is the policy of the business as a way of improving customer relations and improve business image.*
- *Where it is the government policy, the trader will have no option.*
- *Where the nature of the product is such that is requires specialized transport and the trader can provide it.*

32. Explain five documents that are sent by the seller to the buyer in home trade. (10 marks)

- *Booklet which briefly describes the goods a seller stocks. It is normally sent when a buyer sends a general letter of inquiry. It contains terms of sales, after sale services offered by the seller, deliver services to be used, packing and posting expenses incurred.*
- *Quotation - It is sent to prospective buyer specifying the conditions under which the seller is willing to supply goods and services.*
- *Price list- This is simply a list of items sold by the tractor together with their prices.*
- *Acknowledgement note- Document sent to a prospective buyer to inform him/her that the order has been received and it is being acted upon.*
- *Packing note -Document showing the items packed in a particular container in which goods are being delivered. It may contain quantities of goods packed, the means of delivery and quantities of goods packed.It helps the buyer to make a spot check on the goods when they arrive.*
- *Advice note-Document sent by the seller to the buyer after goods have been dispatched to inform him/her that goods have been dispatched. Sent through the fastest means available so as to reach before goods. It is used to inform the buyer that the goods are on the way so that in case of any delay in delivery the buyer can make inquiries and also to alert the buyer so that the necessary arrangement can be made for payments when goods arrive.*
- *Invoice -Document sent by the seller to the buyer demanding payment for goods delivered. There are two types; cash invoice which is sent when payment is expected immediately after delivery and credit invoice which is issued when a buyer is allowed to pay at a later date. An invoice shows the details of goods sold and it is also used as source document in recording transactions in the books of accounts.*
- *Pro-forma invoice - Sent by the seller to the buyer before goods are delivered showing how the invoice would look like if the buyer buys the goods.*

- *Statement of account- Statement that is sent by the seller to buyer giving a summary of all transactions that has taken place between the seller and buyer over a specified period of time.*
- *Credit note - Used to correct an overcharge.*
- *Debit note – Used to correct an undercharge.*

33. Explain benefits that may accrue to a community involved in home trade

– Variety of goods / services - enhance consumer choice
– Promotes peace and harmony - among trading partners as they interact
– Source of government revenue - from licences, fee, taxes on goods etc.
– Employment - those engaged in trading activities
– Improved infrastructure - to facilitate movement of people and goods
– Utilization of locally available resources - that would have otherwise remained idle
– Sale / disposal of surplus - minimizing wastage
– Improved technology -due to exchange of ideas leading to improved quality

34. Explain five advantages of buying goods on hire purchase terms. (10 marks)

– A buyer is able to take possession of goods after the payment of the first installment.
– Installments are spread over a reasonable period of time hence does not cause financial strain to the buyer.
– After sale service are offered to buyers.
– No security is required apart from the item bought hence reducing the cost of credit.
– The buyer uses the goods before clearing debt.
– Payment is predetermined hence the buyer can budget his income.
– Buyers can afford to buy expensive items, which they cannot afford otherwise.
– Can afford to buy a variety of goods at the same time.
– It is a kind of saving in form of goods.

35. Explain the differences between tied shops and single shops

Tied shop	***Single shop***
1. The proprietor is normally the manufacturer	*1. Owner by individuals*
2. It sells products from a single manufacturer's.	*2. It sells product's from different manufacturer.*
3. The shops usually have the some designs.	*3. The design of the shop is according to the owner's wish*
4. Prices of good's are determined by the by different manufacturer.	*4. Prices of goods are determined manufactures or shop owners.*
5. The operator are usually trained by the manufactures.	*5. The operator's are not trained by*
6. Dealership can be withdrawn by the manufacturer if the operator stock competing products.	*6. The owner is at liberty to stock whatever he or she wishes to stock.*

36. Explain 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 behalfof the seller.*
– *When one wants to show the buyer what he/she would pay ifthe order is approved.*
– *Where one wants to use it to serve as a quotation.*

FORMS OF BUSINESS UNITS.

List any four clauses of memorandum of association for joint stock companies

- *Name clause*
- *Objective clause*
- *Liability clause*
- *Capital clause*
- *Declaration clause*

Mention four circumstances under which stock in a business may change

- *Sale of stock*
- *Purchase of stock*
- *Return of stock by customers(return inwards)*
- *Return of stock to suppliers (return outwards)*

Highlight four factors that may lead to business mergers

- *To eliminate wasteful competition*
- *To expand the capital base*
- *To enable a firm to diversify*
- *To enable a firm to pool their human resources*
- *To establish monopoly to control the market.*

State four benefits that an investor would derive from a stock exchange market

- *Provide ready market for buyers*
- *Investors can get information on the current prices of the types of shares*
- *Provides investors with ready market to sell their shares*
- *Provide security to the investors, since securities quoted are governed by the stock exchange regulation.*

Give four reasons why the government may find it necessary to start a public corporation

- *To provide essential services*
- *To generate revenue for other operations*
- *To create employment*
- *To invest in ventures that require large capital outlay*
- *To invest in ventures that are unattractive to private sectors due to low profit*
- *To redistribute wealth*

Highlight four reasons to account for the rapid growth in membership in the savings and credit co-operative societies in Kenya

- *Easy to save with them due to check off system*
- *Easy to get loans/few procedures*
- *Charges low interest rates on their loans*

- *Provides different types of loans eg emergency, refinancing, normal*
- *Loans do not require securities*
- *Improve standards of living through dividends*
- *Flexible loan repayment period*
- *Loans for a dead member is written off*

Outline four features of trade credit as a source of finance

- *It is a short term credit facility*
- *Practiced by traders only*
- *Buyers take ownership of goods immediately*
- *Credit attracts no interest if paid within agreed period.*

Outline four benefits of privatization to kenyas economy

- *Reduce government expenditure*
- *Leads to efficiency in management*
- *Attracts foreign investors*
- *Promotes invention and innovation*
- *Reduces political interference in the economy*
- *Helps the government to raise revenue*
- *Leads to production of high quality goods and services*
- *Leads to production of a variety of goods and services.*

Outline the roles of stock exchange market in the development of the Kenyan economy

- *Facilitates the buying of shares*
- *Facilitates the selling of shares*
- *Safeguards the investors interests*
- *Provides useful information to investors*
- *Helps to create employment for example brokers*
- *The government gets revenue in form of taxes*
- *Avails a variety of securities/share to investors*
- *Promotes culture of saving*
- *Acts as an indicator of economic performance of the country*

State four reasons why public limited companies are viewed as legal persons

- *They can enter into contracts under their own names*
- *They can own or acquire property under their own names*
- *They can be sued by other parties under their own names*
- *They can sue other parties under their own names.*

State four features of public corporations

- *Established by an act of parliament*
- *Owned and run by the government*
- *Is a separate entity from their owner*

- *Have limited liability*
- *Formed to provide essential goods and services*
- *Initial capital provided by the government*

Outline four characteristics of preference shares

- *Have a fixed rate of dividends*
- *Holders are paid dividends before ordinary shareholders*
- *Have no voting rights*
- *Can be redeemable or irredeemable*
- *Can be cumulative or non-cumulative*

List four types of partnerships.

- *Ordinary partnership / General partnership.*
- *Limited partnership.*
- *Temporary partnership.*
- *Permanent partnership*

State four characteristics of a general partner

- *Is a real partner*
- *May take part in the running the business*
- *Entitled to the share of profit*
- *Contributes capital into the business*
- *Must be 18 years and above*
- *Bears unlimited liability towards debts of partnership*

State four reasons that would make traders to form a cartel

- *To avoid unhealthy competition*
- *To determine a reasonable price for the product*
- *To increase their bargaining power*
- *To help them get favorable policies for their interest*
- *To enable them share the market*

Outline four principles of cooperatives

- *Open and voluntary membership*
- *Democratic administration*
- *Dividend payment*
- *Limited interest on share capital*
- *Promotion of co-operative education*
- *Co-operation with other co-operatives at all levels*

Name four documents required for the registration of a limited liability company

- *Memorandum of association*
- *Articles of association*

- *List of directors who agrees to serve as directors*
- *Statement of share capital*
- *Declaration that registration requirements have been complied with*

State four benefits that may accrue to a company that is quoted in Nairobi securities exchange

- *The company is able to raise revenue*
- *Through quoting the company's image improves*
- *The company gets timely, accurate and reliable investment information*
- *Helps the company to know the value of its shares*
- *The company attracts qualified manpower*

Explain five benefits of SACCOs to the members (10marks)

- *Members are able to save through check off system*
- *Borrowing of loans of low interest*
- *Offers different types of loans eg education loans, development, emergency*
- *Education to members on investment*
- *Members savings earn dividends annually from sharing of profits*
- *Members loan upon death are written off hence a relief to the beneficiaries*

Explain any five documents of the memorandum of association of a company

- ***Name clause**: shows the name of the Company ending with the word limited(ltd)*
- ***Objects clause**: set out activities the company engages in*
- ***Situation clause**: indicates the registered head office for easy communication*
- ***Capital clause**: discloses the amount of capital which the business can raise and specify the type of shares and values of each share.*
- ***Liability clause**: Discloses or warns the public that the liabilities of the members are limited*
- ***Declaration clause**: A declaration signed by the promoters indicating that they wish to form the company and will buy shares in the proposed firm*

Explain five differences between a public limited company and a co-operative society

Public limited Company	**Co- operative**
Governed by the companies Act	Governed by co-operative act
Formed by a minimum of 7 members	Formed by a minimum of 10 members
Aimed at getting profit	Aimed at serving members
Members have nothing in common	Members have a common bond
No direct government control	Controlled by the government through the ministry of co-operatives

Describe five features of partnerships (10marks)

- ***Unlimited liability***
  - *The liability of the partners is not limited to the amount of capital invested but extends to their personal properties.*
- ***Decision making***
  - *In partnership decision making is shared by all partners*
- ***Sharing profits/losses***
  - *Shared according to the terms of the partnership deed or partnership act*
- ***Mutual agency***
  - *Each partner is an agent of the partnership of the business for the purpose of the operation*
- ***Limited life***
  - *Partnership has short life that can be terminated by either death, insanity bankruptcy or withdrawal of a partner*
- ***Possibility of disagreements***
  - *Partnership is usually prone to disagreements among the partners*

Explain five emerging trends in the ownership and management of various business units (10marks)

- ***Privatization*** *– changing ownership of a state owned firm to a public owned firm through sale of shares/assets*
- ***Holding companies*** *– a firm acquires controlling interest in another company by buying over 51% of shares*
- ***Take over/Absorption*** *– A firm buys all assets/shares of another from which then ceases to exist*
- ***Merger/amalgamation*** *– firms combine/join to form a new firm that is bigger than individual firms*
- ***Franchising*** *– A firm grants another the right to purchase/manufacture /distribute its branded product s using its name.*
- ***Globalization*** *– a business operates in every part of the world eg cocacola company*
- ***Nationalization*** *– State takes over a business previously owned by private/public*
- ***Cartels*** *– A cartel is a group of related companies that agree to work together in order to control output, prices and markets of their goods and services.*
- ***Performance contracts*** *- They are signed contracts by employees of state corporations in an attempt to improve performance.*

Explain five differences between a public corporation and a public limited company (10marks)

Public Corporatipn	Public limited company
Established by an Act of parliament	*Established through companys act*

Initial capital comes from the government	*Initial capital is contributed by shareholders*
Directors are appointed by the government	*Directors are elected by shareholders*
Capital is not sub-divided into shares	*Capital is subdivided into shares*
Not listed in the stock exchange market	*Listed in the stock exchange market*

Outline five features of a parastatal (10marks)

- *They are created by an act of parliament which defines their structure aims and objectives*
- *They do not have share capital*
- *Most of them are wholly owned by the government or are under government control*
- *The state provides most of the financing in addition to the fee some of them charges in the provision of services.*
- *They are formed to provide essential goods/services at subsidized rate to the public. They are not profit motivated*
- *They are run by the board of directors appointed by the government*

Explain five advantages of Public limited company (10marks)

- ***Raise more capital***
  - *Can raise more capital because of large membership through the sale of shares to the public*
- ***Have limited liability***
  - *Have limited liabilities hence personal properties of shareholders cannot be sold to pay debts of the company*
- ***Free transfer of shares***
  - *Shares and debentures are freely transferable which encourages many people to invest in the company.*
- ***Hire qualified personnel***
  - *Able to employ professionals as they have more capital*
- ***There is continuity***
  - *Has a perpetual succession hence death, bankruptcy or insecurity of a shareholder does not lead to dissolution of the company.*
- ***Raise more capital***

Companies can raise more capital through the sale of debentures

- *Shareholders cannot withdraw from the company thus ensuring maintenance of share capital*
- *Has a separate legal entity from its owners hence can own or dispose property*

State four requirements necessary to secure a loan from the SACCO's

- *One has to be a member*
- *Guarantee from fellow members*
- *Members salary*
- *Members saving /shares*

Give four hitches faced by the government of Kenya in the endeavor to privatize state firms

- *lack of political goodwill*
- *corruption /insensitive public service*
- *fear of transferring ownership into foreign lands*
- *Need to keep investment opportunities*

Outline five benefits of becoming a member of a savings and credit cooperative society (SACCO)

- *Will get advice an area of finances*
- *Earn interest on investment*
- *Receive loans at how interest rates*
- *Receive credit facilities*
- *Assisted in times of problems (benorelent)*
- *Source of savings*

In the spaces provided below, write the type of partner described by each of the following statements (i) One who is below 18years of age - **Minor**

(ii) One who has unlimited liability - **General**

(iii) One who gets involved in the daily running of the business **- Active**

(iv) One who allows his/her name to be used in the business **- Norminal**

Otwoma intends to start a business. Give four reasons why it is advisable for him to start a retail business shop instead of buying shares in a public limited company

- *Will have full control of the business.*
- *No sharing of profits.*
- *Easy decision making.*
- *There are few legal formalities.*
- *Top secrecy.*
- *Flexible.*

State four circumstances that may lead to the dissolution of a partnership

- *If the partners mutually agree/decide to dissolve it*
- *Incase of death/insanity/bankruptcy of a partner*
- *Incase the court orders so*
- *Incase completion of he intended purpose*
- *If the business engages in unlawful practices*

- *Incase of retirement /admission of a new partner*
- *Incase of continued disagreements among the partners*

State four features of incorporated business units

- *Legal procedure is followed during formation*
- *They are separate legal entities from the owners who formed it*
- *Shareholders have limited liability*
- *They have perpetual succession*
- *They can raise large amount of capital hence large in size*
- *Failure of the business does not necessarily refresh the failure of its owners*

List four documents that are required before a public limited company is allowed to operate in the country

- *Memorandum of Association*
- *Articles of association*
- *Declaration*
- *Certificate of incorporation*
- *Prospectus*
- *Trading certificate*

Highlight four ways in which the running of public corporations is ineffective in this country

- *Too much political interference*
- *Inadequate capital*
- *Poor management skills*
- *Embezzlement of public funds*

You have been charged with a duty of preparing an article of Association for your company; state four items that you will include in your article of Association

- *The rights of each type of share holders eg. Voting rights*
- *Methods of calling meetings*
- *Rules governing elections of officials in the company*
- *Rules regarding preparation and auditing of accounts*
- *Powers, duties and rights of the directors*

Honey intends to join a consumer Co-operate society; Highlight four benefits she would get by being a member of the society

- *She will earn profits*
- *She will get better quality goods*
- *She will earn interest on capital invested*
- *She will enjoy credit facilities*
- *She will buy goods on fair prices*
- *She will be assured of protection against malpractice*

State four features of multinational corporation

- *They train local people so as to create the necessary man power in the subsidiaries*

- *They dominate international market because of their great influences*
- *They assist developing countries financially*
- *They home a guest influence in international trade*
- *They have a lot of capital*

State four type of partnership businesses

- *Permanent*
- *Temporary/joint venture*
- *General partnership (unlimited)*
- *Limited partnership*
- *Trading partnerships*

Outline Four ways in which a savings and credit co-operative society can raise capital (4 marks)

- *Membership contribution*
- *Retained profit*
- *Investments*
- *Hire purchase*
- *Credit purchasing*
- *Interest from credit extended*
- *Borrowing loans*

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

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

Describe the procedure that a shareholder would follow in selling share through the stock exchange.

- *Shareholders contact a broker/agents notifying of intended sale*
- *Share holders surrender the original share certificate to the broker/agent*
- *Share holder sign transfer form*
- *Shareholder give the price he expects for the shares*
- *The broker/agents verifies ownership of the share/ownership is verified*
- *The broker/agent gets buyer for the shares*
- *Shares are sold/paid for*

Explain five challenges faced by the savings and credit cooperative societies (10marks)

- *Competition - There had been steady rise in the level of competition from commercial banks which have encroached into the traditional role of the savings and creditco-operatives. Many micro-finance institutions have also joined the field to provide the same services as those of SACCO .*
- *Managerial challenges – Most of the co-operative societies have experienced managerial which in some cases have nearly cause near collapse of some of the societies*
- *Delayed remittance – some employers have been delaying remitting members deductions to the society. This has affected the society's cash flow affecting the society lending programs. Members may take for long to get the loans as a result.*
- *HIV/AIDS – The scourge has affected many members. The society spend a lot of money in assisting the families affected though, for example , offsetting or writing off of loans.*
- *goverment policy – The government through the Ministry of co-operatives has been regulating the sector. sometimes the government may design some policies that will affect the members or society adversely e.g. 1/3 rule*
- *Political interference - especially during the elections of officials, some politicians support their friends to be elected*

The Kenya Government has been privatizing its parastatals to would be investors. Explain any five benefits of the privatization process to the government (10marks)

- *Reduction in government expenditure – Government ceases to have the obligation of subsidizing losses made by the corporations*
- *Increased efficiency – This is because privatized firms are subject to completion*
- *Avoidance of political interference – No room for appoint of unqualified managers on political grounds*
- *Attract foreign investors*
- *Increased foreign exchange earnings*
- *Allowance for wider participation*

- *Increased innovativeness – carry out research into better methods of production,*
- *organization and marketing*

Explain five differences between private limited companies and public limited companies

- *At least two and a maximum of 50 members for a private company while at least seven*
- *members are required for a public limited company and no maximum*
- *Private limited companies are not allowed to advertise sale of share where as public limited companies are allowed*
- *Unlike private limited companies, shares of public limited companies are quoted and can be sold through the stock exchange*
- *Whereas public limited companies must wait for a certificate of trading to commence, private limited companies are allowed to commence business upon receipt of certificate of incorporation*
- *Unlike public limited companies which must have at least two directors, private limited companies can be allowed to have only one director*
- *Whereas there is no age limit for directors of a private limited company, directors of public limited companies must retire at 75 years*
- *Unlike private limited companies, public limited companies must publish books of accounts in newspapers*

Discuss five benefits that the Kenyan government may get by privatizing a state corporation

- *To restructure it for more efficiency and effectiveness to generate more profits*
- *To eliminate unnecessary positions and reduce the staff in order to achieve economic number and quality*
- *In order to improve on quality and quantity to increase customer's choice in terms of g/s available*
- *To make it more competitive in service provisions hence lowering of prices to advantage customers*
- *To appoint and employ directors without political influence but on merit*
- *To improve on accountability of directors sand to managers*
- *To make it profit oriented and hence efficiency*
- *To improve on customer service*

Describe five circumstances under which limited liability companies may be liquidated (10marks)

- *Bankrupt*
- *Ultra- vires*
- *Amalgamation*
- *Court order*
- *Decision by share holders*
- *Completion of intended purpose/ period*

Describe five distinctions between a public ltd company and public corporation (10marks)

PUBLIC LTD CO.	***PUBLIC CORPORATION***
➢ *Formed under companies Act*	*Formed by Act of parliament*
➢ *Managed by board of Directors*	*Managed by Board of directors*
➢ *Appointed by shareholders.*	*Appointed by the minister/govt/Parliament*
➢ *Initial capital contributed by shareholder*	*Initial Capital contributed by the govt*
➢ *Formed with an aim of making profit*	*Formed with an aim of providing goods*
➢ *Profits made is shared among shareholders*	*Profits made goes to the* government

Distinguish between a public limited company and a private limited company (10marks)

PUBLIC LIMITED COMPANY	PRIVATE LIMITED COMPANY
Formed by a minimum of 7 and no set maximum	*Can be formed by between 2-50*
Can start business only after getting a certificate of trading	*Can start business soon after receiving the certificate of incorporation [Certificate of registration*
Can be managed by one or two directors	*Managed by a board of directors*
Advertises and invites the public to subscribe for its shares	*Does not advertise its shares to the public*
Shares are freely transferable from one person to another	*Restricts transfer of shares. Shareholders can only sell their shares with consent of other share holders*

Katwaa is a member of Bidii savings and credit Co-operative. (SACCO). What benefits does she enjoy for being a member of the SACCO (10marks)

- *SACCO will enable her to save*
- *Profits made by the SACCO will be distributed to her and members as dividends*
- *Katura can obtain a loan from the SACCO at low interest rates*
- *Incase Katwa dies the outstanding loans are written off*
- *Katwa can obtain different types/ categories of loans from the SACCO*
- *Loans can easily be obtained as formalities/ procedures involved are few*
- *SACCO's offer education to members*

Explain five roles of stock exchange as a market for securities

- ***Facilitates buying of shares*** *– The stock exchange market provides a conducive environment to investors wanting to buy shares in diferrent companies.*
- ***Facilitates selling of shares*** *– Creates a ready market for those who wish to sell their securities*
- ***Assists companies to raise capital –*** *The stock exchange market assist companies to raise capital by creating an environment through which such companies issue new shares to members of the public*
- ***Creation of employment*** *– stock exchange market has assisted in the creation of employment opportunities. The people employed include the brokers and their agents.*
- ***Raising revenue for the government*** *– The government earns revenue by collecting fees and other dues from activities carried out in the stock exchange market.*
- ***Availing a variety of securities*** *– The stock exchange market avails a variety of securities from which investors can choose.*
- ***Measure of a country's economic progress*** *– The performance of securities in the stock exchange market may be an indicator of a countrys economic progress.*
- ***Promotes the culture of saving*** *– Stock exchange market provides investors with opportunities to channel their excess funds.*

Explain five advantages of public corporations/ parastatals

- *Ready capital – Initial capital is readily available because it is provided by the government*
- *Provides goods at low prices – A corporation can afford to provide goods and services at low prices which would otherwise be very expensive if they were left to the private sector.*
- *Mass production – Most of the corporations produce goods and services in large quantities thereby reaping the benefits of large scale production*
- *Some are monopolies – They hence enjoy the benefits of being a monopoly. For example they do not have to advertise their products*
- *Bailed by the government – Corporations are usually bailed out by the government when in financial problems.*

Distinguish between co-operative societies and partnership. (10 marks)

Co-operative societies	Partnership
Managed by a committee of nine members	*Manage by active partners*
Formed by a minimum of 10 members with no maximum.	*Formed by 2-20 partners unless for professional partnership which goes to a maximum of 50*
The main motive is to improve	*Main motive is to make profits*

the welfare of members	
Govern by co-operative act	*Govern by partnership act*
Members have limited liability	*Some partners may have unlimited liability*
Not affected by death , insanity, exit or entry of a member	*May be dissolve due to exit, entry, death, insanity and bankruptcy of a member.*

Explain any five documents that are required to be filled with the registrar of companies to facilitate the registration of a company. (10 marks)

- *Memorandum of association: this is a brief statement that specifies the name of the proposed company, amount of capital raised or expected, the objectives of the company and its proposed headquarters*
- *Articles of Association: this document contains the set rules formulated to govern the internal operations of a company. It covers things such as procedure to be followed in calling general meetings, issue and transfer of company shares and shareholders voting rights*
- *A list of directors: this document contains details of names, addresses, occupation, shares subscribed and statement of agreement to a person to serve as a director*
- *Declaration: this document shows whether the registration requirement as laid down by law has been met. It must be signed by the secretary, the director and a lawyer*
- *A statement signed: this is a document signed by the directors stating that they have agreed to act as directors*

(b) Problems facing the savings and credit cooperative societies in Kenya

- *Loan defaulting by members as some leave employment due to terminal illness, sacking*
- *and personal reasons.*
- *Lack of management skills among members leading to poor management of societies.*
- *Corruption and embezzlement of funds by official*
- *Poor investment decisions by some officials leading to losses.*
- *Stiff competition from commercial banks and micro financial institutions.*
- *Late remittance of members contributions by employers.*
- *High demand for loans against the receipts from monthly contributions.*
- *Retrenchment of workers by both government and private sector has led to financial*
- *problems to the society.*

GOVERNMENT AND BUSINESS.

1. **State four ways in which the government may regulate business activities**
   - *Though licensing*
   - *By offering advisory services*
   - *Through taxation*
   - *Registration*
   - *Through legislations*

2. **State four measures that the government of Kenya has put in place to protect consumers from unscrupulous business people**
   - *Setting standards through the Kenya bureau of standards*
   - *Weights and measures Act*
   - *Trade description Act*
   - *Public health Act*
   - *Licensing*
   - *Price control Act*
   - *Rent tribunal Act*

3. **Outline four major areas of government participation in business activities**
   - *Regulation*
   - *Training*
   - *Trade promotion*
   - *Provision of public utilities*
   - *Enabling environment*

4. **Identify four methods used by traders associations to protect consumers**
   - *Settings standards for products used by members*
   - *Investigating complaints made by consumers against their members*
   - *Setting code of ethics to guide members as they trade*
   - *Enlightening consumers on their rights from time to time.*
   - *Acting on cases of exploitation noted by members*

5. **State four reasons that bring the need for consumer protection**
   - *To ensure fair prices of goods*
   - *To ensure that standards are met*
   - *To ensure that consumers get quality goods*
   - *To ensure that goods are of right weight and measures*
   - *To protect consumers against breach of contract*
   - *To ensure that consumers are protected from the sale of harmful commodities*
   - *To protect consumers from false advertising*

- *To ensure that health standards are adhered to*
- *To ensure that commodities are readily available to the consumers*
- *To ensure that building construction and safety standards are maintained,.*

6. **Highlight four circumstances under which the government may issue licenses**
   - *When there is need to regulate the number of businesses*
   - *Where there is need of doing away with illegal business in the country.*
   - *When the government wants to ensure that traders engage only in those businesses for which they have been licensed.*
   - *When the government wants to earn to revenue from the issuing of licenses.*
   - *When there is need to protect consumers against the exploitation by traders*
   - *When there is need to control the types of goods that enter or leave the country.*

7. **Outline four ways in which the government may promote local trade**
   - *Training businessmen on appropriate ways of carrying businesses*
   - *Offering financial aids(subsidies)*
   - *Providing incentives such as tax exemptions*
   - *Advising business people on better ways of carrying out business.*
   - *Organizing shows, trade fairs and exhibitions through which local traders may promote their goods and services*
   - *Creating an enabling environment for businesses to thrive.*

8. **Highlight four demerits of government involvement in business activities**
   - *May create unfair competition to private individuals*
   - *Leads to misappropriation of public funds*
   - *May lead to production of poor quality goods*
   - *It may scare away investors who would have rendered the same services*
   - *Most managerial posts in government run businesses are political and not based on qualification*
   - *Most government projects are expensive enterprises which require heavy investment in terms of personnel training and equipment*
   - *Some state-run organizations continuosly make losses thereby failing to sustain themselves.*

9. **Highlight four ways in which the government creates an enabling environment to attract investors**
   - *Favourable government policies like low tax*
   - *Development of infrastructure*
   - *Offering subsidies*
   - *Offering incentives*
   - *Political stability ensuring security in the country*
   - *Provision of relevant educational skills and training facilities*

- *Acting as loan guarantors to business people*

State four reasons why consumers need protection from unscrupulous traders. (4 marks)

- *Ensure commodities are of good quality*
- *Right quantity and size of goods*
- *Ensure standards of health are maintained*
- *Ensure building construction and safety standards are maintained*
- *Ensure fair prices are charged*
- *Ensure commodities are available*
- *Protect consumers from false advertising*
- *Protect consumers from sale of harmful commodities*
- *Protect consumers against breach of contract.*

10. **Highlight four ways in which consumers may protect themselves against exploitation by traders**
    - *By joining consumer associations*
    - *By reporting traders who exploit them*
    - *Enlighting other consumers about their rights*
    - *Boycotting traders who sell defective products*

11. **Give four ways in which commercial attachees may promote the volume of exports in the countries where they are based**
    - *Exploring and identifying new markets*
    - *Keeping statistics of products exported*
    - *Publishing and advertising their countrys products in journals*
    - *Selecting buyers agents and distributors of the home countrys exports*
    - *Orgainising visits to trade fairs and exhibitions for business people from their home countries*
    - *Attend meetings, seminars and workshops on trade patterns of the countries and keep data of new markets for exports*
    - *Inform traders in their home countries of the standards required for exports*

12. **State four reasons why the government has to organize seminars for business people**
    - *Expose business people to modern developments in management*
    - *Enable business people to acquire knowledge on how to use available resources*
    - *To inform business people on profitable businesses opportunities*
    - *Educate them on efficient methods of operating business*
    - *Impart proper business ethics for example good customer relations*
    - *Expose them to government policies regarding business activities in the country.*

13. **Describe five roles of the Kenya Bureau of standards(KEBS) in consumer protection (10marks)**
    - *It sets standards on the quality that must be met by both the locally produced goods as well as the imported goods.*
    - *It ensures that harmful goods are neither produced nor imported into the country by inspecting all local goods and imported*
    - *It provides quality assurance experts sevices to producers to ensure that they produce high quality goods.*
    - *It takes legal action against those who operate outside the set standards*
    - *It ensures that all products are tested to ensure quality and that they bear a KEBS mark of quality*
    - *It ensures that all foods are well labeled and packed so as to ensure that such food is protected*

14. **Explain five measures that the government uses to create an enabling business Environment for businesses in the country**
- ***Giving economic incentives-****These incentives will boost the business activities in the country. They include low taxes, subsidies and cheap land.*
- ***Improving infrastructure-****By putting up and improving infrastructure such as roads water communication and electricity in the country to attract investors.*
- ***Improving security-****By ensuring that there is political stability and good security to create a conducive business environment*
- ***Development of social amenities-****These includes schools, housing, hospitals and recreation facilities which are required by investors*
- *Enacting favourable laws and regulations in the country that will boost business activities*
- *Simplifying procedures in starting and running businesses to attract more business people*
- ***Provision of subsidies*** *- This are financial assistance to businesses. It also involves technical assistance and manpower especially in top management.*

15. **Explain five problems faced by KETA**
    - *Poor infrastructure which discourages investors*
    - *High rate of taxation which discourages investors and makes local goods expensive*
    - *Insecurity that discourages investors*
    - *Corruption which may add extra cost to projects/investments*
    - *Inadequate funds that makes it difficult for KETA to carry out its functions*

16. **Explain five reasons that justify the involvement of a government in business activities (10marks)**
- *To provide sensitive goods and services-The government provides goods and*

services that are too sensitive to be left in the hands of the private sector for example fire arms.

- *To prevent exploitation of the public -The government involves in business to prevent exploitation of the public by private persons especially in the provision of essential goods and services such as salt, sugar and communication.*
- *To provide essential goods and services- The government gets involved in business activities to provide its citizens with essential goods and services in areas where private sectors are unwilling to invest because of low profits eg provision of water.*
- *To prevent foreign dominance of the economy by investing in areas where the locals are not able to*
- *To create employment opportunities by initiating projects such as provision of electricity and kazi kwa vijana initiatives.*
- *To provide essential goods and services which private individuals are not* able to due to large amount of capital required eg electricity.

17. Explain five measures that are adopted by the government to protect consumers against exploitation

- ***Setting up standards-*** *The government through the KEBS sets standards which must be maintained by producers and traders.*
- ***Weights and Measures Act -*** *The government ensures that the equipment used for weighing and measuring are correct and accurate by regular checking and adjusting of the equipment.*
- ***Licenses-*** *The government requires manufacturers and business people to get licenses before commencing their business operations this ensures that there is control of the type of business carried out.*
- ***Food and Drugs Act-*** *The government ensures that producers and traders do not include any substance that they sell to customers which may have harmful effects to the customers health.*
- ***Trade description Act-****Ensures that a producers or traders does not cheat the consumers by providing false description of commodities.*
- ***Price control-****The government may set a price beyond which a commodity should not be sold.*
- ***Rent and Tribunal Act-****Ensures that tenants are not overcharged by landlords.*

18. State four reasons why the government issues licenses to businesses

- *To obtain revenue /source of revenue for the government*
- *Regulating the number of businesses in any given time to avoid unhealthy competition.*
- *Regulating the number of business in any one line of action.*
- *Ensuring that traders engage only in those business activity for which they have a license.*
- *Controlling illegal business in the country*

- *Ensuring that those who engage in professional activities meet the requirement.*
- *Control the type of goods that should enter or leave the country.*

19. Highlight four services offered by the local authorities in Kenya

- *Garbage collection*
- *Water supply*
- *Street lights*
- *Repair of roads*
- *Provision of social services e.g. schools, hospitals*
- *Recreational facilities e.g sports fields, stadiums e.t.c*
- *Provision of housing needs*

20. Outline four ways in which the government creates enabling environment for business

- *Offering several incentives to encourage investments like tax holiday subsidies*
- *Provision of credit through government institutions*
- *Creating a pool of qualified manpower*
- *Provision of security*
- *Ensuring there is political stability and good will*
- *Provision of infrastructure to reduce cost of provision*
- *Liberalization of marketing*

State 4 functions of KEBs

- *Test goods to ensure they are safe for consumers use*
- *Destroy contaminated goods or poisonous goods*
- *Destroy poor quality goods*
- *Ensure all producers have met required standards when producing their goods*
- *Check labels and packages to ensure they have correct information*
- *Control and monitor the use of standardization marks*

A manufacturing firm has been consistently releasing toxic wastes into the neighborhood. Outline four measures you can take to stop the firm from such malpractice

- *Publicizing the malpractice to be known to the public*
- *Take legal action in court*
- *Report to the relevant authority like NEMA*
- *Educate neighbours to fight for their rights*
- *Boycott the firm's products*

- *Carry out demonstration against the firm*
- *Reason out with the firms to educate them on the importance of conserving the environment.*

21. Local leaders would like to see more business enterprises established within Ugenya. Outline four measures the government can take to encourage investments in this region

- *Improve infrastructure especially roads*
- *Provide security*
- *Provide incentives e.g. tax holiday*
- *Improve access to finance/provide*
- *Reduce bureaucratic requirement for licensing*
- *Provide social amenities e.g. schools, hospitals, market skills e.t.c*
- *Provide awareness of investment opportunities*

22. Limitations of consumer initiated methods of consumer methods

- *Lack of support by the government*
- *Lack of finance*
- *Ignorance of consumers*
- *Reluctance of consumers to join these association*
- *Lack of initiative from consumers to check on traders performance and report cases on non-compliance*

23. State four reasons why some local authorities in Kenya find it difficult to provide public utility

- *Lack of adequate finance*
- *Poor management skills of these local authorities*
- *Political interference and wrangle*
- *Poor garbage collection an disposal*
- *Embezzlement of funds*
- *Corruption*

24. List four types of complaints that a consumer organization may receive from consumer

- *Poor quality goods and services/ damaged goods*
- *Incorrect weights and measures*
- *Poor hygienic conditions*
- *Contrabands items/ prohibited goods*
- *Hoarding*
- *Misleading advertisements*
- *Environmental pollution*

- *Harmful products*
- *Price overcharge*

State 4 ways in which Kenya Bureau of standards (KEBS) regulates businesses.

- *Conducting regular inspections to ensure that standards are meet by business people*
- *They stamp on products to prove that the established standards have been adhered to.*
- *Take legal actions against those who violet set standards.*
- *Set standards for all local and imported manufactured goods by conducting research and tests on these goods.*
- *Ensures businesses have valid licenses*
- *Test goods to ensure they are safe for consumer use*
- *Destroy contaminated or poisonous goods*
- *Check labels and packages to ensure that they have the correct information*

25 . State four ways in which the government is involved in business activities

- *Regulation*
- *Training*
- *Internal trade promotion*
- *Eternal trade promotion*
- *Service provisions*
- *Creation of enabling environment*
- *Consumer protection*

25. State four functions of consumer associations

- *Dealing with complaints about effective items bought by members.*
- *Making sure commodities are not hoarded and that a regular supply is maintained*
- *Ensuring that weights and measurements of commodities are correct*
- *Educating members on their rights as consumers*
- *Ensuring that health and safety regulations are adhered to*
- *Ensuring that essential goods and services are available and that their prices are fair.*

26. State 4 factors limiting the roles of consumer associations in Kenya

- *Lack of support from the government*
- *Lack of capital to finance their organizations*
- *Ignorance of consumers about their rights*
- *Reluctance of many consumers to join these associations so that they may voice their complaints as a group*
- *Lack of initiatives from consumers to check on traders performance and report cases of non-compliance to quality and price.*

27. Outline five ways in which the department of external trade promotes a country's external trade

- *Explore and identify new markets for more export opportunities*
- *research and analyse markets for exports from their home countries*
- *keep statistics of products i.e. volume , packaging sizes and methods of manufacturing*
- *attend meetings seminars and workshops on trade patterns of the trading countries/on behalf of exporters*
- *publish and advertise their country's exports in business journals of magazines*
- *select buyers ,agents and distributors of the home country's exports*
- *inform traders of their home countries of the standards required for exports*

28. Explain 5 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 organizations 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

COMMUNICATION.

1. Define the term communication

- *Communication is the process by which information is passed from one person or place to another.*

2. Outline the role played by communication in any given organization

- *It is used to give instructions on what should be done at work and during work.*
- *It enhances good relations among workers thereby promoting and enhancing their efficiency.*
- *Through communication most organizations have been able to improve their image, for example through advertising.*
- *It used to improve the relationship between the organization and the customer or clients.*
- *For co-ordinating purposes, communication is used to ensure all departments work in harmony.*
- *The feedback got from the clients or customers helps to improve an organization's reliability and quality of goods and services offered.*
- *Communication is used as a tool for management.*
- *Good decisions are made as communication helps one understand all the necessary matters.*

3. Briefly explain the following levels of communication

(a) Vertical communication

- *Involves the flow of information either downwards or upwards, for example, from a senior employee to a junior employee*

(b) Horizontal communication

- *Is also referred to as lateral communication which is passing of information between people of the same rank or status, for example from one departmental manager to another departmental manager*

(c) Diagonal communication

- *Is communication of different people in different levels of management or departments for example a receptionist communicating to a production manager.*

4. Distinguish between formal and informal communication

- *Formal communication is official and documented and follows certain rules for example a worker writing an official letter to an organization's seniors. Informal communication does not conform to any time, for example communicating to friends and relatives.*

5. State the essential elements in communication.

- *The sender who is the source of the information being communicated*
- *The receiver(or recipient) of information*

- *The message being communicated*
- *The channel (or medium) through which the message is passed on*
- *Feedback which is the response or reaction of the recipient.*

6. Highlight the various types of verbal communication

- *Face-to-face communication*
- *Telephone conversation*
- *Radio calls conversation.*

7. State the advantages and disadvantages of verbal communication

Advantages

- *A large number of people can receive the information at once for example when addressing in a meeting.*
- *There is immediate feedback*
- *Clarification can be made easily and immediately*
- *This is personal appeal*
- *It can be very convenient and persuasive*
- *It is fast since the intended information reaches the recipient immediately.*

Disadvantages

- *It is not easy to know if the message or information has been received particularly if the receivers are many*
- *It is prone to outside interference due to noise and other forms of disruptions*
- *In case of incorrect pronunciation of words, there could be distortion of the information*
- *There is no record for future reference.*
- *The method is not effective for recipients with learning problems.*
- *Can take a lot of time to pass intended information.*

8. Outline the various barriers to effective communication

- *Noise may hinder effective communication*
- *The emotional state of both the sender and the recipient*
- *Use of the wrong channel to communicate*
- *Breakdown of a channel used to communicate*
- *Illiteracy of the recipient particularly for written communication.*
- *The attitude of the recipient towards the sender and the information being communicated*
- *Use of difficult vocabulary or words by the sender*
- *Lack of concentration on the part of the recipient may affect communication*
- *Poor timing by the sender.*

9. Highlight reasons that would make an organization use cell phones for communication within and outside the organization.

- *One gets immediate feedback*
- *It is fast and can be used to send urgent messages*
- *There is personal appeal*
- *The sender has a great opportunity to convince and persuade the recipient.*
- *It is not very expensive particularly for making calls for a short duration of time*
- *It can be used even when both the sender and the recipient are far apart*

10. State the various types of written communication.

- *Written*
- *Memorandum(memos)*
- *Reports*
- *Notices*
- *Telegrams*
- *Circulars*
- *Minutes*

11. State the reasons why an organization would use written communication instead of verbal communication.

- *Written communication provides evidence which may not be there in verbal communication*
- *Written information can be stored for future reference unlike verbal which cannot be stored and depends on the recipients memory*
- *It is not prone to distortions and therefore more accurate than verbal communication*
- *Written communication can be in form of diagrams, illustration and maps which is not possible for verbal communication*
- *Some written communication such as letters would be cheaper and time saving than verbal communication, for example making long telephone calls.*
- *Written communication can be used for confidential messages, for example registered mails.*

12. State the disadvantages of written communication

- *Written is not very persuasive or convincing*
- *There is no personal touch*
- *It can only be used by literate*
- *It can be slow where letters take time to reach the recipient*
- *It takes time to get a feedback from the recipient*
- *Messages cannot be enhanced by gestures, that is, body language or face expressions*
- *It can be expense to file all the written communication*

13. Outline the various means of visual communication

- *Charts*

- *Photographs*
- *Gestures, which may include signs and symbols*
- *Slides*

14. State the advantages and disadvantages of audio-visual of communication

Advantages

- *Information is more attractive and appealing*
- *Can reach many people at once*
- *It can be used even for those who cannot read and write*
- *Immediate feedback is received from the way the recipient behave*
- *Can be entertaining*

Disadvantages

- *Can be misinterpreted, for example if the receiver does not understand the signs or gesture*
- *Not suitable for passing confidential information*
- *It is not possible for the recipient to give a feedback*
- *Gesture and signs are only suitable to those who can understand them*
- *The initial cost of preparing these forms of communication may be high for the sender*
- *It may take a lot of time to prepare these forms of communication*

15. Outline the various service that facilitate communication

- *Registered mail, for sending valuable or confidential information.*
- *Speed post services offered by the post office to send letters parcels using the quickest means possible*
- *Poste restante, usually used by those without postal addresses*
- *Business reply service which enables customers and clients to reply to a business without having to pay for postage stamps*
- *Broadcasting services through various radio stations*
- *Print media such as the various newspapers, magazines and journals*
- *Internet services which connect one to the world wide website*
- *Telephone services*

16. State the various trends in communication

- *Mobile or cell phone use*
- *Internet which uses inter linked computers to the world wide website*
- *Fax, which can be used to send written messages very fast*
- *Information and telephone bureaus where one can make local and international calls*
- *Move towards a paperless office.*
- *Transformation of language.*

17. Highlight the factors to be considered when choosing a means of communication.

- *The cost because some are more expensive than others*
- *Availability of the means*
- *Reliability or assurance that the message will reach the recipient*
- *The distance between the sender and the recipient.*
- *The literacy level of both the receiver and the recipient*
- *The confidential nature of the information being sent*
- *The urgency of the message*
- *If there is need for evidence or need for future reference*
- *The desired impact of the means upon the recipient.*

18. Advice Mary Wakio why she should not use telex to communicate to her friends

- *Her friends may be illiterate and may be unable to read the message received*
- *Her friends may not have a receiving machine and will be unable to get the information*
- *It can be expensive to use as the sender pays a subscription fee and rental fee while he and the recipient pays for the sent message*
- *It can be expensive to buy the teleprinters used in receiving and sending information*
- *Telex may only send written messages but cannot be used to send maps, diagrams and charts*

19. State circumstances when sign language can be the most appropriate form of communication

- *When communicating to someone who has a hearing problem*
- *If one wishes to pass a secret or coded message*
- *If both the receiver and the sender are far apart but can see each other*
- *It can be used in case there is a language barrier*
- *In an environmental where there is a lot of noise or physical interference to other forms of communication, sign language may be used*
- *It can be appropriate where both the recipient and the sender understand the signs.*

20. State four reasons why face-to-face communication would be preffered to written communication

- *When immediate feedback is required*
- *Incase of a meeting*
- *If clarification is required*
- *Where information is confidential*
- *Where facial expression is required*

21. State four circumstances under which sign language may be used in carrying out business

- *Where there is no common verbal language*

- *Where there is a lot of noise interruption*
- *Where silence must be observed*
- *Where there is need for demonstrations*
- *Where one party is deaf or dump*
- *Where it is the only means of communication*
- *Where the meaning of signs is well understood by the two parties*

22. Outline four limitations of using internet as a means of communication

- *Expensive to afford by small firms*
- *Only operates in connected areas*
- *Can only be used by literate groups*
- *Cannot be used in areas without power/electricity*

23. Highlight four limitations for the use of mobile phones in communication

- *Poor network coverage in some areas*
- *Prone to theft in crowded areas*
- *Expensive to maintain(frequent airtime top ups)*
- *Not suitable for the deaf and dump*
- *Radio waves may cause health problems*

24. State four advantages of sending information through SMS over a letter

- *It is faster*
- *It can provide quick feedback*
- *Its more reliable/sender can know if the message is delivered or not*
- *It's a cheap means of communication*
- *Identity of the sender is revealed*
- *The message can be saved for future reference*

25. Outline four circumstances under which a trader will use e-mail to send messages

- *When message is send urgently*
- *When saving on costs*
- *When immediate feedback is required*
- *When message is detailed*
- *Where the message is to be send to many people*
- *Where there is need for storage for future reference*

26. Give four advantages of downward communication in an organization

- *Facilitates training of juniors*
- *Important when evaluating business performance*
- *Necessary when delegating duties*
- *Helps in solving any problems facing workers*

- *Helps in inspiring and motivating juniors*

27. Explain five benefits that may occur to a person who uses e-mail as a form of communication

- *It faster in sending message thus saving time*
- *It allows for immediate feedback*
- *It is relatively cheap and one can afford*
- *Information obtained can be saved for future reference*
- *It makes it possible to communicate with persons far away*
- *One can get a message that contain photos/diagrams*
- *Possible to forward information to other people*
- *It reduces on the use of papers*

28. Explain five factors to consider when choosing means of communication

- *Speed – choose the most urgent*
- *Cost – choose the cheapest*
- *Confidentiality*
- *Distance - determined by the distance between the sender and the receiver*
- *Evidence – incase of future reference written communication is the best*
- *Reliability*
- *Desired impression*

29. Explain five shortcomings of internet services

- *Information may not be secure – since people not intended to may access it.*
- *Information can be diverted by competitors – who know the password*
- *Computers may be invaded by computer virus that will interfere with computer programs*
- *Could be used to transmit harmful information eg terrorism , drugs and pornography*
- *It may be slow or taking long time to access information since computers has to go through a mass information*
- *One needs to be computer literate*

30. Highlight five benefits that may be enjoyed by a business organization that engages in e-commerce in her trading activities

- *Facilitates access to large market*
- *Large or small business can transact business without discrimination*
- *It is a fast way of doing business*
- *It reduces paper work as many deals are online*
- *Services on cost of sending receiving and storing business information is cheap*
- *One can access other business information from the internet enhancing the running of the business*

31.State four essential components for communication to take place

- *The sender*
- *The channel*
- *The message*
- *The receiver*

32.. List four forms of communication

- *Verbal/oral*
- *Written*
- *Audio-visual*
- *Audio*
- *Visual*

33. State four circumstances under which verbal communication may be preferred to written communication in a business enterprise

- *Where confidentiality is required*
- *Where immediate feed back is required*
- *Where speed is necessary*
- *When it is easier to convince/ per*

34. State any four current trends in communication in Kenya today

- *Increase in use of calling cards*
- *Use of mobile phones*
- *Use of email*
- *Use of internet*
- *Use of intranet*
- *Use of cyber cables*

35. Explain five positive effects of introducing mobile phones in communication industry in Kenya.

- *Faster communication*
- *Can be used to remit/transfer of money*
- *Can send written messages*
- *They are portable*
- *Accessible for 24hrs /continuous*
- *You can access internet from anywhere*
- *You can use for alteration*

36.Explain five factors which may hinder effective communication

- *Lack of common language for both sender and the receiver*
- *Language barrier-which receiver may not fully understand*
- *Wide age gap between the receivers and sender*

- *Poor timing-when one may not be ready to receive the message*
- *Use of incorrect/inappropriate means-leading to distortion of the message*
- *Negative attitudes-of one of the two communication parties*
- *Several messages passed through few or one channel*
- *Poor listening skills-one of the parties failing to listen properly*
- *Bad weather-means being used is affected by bad weather*
- *Difference in social status of the communicating parties-and are not considered to each other positions*
- *Unavailability /ineffective infrastructure e.g. land lines/optic cable for cheap internet connections*
- *Distraction by noise, light smell etc*
- *Wrong medium- for example one may not convey a confidential message over the telephone effectively*
- *Unfamiliar non-verbal signs – use of facial expressions, gestures and nodding that is not familiar to one of the party may make communication ineffective.*

37. Explain any five benefits that may accrue to an organization that uses effective communication

- *Better Performance – Goods & objectives will be known hence workers will work towards achieving them.*
- *Efficiency – Workers are able to increase productivity when communication iappropriate.*
- *Better management - The information will be used for better planning / control. (Easy decision making).*
- *Proper use of resources – Thus redeeming time and effort wastage.*
- *Improved customer relations – The firm will be able to establish customer needs /eliminating customer dissatisfaction.*
- *Coordination – Irrespective of distance /would thus enhancing teamwork.*

38 .Outline five disadvantages of sirens as a form of communication that is popular with ambulances and the police

- *May be difficult to interpret in the absence of written or spoken word*
- *May require additional or specialized skills of comprehension and interpretation*
- *Expensive way of communication as it needs some skills*
- *There is no feed back*
- *Limited coverage as it serves small audience who are accessible*
- *Meaning of some symbols may not be understood*

39. Discuss five advantages of mobile phones in communication

- *It is portable hence convenient*
- *Has short message services*
- *Can be used for other purposes e.g. calculator*

- *Can be used anywhere when there is network*
- *Affordable/ cheap*
- *Can be used for strong information*

40. Explain five elements of effective communication

- *Sender – This is the source of the message.*
- *Message -This is the information to be communicated.*
- *Channel- This is the medium/means to be used in conveying the message/information*
- *Encoding- This is the process of forming/generating the message.*
- *Decoding – This is the process of interpreting the message so received.*
- *Receiver/Recipient – The party/person to whom the message is sent.*
- *Feedback – This is the receiver's reaction/response to the message.*
- *Clarity- The message should not be vague/ambiguous.*
- *Precision/conciseness – by avoiding unnecessary details.*
- *Preparedness- sender should carefully think through/plan the message before sending it.*
- *Accuracy/Correctness – Message should be factual/error free*
- *Timeliness/proper timing – message should be presented at the right/appropriatetime.*
- *Completeness of the message- should contain all the relevant facts/details.*
- *Attentiveness of the recipient- the receiver should listen carefully to be keen to the message.*
- *Positive attitude- sender/receiver should have due regard for each other.*
- *Proper media/means in term of choice and functionality.*

41. a) Explain five means of written communication. (10marks)

- ***Letters*** *– a form of written communication; business, official/formal, non-formal etc*

- ***Telegrams*** *- is a means of communication provided by the post office, the sender obtains the telegram form from the post office and fills the message on it in capital letters and hand it over to the post office employees at the counter.*

- ***Telex*** *- is a means of communication used to send short or detailed messages quickly by use of a teleprinter. The service is provided by the post office on application.*

- ***Facsimile (Fax)*** *- involves transmission of information through a fax machine. Both the sender and the receiver must have a fax machine.*

- ***Memorandum (Memo)*** *- is printed information for internal messages within an organization. It is normally used to pass information between departments or offices in an organization.*

- ***Notice*** *- is used to inform a group or the public about past current or future events. It is usually brief and to the point. It can be placed on walls, in public places, on trees, in newspapers or on notice boards.*
- ***Reports*** *- are statements/within records of findings recommendations and conclusion of an investigation/research. A report is usually sent to someone who has asked for it for a specific purpose.*
- ***Circulars*** *- are many copies of a single letter addressed to very many people when the message intended for each is the same.*
- ***Agenda*** *- is an outline of the items to be discussed in a meeting. It is usually contained in a notice to a meeting sent in advance to all the participants of the meeting.*
- ***Minutes*** *- are records of the proceedings of a meeting.*

42. Explain five Services that facilitate communication.

– Postal service – Delivering registered, express and ordinary mail through postal corporation.
– Business reply service – where business people give their customers already stamped envelopes to use when replying to letters.
– Courier services – provided by private individuals or organizations by delivering parcels, documents or letters using fast means of transport.
– Franking – when customers/organizations are allowed by postal corporation to use a franking machine to affix postage stamp impression on letters.
– Post Restante – service provided to visitors who may not have fixed address.
– Telephone services – provided by firms eg Airtel, Safaricom, telkometc for a fee.
– Broadcasting services ie radio and television services.
– Printing media services – written communication to pass information ie newspapers, magazines etc

43. 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 email instead of telephone when placing the order. (10 marks)

– Emails provide evidence for use in case of a dispute
– Email messages are more confidential hence able to maintain secrets/information can't get to unauthorized persons.
– Messages are received without distortion i.e. is reliable.
– It is affordable to send messages via email.
– Messages can be stored for future reference.
– Emails can be sent to several people at once.
– It can provide detailed and complex information such as tables, statistics and graphs.

44. 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 acess to a larger number of recipients
– One can send messages that certain photograph and diagrams.
– There is evidence of communication.
– It is possible to forward the information to other businessmen

45. 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

TRANSPORT.

State four circumstances under which a businessman would choose to transport goods by air?

- *Where goods are of high value to justify high freight costs*
- *Where goods are profitable and so require short term transportation*
- *Where security is necessary*
- *Where other alternative means of transport are not available*
- *Where goods are urgently needed*

1. **Outline four reasons why a school in Kisumu may prefer to transport its sixty students to a music festival in Nairobi by train rather than by bus. (4mks).**
   - *Travel by train is relatively cheaper that travel by bus*
   - *It is more comfortable to travel by train over long distances than by bus*
   - *Travel is more reliable form of travel than bus*
   - *Travel by train has convenient features as catering and toilet facilities*

2. **Give five reasons why a manufacturing firm would be located in an area well served by good road network. (4mks).**
   - *To facilities easy delivery of raw materials*
   - *To ease workers movement to and from work*
   - *To facilitate movement of finished goods*
   - *To gain easy access to auxiliary services like banks, post office e.t.c*
   - *reduced cost of transport*

State 4 measures that have been put in place by the government to ensure the safety of passengers

- *Removal of unroadworthy vehicles which may cause accidents*
- *Installation of bumps to reduce speed*
- *heavy penalties on motorist who disobey traffic rules*
- *making sure that passengers vehicle have safety belts to minimize casualties*
- *ensuring that PSV have speed governments to limit the speed*

- *restriction on travelling hours to ensure drivers have ample time to rest*
- *all the PSVs are operating under a SACCO*

3. **Outline four limitations of containerization. (4mks)**
   - *Containers are expensive and this increases the cost of transporting goods*
   - *Contributes to unemployment since containers are capital intensive.*
   - *Not suitable for transporting small quantities*
   - *Requires special handling equipment which may be expensive*
   - *May not be suitable for goods with irregular shapes*

4. **State four reasons why road transport is popular in Kenya (4mks).**
   - *Available in most parts of the country*
   - *Flexibility to variety of vehicles*
   - *Flexibility of routes*
   - *Flexible over short distances*
   - *Flexibility in schedules*

5. **State four ways in which the nature of goods would influence the choice of transport.**
   - *If goods are perishable a fast and appropriate means is required*
   - *If goods are fragile, a smooth means of transport is required*
   - *If goods are highly valued, a safe and secure means is required*
   - *If goods are urgently required, a faster means is used*
   - *If goods are bulky an appropriate means will be used*

6. **Outline four reasons why a transporter of goods from Mombassa to Nairobi may prefer rail transport to road transport.**
   (4mks).
   - *Transport by rail is cheaper than road transport*

- *Where goods to be transported are bulky*
- *Rail transport tend to have regular time schedule*
- *Where goods are urgently required, a faster means is used*
- *If goods are bulky an appropriate means will be used*

7. **State the unit of carriage for each of the following modes of transport. (5mks)**

Mode of transport	Units of carriage
i. Portage	Human beings
ii. Sea	ships
iii. Road	vehicles
iv. Cartage	carts
v. Air	airplanes

8. **list four ways in which transport promotes growth of trade. (4mks)**
   - *Assist in the distribution of finished goods*
   - *Aids in the transport of labour to the industries*
   - *Movement (transport) of raw materials to the industries*
   - *Create utility of place and time of the goods*
   - *Facilitates faster exchanges.*

9. **Give 4 disadvantages of railway transport in Kenya. (4mks)**
   - *Not flexible as trains follow a strict time table*
   - *Not all areas are served by railway lines*
   - *Trains are expensive to acquire and maintain*
   - *Not suitable for transporting urgently required goods*

10. **List 4 disadvantages of using containers to transport goods. (4mks)**

- *Containers are expensive and this increases the cost of transporting goods*
- *Not suitable for transporting small quantities*
- *Requires special handling equipment which may be expensive*
- *May not be suitable for goods with irregular shapes*
- *Contributes to unemployment due to use of machiness*

11. **Outline 4 disadvantages of inland water transport (4mks)**

- *Slow and unsuitable for transporting urgent goods*
- *Does not allow use of large vessels*
- *Often affected by waterweeds*
- *Its inflexible i.e boats can only travel on water within the lake*

12. **List 4 advantages of using containers to transport goods**

- *Reduce theft of goods*
- *Reduce damage of goods*
- *Saves time since loading and offloading of goods is by use of machines*
- *Insurance rates are low because of enhanced security1*
- *Special containers can be made to carry special goods*

13. **State four merits of marine transport**

- *Handles bulky goods*
- *The way is smooth hence comfortable*
- *Less prone to accidents compared to other means*
- *Suitable for long distance travelling*

14. **Outline 4 benefits that can be realized by reducing the number of 14 seater matatus in favour of buses**

- *Reduced number of accidents*
- *Reduced fuel consumption*
- *Reduced congestion*
- *Reduced level of pollution*
- *Easy supervision /control by police*
- *Reduced cost of traveling*

15. Outline four factors for the increase in the use of matatus as a means of passenger transport

One of the flagship projects by the Kenyan Government is LAPSSET and Standard Gauge Railway (SGR). Outline four benefits of the new Railway line to the Kenyan economy. (4 marks)

- *More employment opportunities*
- *Faster movement of goods/people*
- *Government revenue*
- *Tourism will increase*
- *More goods/cargo will be transported*
- *Reduction of congestion on Kenyan roads*
- *Open up remote areas*

16. **Outline four characteristics of a good transport system**

- *It should be cost effective to the users*
- *It should be reliable*
- *Should be comfortable to passengers*
- *It should offer safety to the goods and passengers*

17. **State four pre-requisites of transport**

- *Way*
- *Terminal*
- *Method of propulsion*
- *Unit of carriage*

18. **Highlight four features of tramps**
    - *They do not operate on a fixed route*
    - *They do not follow a fixed timetable*
    - *Their charges are flexible*
    - *They are owned by individuals*

19. **Highlight four ways in which the government of Kenya can use to ease traffic congestion in urban areas**
    - *Use of buses instead of minibuses*
    - *Widening of roads/construction of dual carriage ways*
    - *Underground trains*
    - *Construction of fly-overs*
    - *Increasing the parcking fee*
    - *Restricting private vehicles from the CBD*

20. **Highlight four circumstances under which one will choose air transport rather than road transport**
    - *Faster than road*
    - *Not hindered by physical barriers*
    - *Relatively flexible*
    - *Safe in transporting valuable items such as gold*
    - *Free way*
    - *Convenient over long distance*
    - *Suitable for transporting perishable and urgently required goods.*

21. **Outline four reasons that account for the popularity of human porterage means of transport in Kenya**

- *Flexible since it has no fixed timetable*
- *Cheap compared to other means*
- *Readily available when required*
- *Convenient over short distances*
- *Complements other means of transport*

22. **State four reasons for the popular use of motor cycles in transport**
    - *Cheap to acquire*
    - *Low maintenance cost*
    - *Charge relatively lower fare*
    - *Does not require special skills*
    - *Relatively faster compared to cartage and human porterage.*

23. **State four modern trends in transport**
    - *Pipeline and containerization*
    - *Electric trains are replacing diesel engine*
    - *Dual-carriage roads are being developed*
    - *Underground tunnels for trains*
    - *Development of planes with larger carrying capacity*
    - *Use of bicycles commonly known as boda boda*

PAPER 2

1. **Explain five reasons that may account for continued use of hand carts as a mode of transport in Kenya.**
    - *It is relatively cheap compared to other modes*
    - *Requires little capital as carts are cheap*
    - *Does not require special skills*
    - *Does not necessarily require a road*

- *Does not require special terminus*
- *Suitable over short distance*
- *Appropriate in remote areas where other means are not available*
- *Compliments other means of transport*
- *Readily available for hire*

2. **The oil pipeline has recently been extended from Nairobi to western Kenya.**

   Explain five benefits that may be accounted to the country from the extension. (10mks).

- *Larger volume of oil will be transported within given time. Road accidents should be minimized, as there would be fewer tankers on the road.*
- *Road damage will be minimized due to fewer tankers*
- *Delays/ shortage of fuel to Western Kenya will be reduced as pipeline give continues supply.*
- *Environmental pollution from heavy tankers will be minimized*
- *Pilferage of fuel will be reduced as it is difficult to steal oil from the pipeline.*
- *Traveling between Nairobi and Western Kenya takes shorter time due to reduced congestion of the road*
- *Reduced costs of transportation oil*

3. **Discuss five factors that have hindered the expansion of railway transport in Kenya.**

- ***High cost*** *– railway construction and maintenance is expensive venture requiring huge investment. Such huge investments are unaffordable.*
- *Competition from other modes there exists a relatively wide road network which may lead to low demand for railway.*
- ***Poor management*** *– the railway transport sector has been poorly run resulting in huge losses.*
- ***Lack of modern technology*** *– the modern technology that is required for an efficient railway system is absent in Kenya*
- ***Little government commitment****- the government has commited its resources more on other forms of transport at the expense of railway transport*
- ***Lack of flexibility*** *– inability to render door to door services makes it less attractive.*
- ***Speed*** *– its relatively low speed render it inappropriate for carrying good.*

4. **Explain the advantages of pipeline as a mode of transporting oil products.(12mks).**

- *Pipeline is environmental friendly as it contributes to less pollution.*
- *It is a fast mode of transport as it is not affected by weather or congestion*
- *It is less prone to accidents and hence may reduce road accidents caused by tankers*
- *Low maintenance costs due to ease in maintaining the way and unit of carriage*
- *Continuos supply of the product in large volumes*
- *Pipelines may be constructed in areas where it is difficult to construct roads or railway lines*
- *It is labour saving as it requires minimal manpower*
- *Pipeline transport may not be affected by adverse weather conditions*
- *It is cheap means over long distance or over wide region*

5. **Outline five factors that should be considered when choosing a means of transport.**

- *Cost of the means*
- *Distance to be covered*
- *Speed of the means*
- *Availability of the means*
- *Nature of the goods*
- *Safety and security*

6. **Explain six advantages of containerization as a mode of transport.(10mks)**

- *Minimizes the risks of loss or damage of goods as containers*
- *Containers are fitted with devices which make movement and handling easy*
- *Saves time and labour in loading and off-loading due to use of machines*
- *Special containers are available for goods requiring special attention*

- *Insurance costs are relatively low as risks are less*
- *Containers sealed at source in presence of customs officials may not be opened until they reach their destinations.*
- *Space is saved when containers are used as opposed to when individual items are packed in the carrier.*

7. **Explain five factors that limit/discourage the use of pipeline as a mode of transport in a country (10mks)**
   - *A leakage not detected in good time may lead to high losses*
   - *Initial construction cost is very high*
   - *Accidental leakages may lead to environmental pollution*
   - *It is unidirectional that is, travels only in one direction.*
   - *It can transport only one product at a time.*
   - *Cost of monitoring the pipeline could be high as it may necessitate the use of aircrafts due to frequent movement to monitor the safety.*
   - *Generate comparatively fewer job opportunities as it is capital intensive/requires little labour.*

8. **Explain five measure the government can take to improve the efficiency of the road transport system in the country (10mks)**
   - *Improving the road network system by tarmacking more roads particularly in rural areas.*
   - *Ensuring that vehicles do not exceed their load capacities as this causes damages to roads.*
   - *Ensuring that there is strict adherence to traffic laws*
   - *Improving rail transport so as to ease congestion on roads*
   - *Undertaking regular maintenance of roads to ensure that they are in good condition at all time.*
   - *Ensuring that only trained and licensed people are allowed to drive vehicles on the roads*

- *Establishment of by-pass road systems in the outskirts of urban centres does not have to pass through.*

9. **Explain five circumstances under which a trader would prefer to transport goods by train**
    - *When the goods are bulky/heavy*
    - *When the goods need special attention/handling*
    - *Where the distance is long*
    - *Where there is need for security for the goods.*

10. **Explain five advantages of pipeline transport (10mks)**
    - *It is environmentally friendly since it is free of noise and smoke*
    - *Pipelines allows continuous flow of goods being transported*
    - *Pipeline transport helps to reduce accidents that may be caused by tankers on roads*
    - *It is labour saving as it requires minimal manpower*
    - *Low maintenance costs due to ease in maintaining the way and unit of carriage*
    - *It is cheap means over long distance or over wide region because pressure or force of gravity is used.*

11. **Explain five reasons that may account for the continued use of handcarts as a mode of transport in Kenya (10mks)**
    - *It is relatively cheap compared to other modes*
    - *Requires little capital as carts are cheap*
    - *Does not require special skills*
    - *Does not necessarily require a road*
    - *Does not require special terminus*
    - *Suitable over short distance*
    - *Appropriate in remote areas where other means are not available*
    - *Compliments other means of transport*
    - *Readily available for hire*

12. **Explain five ways in which a good transport system facilitates the development of manufacturing industries (10mks)**

- *Raw materials are supplied to the firm hence continuos production.*
- *Finished goods are delivered to the market leading to faster production/reduced storage costs*
- *Workers can easily move in and out of the factory leading to efficiency in operation*
- *Reduces cost of transport leading to low prices of goods*
- *Stabilizes prices of goods due to continuos supply*
- *Enhancing specialization as goods produced in different firms are exchanged.*

13. **Explain five circumstances under which a trader would prefer to transport goods by rail**

- *In case the goods transported are bulky*
- *Where goods transported are heavy*
- *In case goods require security because cases of theft and accident are minimal in railway transport*
- *In case of large quantities because it has large carrying capacity*
- *Railway transport is cheap and economical over long distances*
- *Railways stations have warehouses to store goods before they are collected by owners*
- *In case the trader wants to make advance planned for movement of goods because train follow regular timetables*
- *Railway stations have many cargo handling facilities for loading and off loading of goods hence saves time.*
- *Railway authorities have their own motor vehicle delivery services from their railway stations, this helps in connecting the traders to other terminus*

14. **Outline five factors that may limit the use of containers as a method of transporting goods in a developing country. (10 marks)**

- *Specialized equipment which are expensive. The method calls for specialized equipment for handling goods which are lacking/expensive to buy/use/maintain.*
- *Organization personnel/talents/training/operational/management skills needed for the method may be lacking/training may be expensive.*
- *Volume of business may not be large enough/warrant the heavy investment/volume of business may be low.*
- *Initial capital needed for the system/not easily available/expensive.*

- *The method requires re-degrading of existing ports/reconstructing part which is quite expensive.*
- *Use of medium technology which is limited/lacing/not readily available/limited medium technology (in a developing country) which may slow the rate of processing goods.*
- *General resistances to change by stakeholders/interested/affected parties of people generally resist change.*
- *May not be suitable for goods with irregular shapes*

15. Explain five disadvantages of transporting goods by water

- *Sea pirates and storms may occur resulting to losses*
- *Not suitable for transporting perishable and urgently required goods*
- *It is expensive to construct and maintain artificial harbours*
- *Unfavourable weather conditions may affect water transport*
- *Sea transport is not accessible to land locked countries*
- *Lack of loading and offloading facilities may lead to delay*
- *Cost of acquiring and maintaining ships is high*

16. Discuss factors that should be considered when choosing an appropriate means of transport

- *Cost – The cost of transport should be considered. The cheapest means should be chosen*
- *Nature of goods – For example perishables goods require a fast means, similarly heavy and bulky goods requires a means of transport convenient for such goods eg trains.*
- *Reliability – reliability refers to assurance that the goods will reach the intended destination at the right time and in the right form. The means chosen should ensure reliability.*
- *Urgency – For goods that are urgently required, the fastest means available should be chosen.*
- *Security – The means chosen should ensure that the goods on transit are secure against loss theft or physical damages*
- *Distance – Some means of transport are suitable for long distances while others are suitable for short distances. If goods are to be transported for long distances, air or railway transport would be appropriate.*
- *Availability of means – The means of transport to be selected should be based on its availability.*
- *Flexibility – Where flexibility is required then the means that would provide such*

should be chosen. For example a matatu is usually more flexible than an aeroplane.

- *Terminals – Some means of transport may have their terminals near the transporter than others. In this case, the transporter should choose the means whose terminals are conveniently accessible.*

17. Explain 5 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 stocking 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 containerization

18. 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

WAREHOUSING.

1.Highlight 4 requirements that are needed for a smooth functioning of a warehouse

- *Appropriate equipment*
- *Appropriate staff*
- *Proper recording system*
- *Proper building design*
- *Appropriate special facilities eg refrigerators*

3. State 4 consequences that may arise due to poor arrangement of goods in a warehouse
   - *Possible loss of goods through breakage*
   - *Under utilization of space*
   - *Theft of goods(pilferage)*
   - *Contamination of goods*
   - *Time is lost looking for goods in a warehouse.*

4. Mr. Juma is a wholesaler in Bungoma town who owns her own warehouse. Outline 4 benefits that will accrue to her from her warehouse
   - *Relieved of storage costs incurred by hiring storage*
   - *He can use the warehouse as long as is necessary*
   - *He is under direct control of the warehouse*
   - *He ensures security of goods from theft or physical damage.*
   - *He can handle the goods the way he wants.*

5. Outline 4 ways in which consumers are likely to suffer in situations where there is no warehousing
   - *Consumers will suffer from the problem of unstable and high prices*
   - *The consumers will suffer from the shortage of goods as there will be no continuous supply*
   - *Consumers will not have a continuous supply of seasonal produced goods*
   - *Consumers may get damages as there will be no protection from bad weather*
   - *Consumers may suffer from the problem of buying poor quality goods*
   - *Consumers may not get goods that are well packed or blended*

6. State 4 prominent features of retailers warehouse
   - *Mainly owned by large scale retailers*
   - *Stock fast moving consumer goods*
   - *They hold reserve stock to ensure demand is constantly met*
   - *Designed to suite owners specifications*

- *Owners have full control over warehouse operation.*

7. **State 4 roles the customs officials in a bonded warehouse**
   - *Verifying the origin of goods*
   - *Checking the quality of goods to avoid dumping*
   - *Collecting customs duty*
   - *Checking the legality of the goods*
   - *Checking the quantity of imports*

8. **Give 4 reasons that makes warehousing a vital aid to trade**
   - *It ensures steady flow of goods*
   - *Ensures stability in prices of goods*
   - *Warehousing ensures continuous production*
   - *Goods stored in warehouses improves in quality*
   - *Warehousing encourages specialization*
   - *Buyers can inspect goods before they can buy them*
   - *Goods stored in warehouses can be prepared for sale*

State four features of public warehouses (4mks)
- *Owned by individuals*
- *Rent space to traders*
- *Goods stored temporary*
- *Open to all members of the public*
- *Maybe situated near terminals*
- *Goods can be graded/packed*
- *Goods are insured against loss*

State 4 reasons why a producer would not need a lot of warehousing facilities.

– *If the business is located near the consumers.*
– *Where the goods produced are highly perishable.*
– *Where his scale of production is low.*
– *Where there are intermediaries to take the role of storage.*
– *Where the demand of goods is higher than what is produced.*
– *If dealing with fast moving goods.*
– *Where goods are produced on order*

9. **Outline 4 benefits that may be received by a business that uses its own warehouse**
   - *Business maintains continuous supply of goods*
   - *Goods are kept safely eg from theft*
   - *Costs incurred in renting space reduced*
   - *It will control the operations of the warehouse*
   - *Warehouse can be tailored to meet its needs*
   - *It is possible to choose desired location*

10. Highlight any four trends in warehousing

- *Use of specialized handling machines*
- *Use of storage racks*
- *Environmental pollution*
- *Warehouse designs to allow movement for forklifts and cranes.*

11. Mention 4 features of a bonded warehouse

- *Goods can be stored until duty is paid*
- *Goods can be re-exported while on bond*
- *Goods can be sold while on bond*
- *Release warrant is required for goods to be released*
- *Goods can be prepared for sale(repackaged, branded or blended)*

12. Outline four features of a bonded warehouse (4 marks)

- *Goods can be bounded till duty is paid*
- *Goods are released on production of release warrant*
- *Charges are made on all goods stored in the warehouse*
- *Goods can be sold while under bond*
- *Goods can be inspected, re- parked, blended, branded, labeled etc while in the warehousing*
- *Goods can be re- exported while under bond*
- *They are guarded by customs officials*
- *They are owned by the government*
- *They are used for imported/ exported goods*

13. Explain five benefits of a bonded warehouse to the government

- ***Inspection of goods****- nature of goods that enter and leave the country are inspected to ensure harmful goods do not `enter into the country.*
- ***Quality of goods*** *– Inspection done by the government maintains the standards of goods entering the country and ensures good quality*
- ***Quantity of goods*** *– Government can monitor and control amount of goods entering the country.*
- ***Source of revenue*** *– Customs duty collected by government acts as revenue for promoting other sectors of the economy.*
- ***Documentation and regulation*** *– Documents regarding storage of goods are verified and government can easily enforce all regulations regarding importation of goods.*
- *The government is able to check on illegal goods entering the country.*

14. Explain five ways in which warehousing facilitates trade.

- *Steady/continuous flow/supply of goods. Warehousing assists in ensuring a steady flow of goods into the market*
- *Stable prices –Warehousing ensures that there is no excess or shortage and this results in stable prices*
- *Improve/maintain quality of goods-warehousing provides storage facilities thatmaintain/improves in the quality until they are demanded*
- *To meet unexpected demand-unexpected demand can be met due to the existence of warehousing e.g in time of disaster/calamity*
- *Inspection of goods-warehousing enables traders to inspect goods before they buy them*
- *Clearance of goods(payment of customs/duties)-warehousing facilitates clearance of imported goods for traders (inspection of goods by the government)*
- *Storage of goods-warehousing enables the trader to store goods as he looks for the market or due to mass production or allows continuous production*
- *Preparation for sale-goods are blended/packed/graded/sorted/branded while in the warehouse*
- *Protection from damage/keeping goods in good condition-warehousing protects goods from theft/seasonal*

15. Explain five benefits small scale business derive from the presence of a warehouse in an area

- *Ensures stable prices for goods and services due to steady supply of goods*
- *Ensures steady supply of goods as the goods are stored when in plenty and released when needed.*
- *Allows preparation of goods for sale such as branding and grading*
- *Protects goods from damage and adverse weather conditions*
- *Enables the trader to inspect goods before they can buy*
- *Improves the quality of goods such as wine and tobacco*
- *Trader is able to meet unexpected demands in the market.*

16. Highlight five ways in which consumers benefit from warehousing facilities provided by a wholesaler

- *Consumers may benefit when quality of goods is improved through packing/blending*
- *Consumers are likely to get goods supplied to them when they need them.*
- *Consumers may get a variety of goods stored by wholesalers in their warehouses*
- *Consumers are likely to get goods that are not spoilt/damaged.*
- *Consumers are likely to buy goods in convenient quantities.*
- *Warehousing facilities are likely to stabilize prices thereby benefits the consumer.*

17. State four functions of warehousing

- *Storage*

- *Preparing good for sale*
- *Stabilizes prices*
- *Protection of goods/security*
- *Holds goods up until custom duty is paid on imported goods*

15. **Under what circumstances can the location of a warehouse be seen to be inappropriate**
    - *When it is not accessible*
    - *When it's placed away from the terminal or source of produce*
    - *When it leads to high operational costs*
    - *When it does not have the right handling equipments and staffs*

16. **State four reasons why it is suitable to locate a bonded warehouse at the point of entry of a country**
    - *For easy re-exporting.*
    - *For easy inspection of imports.*
    - *To prevent the entry of harmful goods./dangerous goods.*
    - *To prevent exit without legal authority.*
    - *For easy collection of custom duties.*

17. **Outline four circumstances that would hinder a warehouse form functioning effectively**
    - *If its location is not suitable for client/if it is not accessible to users*
    - *If it cannot store different types of goods*
    - *If it doesn't have communication network*
    - *If it is not well equipped to handle goods/it lacks appropriate facilities*
    - *If it is not spacious enough to allow easy movement*
    - *If it doesn't have well trained personnel*
    - *If it doesn't keep proper records of movement of goods*
    - *If it doesn't offer necessary protection to goods in it*

18. **State four reasons why goods may delay in a warehouse**
    - *If the importer is not aware of the arrival of goods*
    - *If the importer is still looking for money to settle dues*
    - *If goods are yet to be inspected*
    - *If the importer is still looking for market*

Highlight four ways in which a warehouse is useful to a trader. (4 marks)

- *storage of goods until they are needed*
- *Protection of goods from vagaries of weather.*
- *Protection of goods from pilferage*
- *Provides room for bulk breaking, packing and blending*

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

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

19. State four functions of the purchases department of a ware house

- *Receipt of requisitions*
- *Purchasing all goods for the organization*
- *Maintaining the suppliers records*
- *Managing an effective purchases man power*
- *Dispatching goods to various departments*

20. State four advantages of warehousing to a retailer

- *Continuous supply of goods for his customers*
- *Storing goods whose demand is seasonal*
- *Goods are stored awaiting collection*
- *Goods can be prepared for sale through breaking bulk, sorting, packing, and blending*
- *Protecting gods from physical damage, pilferage and adverse wealth condition*
- *Relieves retailers of the need to carry large stocks and they can always reorder, these helps them to start business without too much capital*

21. Lobo Traders intends to consult a warehouse. Explain five measures that Lobo would take to ensure smooth functioning of the warehouse.

- *Ensure that the warehouse is located in a convenient/accessible place*
- *Ensure that the warehouse is provided with adequate materials handling equipment/machines/working materials/tools*
- *Ensure that the warehouse is spacious enough to allow easy movement/accommodation of goods/ personnel*
- *Lobo should ensure that the warehouse is fitted with safety equipment for the facility/personnel/goods/ensure necessary precaution is taken*
- *Ensure that the warehouse has storage facilities for holding different types of goods*
- *Ensure adequate security for the goods to be stored/against damage of goods/personnel /facility i.e security of the area to ensure goods are not stolen*

- *Ensure that the warehouse has qualified personnel*
- *Ensure that there is a proper system of inventory control/good recording system and recording system for stock*
- *Ensure that the laid down legal procedures are followed*
- *Ensure that there are proper buildings/structures appropriate to the type of goods to be stored*
- *Ensure that there's efficient transport system/availability of transport to move goods in and out of the warehouse*
- *To ensure there is communication system between the warehouse and clients or by way of examples*

22. Outline four benefits that consumers get from a warehousing (4 marks)

- *Consumers are assured of a steady supply of goods*
- *They are assured of quality goods*
- *They are assured of steady supply of goods*
- *They are assured of stable prices*
- *They get goods in convenient quantities*
- *Consumers are able to choose the right goods when they are braided, blended etc*
- *Consumers are able to get a variety of goods*

23. Outline four factors that a trader would consider in locating a warehouse. (4 marks)

- *The location should be ideal in terms of accessibility*
- *Availability of suitable land*
- *Near the point of sale market*
- *Near adequate security*
- *Government policy*
- *Cost of building*

24. **State four advantages of public warehouse to retailers. (4 marks)**

- *Retailers can rent space to store their goods*
- *Retailers have a place to break*
- *Goods can sell stored while in public warehouse*
- *Goods are insured against damage caused by fire, theft etc.*
- *Protects against adverse weather conditions*
- *Ensure continuous supply of good*

25. **Outline four benefits to a business that uses its own warehouse. (4 marks)**

- *The business maintains a continuous supply of goods*

- *Customers are retained as they are sure of getting the goods on demand*
- *Goods are safe from theft*
- *Savings increases for not renting storage facilities*
- *Goods can be processed in the warehouse*
- *Can be tailored to suit ones specifications*
- *Can be conveniently located*
- *More secure front damage*
- *Space is guaranteed*

26. **Outline conditions under which a warehouse may be considered to operating efficiently/ Explain five essential qualities of a good warehouse**

- *The warehouse should be conveniently located / type of warehouse*
- *The warehouse should be managed by qualified personnel*
- *Operational procedures and guidelines should be in place*
- *security systems should be in place e.g cctv alarms, fire extinguishers.*
- *should have suitable buildings / well designed*
- *appropriate equipment e.g cold rooms*
- ***compliance with the law**- A warehouse should be operated according to the requirements of the law*
- ***Adequate space**- A warehouse should be spacious enough to allow easy movement and accommodation of goods and personnel.*
- ***Proper record keeping**- There should be a proper recording system in a warehouse to ensure that all movement of goods is properly monitored.*
- ***Good transport system**- A warehouse should be linked with a good and appropriate transport network to facilitate movement of goods in and out of the warehouse.*
- ***Good communication network** - A warehouse should have a good communication network to or system for easy contact with its clients suppliers.*
- ***Appropriate staff** – Warehouse staff should be well trained and efficient for proper management and efficient functioning of a warehouse.*
- ***Proper building design**- A warehouse should be designed in a way that it accommodates the intended goods.*

Explain five ways of improving the efficiency of a warehouse

– Ensuring that there is proper adequate handling equipment - to handle goods safely and easily

– Ensuring that the staff is well trained and motivated - so as to enhance their performance

– To ensure that legal requirements are followed to avoid conflict with law enforcers

– Provision of sufficient loading / off loading areas - to avoid congestion and delays

– Ensure there is adequate security - to avoid theft of goods and safety of workers

– Ensure proper use of space - by proper arrangement of goods

– Ensure there is proper system of inventory control to monitor stock movements to avoid

theft

– *Ensure there is safety equipment / personnel - to take care of pests, fire, water leaks to safeguard goods from damage*

INSURANCE.

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

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

3.Explain four ways in which the insurance industry contributes to the development of Kenya's economy. (10mks)

- ***Continuity of business***
  - *Every business enterprise is exposed to a variety of risks e.g. fire, theft e.t.c.The occurrence of such risks often result in financial losses to the business. Insurance provides adequate protection against such risks in that, if a trader suffers losses as a result of insured risk, she/he is compensated, thus he/she is able to continue with business operations.*
- ***Investment projects***
  - *Insurance enables investors to invest in profitable yet risky business projects that would otherwise avoided.*
  - *Not all the money received as premiums (by the insurance companies) is used up for compensation to those who have been exposed to risk and suffered losses. The rest of the money is invested in other businesses to earn profits.*
- ***Creation of employment***
  - *Insurance does provide employment opportunities to members of the public.*
- ***Government policy***
  - *The profits earned are a source of revenue for the government i.e. insurance*

companies are profit-making organizations which generate revenue to the government through payments of taxes

- ***Credit facilities***
  - *The insurance industry have also established credit or lending facilities which the business community uses by borrowing. Loans are made available to the public for different investment projects in different sectors of the economy and also for personal requirements.*
- ***Development of infrastructures***
  - *The insurance industry plays a crucial role in the development of urban facilities in major towns. Both residential and office buildings have been developed by insurance firms. The firms also participate in development projects in the areas where they operate. They contribute to development of a region by constructing and infrastructural facilities*
- *Life policies can be used as security for loans from either the insurance company or other financial institutions.*
- *Provision of life and general insurance policies encourages Kenyans to plan ahead for their dependants thereby reducing the number of needy future students.*
- ***Loss prevention-****The insurance companies encourage the insured not to cause accidents thus channeling the unclaimed resources into the economy.*
- ***Revenue to the government-*** *incomes realised in the insurance industry such as profits made by companies and salaries to employees are subjected to taxation. This provides revenue to the government.*
- ***Creating confidence in investors*** *– insurance services creates confidence in investors who are able to invest in risky but profitable areas in that they are assured of compensation in case of the risks taking place.*

4. Discuss various insurance policies/circumstances under which an insurance company would not compensate the insured in the event of the loss. (10mks)

- *When insured had no insurable interest in the properly destroyed as he will not suffer any financial loss.*
- *When the insured did not disclose all the relevant facts.*
- *When the property has been destroyed by an act of God, as the risks are not insured when the loss was caused by an insurable e.g. act of God/earthquake.*
- *When the policy was not in force at the time of loss insured when the insured purposely causes the loss.*
- *When the insurance company is insolvent, hence enable to its financial obligation.Late claim where insured fails to claim within stipulation period.*
- *Improper procedures where the insured fails to follow laid down procedure when claiming.*

5. Discuss various insurance policies that the owner of a supermarket may find it useful for the business. (12mks)

- *Theft/burglary: to protect the owner from losses that may be made through theft/burglary.*
- *Fidelity guaranteed: to cover losses suffered through worker's dishonesty*
- *Workman's compensation: this is to assist the workers who may be injured in the business.*
- *Fire: to compensate the owner for losses arising from fire.*
- *Motor vehicle: to cover business vehicles in case of accident*
- *Medical cover policy: insurance will compensate for medical claims of the employees.*
- *Personal accident cover: insures accident to the owner of the supermarket in the courseof his duty.*
- *Good/cash on transit: insures against losses of goods/cash while on transit*
- *Plates gloss policy: insures against breakages caused by closure of business temporary.*
- *Sprinkler leakage policy: covers accidental damage caused by accidental leakages of sprinklers.*

6. Explain four benefits of the 'pooling of risks' to an insurance company. (8mks)

- *Pooling of risks enables an insurance company to create a common pool of funds from the regular premiums from different clients.*
- *It enables the insurance company to compensate those who suffer loss when the risks occur.*
- *The insurance company is able to spread risks over a large number of insured people.*
- *Surplus funds can be invested in, for example giving out loans or buying shares in real estates*
- *It enables the insurance company to meet its operating costs by using the pool funds.*
- *It enables the insurance company ti calculate premiums to be paid by each client.*

7.Explain the factors that may make it necessary for an insurance company re-ensure.

- ***Value of the property*** *– when the value of property is great such as a ship a single insurance company may find it difficult to bear the loss.*
- ***High risk of loss*** *– when chances of loss through the insured risks are high it becomes necessary to re-insure*
- ***Number of risks covered*** *– when the insurance company has insured many different risks, it would be too costly to compensate many claims at once, hence the need for re-insurance.*
- ***Need to spread the risks*** *– when the insurance company wishes to share liability in the event of a major loss occurring.*
- ***Government policy*** *– the government may make it a legal requirement for an insurance company to re-insure.*

8.Explain the meaning of the following terms as used in insurance (10mks)

*i)**Uberrimae fidei** - It is a principle that requires a person taking out insurance cover to disclose all material facts relating to the person or property being insured with honesty.*

*ii) **Indemnity** - it's a principle that states insurance contract puts one in the financial position he/she was just before the risk insured against took place.*

*iii)**Third party motor vehicle insurance** – This policy covers losses caused by the vehicle to*

other people, other vehicles and property.
*iv) **Contribution**. – This principle operates in a situation where the insured has taken a place with two or more insurance companies covering the same risk. In the event of loss all the insurance companies would contribute proportionately in order to indemnify the insured.*
*v**) Subrogation** - This principle states that whatever remains of the property insured after the insured has been compensated becomes the property of the insurer.*

9. Discuss four circumstances under which an insurance contract may be terminated. (8mks)

- *When the insured has not acted utmost good faith and is discovered hence making the contract invalid.*
- *When the risk insured has occurred and compensation paid this bringing an end to the contract*
- *On maturity of the contract, this signifying the end of the policy agreement.*
- *If the insured decided to discontinue the contract making the contract no longer tenable.*
- *When a court of law order termination of the contract this rendering it will and void*
- *When the insurance company is finally wound up*
- *Due to failure to review the contract this leading to lapse of policy.*
- *Where the insured ceases to have insurable interest in the property in case property is sold.*

11. Explain five ways in which the insurance industry promotes growth of business enterprises

- *Insurance industry mobilizes savings which the business community borrows to start/run and give loans to policy hawkers earning interest.*
- *It creates confidence among the business community which enables them to take risks.*
- *Various policies provided by the industry can be used as security to obtain bank loans for business use.*
- *It provides compensation to the business community in the event of occurrence of insured risk.*
- *They invest in real estates which can be used by business community.*
- *They advice/ inform the business community on the most convenient policies pertaining to insurance of their business that can suit their purposes hereby attracting more customers.*

12. Highlight five circumstances under which an insurance company may undertake re-insurance

- *When value of property is great and risk too high*
- *To spread the risk*
- *If it is the government policy*
- *When the number of risks covered are many*
- *When chances of risk occurring are high*

13. **Explain five benefits that could be enjoyed by a person who decides to take out an endowment**
    - *Policy holder can use the policy as collateral security to obtain loans or credit.*
    - *Policy holder partakes/shares in the profit of the company by earning bonuses/interests*
    - *Incase of death before maturity the beneficiaries of policy holder are entitled to profits/bonus/sum assured.*
    - *The policy holder enjoys the sum assured if he is alive by maturity date.*
    - *Policy holder is entitled to a surrender value where contract is terminated by the assured.*
    - *It can be used by the policy holder as a form of savings for future investment.*
    - *The policy holder is able to decide on the duration/time frame/maturity date thus enable to fit it in his future financial plans.*

14. **Lopez who recently completed building a house has insured it against the risk of fire. Explain five circumstances that may prevent her from being compensated in the event of loss occurring**
    - *When the insured had no Insurable interest in the property destroyed as she would not suffer financial loss.*
    - *When she did not disclose all the relevant facts of taking the policy.*
    - *If the policy was not in force at natural disaster as the risks are not insurable eg earthquakes*
    - *When the property is destroyed by natural disaster as risk are not insurable*
    - *When the loss occurred due to willful action of the insured.*
    - *When the insurance company is insolvent hence unable to meet its financial obligations.*
    - *When Lopez follows improper procedures when claiming compensation*
    - *When she failed to claim compensation within stipulated time.*

15. **Highlight 4 factors that make a risk valid for insurance**
    - *Parties involved must have legal capacity(round mind, not bankrupt and 18 years or above)*
    - *Insured and insurer must accept the terms and conditions of the contract.*
    - *There must be payment(premium) and a consideration(compensation)*
    - *The business must be for a legal purpose(not prohibited by law)*

16. **Highlight four features of insurable risks**
    - *Risks must be accidental*
    - *The risk must lead to a loss that is measurable in monetary terms*
    - *The insured must have insurable interest*
    - *There has to be large number of similar risks*
    - *The value of the insured item should be easily determined.*

- *Possibility of the risk taking place must not be near certainty.*

17. List four types of life Assurance policies

- *Term assurance*
- *Annuities*
- *Statutory (NSSF, NHIF, WCPS)*
- *Wholelife*
- *Endowment*

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

– the loss may affect many people at a go
– the value of the loss may not easily be determined
– the loss is unpredictable
– there might be very few people willing to be involved to form a pool
– it may not be easy to determine premiums to be paid
– the possibility of the risk occurring is certain

18. Highlight 4 factors that determine the amount of premiums in life assurance

- *Age of assured*
- *Occupation of the assured*
- *Residence of the assured*
- *Health status of the assured*
- *The amount of sum assured*
- *The length of the insurance contract.*

19. Juma wholesalers owned a motor vehicle valued at Kshs. 2,000,000 which they comprehensively insured for Kshs. 1,600,000. The vehicle was involved in an accident and written off. Determine the amount of money Juma wholesalers should expect to get from their insurer

Compensation = sum assured/insured premium x loss
Actual value

1,600,000 x 1,600,000 = 1,600,00
2,000,00

20. Explain five characteristics of property insurance. (10 marks)

- *Premium charged ids dependent on the degree of risk/number of risks/value of*

property- higher premium will be paid for risks of high degree/number/value and vice versa.

- *It is a contract of indemnity –the owners of the insured property is compensated/restored for the loss of the property upon occurrence of the risk.*
- *It is a short term contract – The insurance contract ends after a specific period of time usually one year/must be renewed for the policy to continue being in force.*
- *Policy cannot be assigned to the next of kin to another individual- the owner of the policy can not transfer it in case of sale/change of ownership of property.*
- *It has no surrender value- should the insured terminate the policy before the contract expires, he/she is not entitled to any refund from the insurer.*
- *There must be an insurable interest in the property to be insured. The insured must be in a position to suffer financial loss in the event of the risk covered happening in order to claim compensation.*

21. Explain the procedure followed when making an insurance claim

- ***Notifying the insurer*** *– immediately the risk insured against occurs the insured should notify the insurer.*
- ***Filling a claim form*** *– after notification the insurer issues the insured with an official claim form to be filled. Details related to the occurrence of the risk are given.*
- ***Investigation of the claim*** *- On receiving the filled claim form the insurer launches an investigation concerning the cause of occurrence of the risk*
- ***Preparation of the assessment report*** *– Once it is established that the claim is valid, insurance company uses assessors to prepare a report concerning the extend of the loss suffered.*
- ***Payment of the claim*** *– on receiving the report the insurance company makes arrangements to pay the insured.*

22. Discuss any five types of marine insurance policies taken by a ship

- *Marine hull policy – This policy covers the ship against loss or damage as a result of risks at the sea. Risks include storms, fire, collision*
- *Marine cargo policy – The policy covers cargo against loss or damage while being transported by the ship.*
- *Port policy - This policy covers a specified peril when the ship is either being loaded offloaded or serviced.*
- *Voyage policy - covers the ship or cargo on a particular journey eg ship transporting cargo from the port of Mombasa to Dar es salaam*
- *Time policy – covers losses arising within a specified period of time. It usually covers the ship itself.*

- *Mixed policy – This covers ships against losses while on a specified voyage and specified time.*
- *Fleet policy – covers a fleet of ships against losses under one policy. This may be the case especially where there are many ships belonging to the same organization.*
- *Composite policy – Applies where several insurance companies have insured a particular ship against the same risk.*

23. Explain five factors considered by the insurer when determining premiums to be charged on a policy

- *Health of the person*
- *Frequency of occurrence of risks*
- *Extend of previous losses*
- *Residence of the insured*
- *Occupation of the insured*
- *Value of the property insured*
- *Age of the person or the property in question*
- *Period to be covered by the policy*

24. Discuss the characteristics of General insurance

- *The policy cannot be assigned to anybody else*
- *The policy has no surrender value*
- *The policy is a contract of indemnity*
- *It is normally a short term contract that requires periodical renewal*
- *Requires the insured to have insurable interest in the property being insured*
- *Premiums charged depend on the value of the property and the degree of the risk.*

25. Outline five differences between life assurance and property insurance

Life Assurance	Property insurance
a)Risks are bound to happen	*Risks may or may not occur*
b)May be used as a security	*Not used as a security for loan*
c)Value of the policy appreciates and sum assured paid at maturity date	*Sum insured remains constatnt*
d)The insured may insure same risk with different companies	*The insured is normally required to insure a risk with one company*
e)Not subject to the principles of indemnity,subrogation and contribution	*Subjected to all insurance principles*

f)No limit or amount spelt out on a cover	*Covers value depends on the value of the property*
g)Claim guaranteed	*May or may not result in a claim*

26. Explain differences between whole-life policy and endowment policies

Whole-life	Endowment policy
Compensation is after death of assured	*Compensation is after expiry of agreed period*
Premiums are paid through out the life	*Premiums paid only during the agreed period*
Benefits go to the dependants	*The assured benefits unless death preceeds expiry of the agreed period*
Aims at financial security of the dependants	*Aims at financial security of the assured and dependants*

27. Explain any five circumstances under which an insurer may not compensate the insured after the occurrence of the risk.

- *When the loss is reported after 14 days from the time of occurrence.*
- *When the loss is catastrophic/bestalts a large number at the same time*
- *When the loss is self caused/intentional.*
- *Where there is no close relationship between the risk insured and the cause of the loss.*
- *When the insured had stopped paying premiums.*
- *When the insured did not follow the right procedures for claiming.*
- *When the insured had no insurable interest in the property insured.*
- *When the insured did not disclose or obey the principle of utmost good faith.*

28. Explain 5 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. Incase 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 incase 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
- Uncertainity - 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

PRODUCT PROMOTION.

1. **Outline 4 unethical practices that are associated with product promotion**
   - *Give false information about a product*
   - *Not disclosing side effects of a product*
   - *Overpricing of goods*
   - *Cheating on ingredients of goods*
   - *Advertising with negative effects on the environment*
   - *Promoting genuine products but sell counterfeits*

2. **State 4 services offered by advertising agencies in product promotion**
   - *They help organizations in designing their trade marks, logos and advertising materials.*
   - *They book space and airtime for their customers in various media.*
   - *They offer advisory services to their clients on selling techniques*
   - *They advertise on behalf of their clients.*
   - *They choose on behalf of their clients the appropriate media to be used.*

3. **State 4 recent trends in product promotion**
   - *Use of internet in advertising*
   - *Many f.m. radio stations being used*
   - *Use of advertising agencies to market products.*
   - *Use of road shows and convoys*
   - *Intensification of personal selling*
   - *Use of mobile phones (sms)*

4. **State 4 objectives of institutional advertisement**
   - *Promotes the name of the institution*
   - *To counter stiff competition*
   - *To open up new market territories*
   - *To create awareness of the institution*

- **State any 4 current trends in production promotion.**
  - *Use of electronic bill boards.*
  - *HIV / AIDS awareness*
  - *Catering for the right of the needy.*
  - *Digital advertising screens.*
  - *Use of websites.*
  - *Road shows and convoys.*
  - *Catering for the right of the youth.*
  - *Gender sensitivity awareness*

5. **Outline 4 benefits that consumers derive from advertising**
   - *It creates awareness of the product and existence of product*
   - *It cautions the consumers about the possible side effects*
   - *It also educates the consumers on how to use the products.*
   - *Provides entertainment for consumers*
   - *Gives information about the prices of the product.*
   - *Consumers get information about a variety of goods.*
   - *Helps consumers to make a good choice*

6. **Highlight 4 reasons why businesses still use radios to promote their products inspite of other highly advanced media**
   - *Wider geographical cover*
   - *Serves both the literate and illiterate members of the society.*
   - *Different radio channels are able to cast in different languages*
   - *Blind can get the message*
   - *Able to reach many people at the same time*
   - *Radio is accessible even in the remote areas*
   - *Allows repetition of message*
   - *Affordable /cheaper to advertise.*

7. **What are the advantages of personal selling as a method of sales promotion**
   - *Creates good relationship between customers and sellers*
   - *The seller has a chance to explain finer details of the product*
   - *The seller can collect information regarding the demand of the product.*
   - *Seller can persuade the customer to buy the product.*
   - *The buyer is able to make informed decisions*
   - *It takes care of both the literate and illiterates*
   - *The salesperson can demonstrate the operations and use of the product*
   - *It gives buyer an opportunity to negotiate the terms of purchase.*

8. **State 4 circumstances under which a producer of a product may use personal selling method to promote a product**
   - *When launching a new product*
   - *When the product is tailored to meet customers specifications*
   - *Where the market is concentrated in one area*
   - *Where demonstrations is required*
   - *When the value of the product is high*
   - *When the business can afford to finance the sales force.*

9. **Outline 4 differences between free samples and gifts**

Free Samples	Gifts

Similar to the product being promoted	*Not necessarily related to the product*
Given before the product is bought	*Given after buying the product*
Given for trial purposes	*Creates brandy loyalty/retains the customers*
Induces potential customers to make a purchase	*Makes the customers to buy goods in large quantities*

10. **Give 4 circumstances under which a manufacturer would use informative advertising**
    - *When launching a new product*
    - *When there are changes in price*
    - *When there are new uses of the product*
    - *To inform about features of a product.*
    - *To inform on where to find the product.*

11. **State 4 circumstances under which one would choose to advertise a product through television**
    - *Wide coverage – reaches both literate and illiterate*
    - *Audio-visual enables customers to see, hear – the advertisement appeals.*
    - *Educates potential customers on usage of the product*
    - *Possible to illustrate the basic features of a product and its usage.*
    - *Hard to ignore since it is entertaining.*

12. **State 4 disadvantages of after sales services as a method of product promotion**
    - *It is an extra expense to the trader*
    - *Installation, maintenance and repairs may require specialists who are expensive to hire.*
    - *The customer is tied to one trader for maintenance and repair*
    - *It may encourage carelessness when handling the items which results to losses*
    - *There is wastage of time and money if the buyer and the trader are geographically far apart*

13. **List 4 disadvantages of advertisements to the consumer**
    - *Increase in prices of products*
    - *Leads to impulse buying*
    - *Erodes culture*
    - *Encourages consumption of harmful products*

- *Doesn't inform consumers of side effects*
- *Leads to consumption of low quality goods.*

14. Outline 4 features of a well prepared advertisement

- *Legal*
- *Decent*
- *Honest*
- *Truthful*
- *Must not cause grave/widespread offence.*

15. Highlight five benefits accruing to a seller who uses the personal selling method to promote her products

- *Personal selling gives the seller an opportunity to demonstrate the products that they are selling.*
- *She can get an immediate feedback and act on it.*
- *Sales persons can offer more elaborate explanations about the product.*
- *Seller will be able to get orders directly from customers.*
- *Personal selling compliments other promotional activities.*
- *Sellers can get an opportunity to convince the buyer hence make a sale.*
- *Seller has an opportunity to observe the reaction of customer to the product*
- *Improves the relationship between seller and buyer.*
- *Enables the seller to target the specific groups in question.*

16. Advertising in newspaper is one of the popular ways of promoting sale of goods in Kenya. Highlight five limitations of advertising goods in a newspaper.

- *Advert is limited to those who are literate only.*
- *Demonstrations may not be possible.*
- *Advertising can be expensive to the user.*
- *Readers may ignore the advertisement*
- *Some advertisements may not be appealing as they are not coloured.*
- *Readers interested in specific areas of the newspaper eg sports and entertainment may outlook the advertisement .*
- *Newspapers are not affordable to many people and therefore the advert will only reach people who can afford to buy.*
- *Advert does not last long since newspapers have short lifespan/ are disposed off very fast.*

17. Highlight five ethical issues that should be practiced in a business

- *Ensure no discrimination in business in areas such as promotion, training, salaries and assignment of duties.*
- *Ensure protection of the environment to avoid pollution and degradation*

of the environment.

- *Ensures rights of employees are uphold especially in terms and conditions of employment/welfare.*
- *Avoid consumer exploitation through practices such as overcharging them, false advertisement.*
- *Eliminates use of unfair means of achieving business objectives such giving or receiving a bribe /hoarding goods awaiting their prices to rise.*

18. **Explain five advantages of after sales services to a business using it as a method of product promotion.**
    - *It is a source of additional revenue to the firm.*
    - *Customers are assured of longer services from the product due to repairs and maintenance*
    - *Customers are offered assistance especially when dealing with technical or sophistication.*
    - *Improves the image of the business by creating good reputation.*
    - *firms establish contact with their customers hence can get feedback.*

19. **An international company is planning to launch its product in the local market. Highlight the factors that should be considered by the company when choosing the appropriate media through which to advertise the product**
    - ***Cost*** *– A business firm should go for the cheaper method.*
    - ***Nature of the product*** *– Some products are better promoted through some methods than others eg those requiring demonstrations will be best promoted through personal selling.*
    - ***Target group*** *– The firm should choose a method that only target group to avoid wastage.*
    - ***The law*** *– A firm should choose only those methods allowed by the law of the land.*
    - ***Objectives of the promotion of firm*** *– The method chosen help the firm to achieve the set goals for the product promotion eg to correct a dented image of a product it will be wise to use public relations method.*
    - ***Methods used by competing business*** *– A firm should choose a method of product promotion that will make it compete favourable with other firm.*
    - ***Availability of resources*** *– Firms should use the physical and human resources that are available in order to implement the promotion mix eg to use sales persons, the firm must have enough resourced persons and finance.*

20. **Outline five circumstances under which a business person may choose a radio as a means of advertising his/her promotion**
    - *Where he/she wants to use different languages to reach different people.*

- *When she/he want to choose the time to advertise to reach to a particular group of listeners.*
- *When he/she wants to have a wide coverage to reach many people.*
- *Where one wants to use music or entertainment to advertise in order to attract people.*
- *When he/she wants the advert to be repeated several times to reach times to reach more people.*
- *Where he/she wants the advert to reach the blind as it requires listening only.*
- *Where both literate and illiterate people need to be reached by the advertisement.*

21. Explain five benefits that safaricom company will get by promoting its products by arranging a price winning competition through the media as a way of sales promotion

- *It stimulates the demand for the product thus increasing sales.*
- *It can be used to open up or enter new market hence more sales.*
- *It will make the product to compete effectively in the market because of the awareness to the people.*
- *It will inform the users about the price of the product hence more demand.*
- *It will create or maintain good company image or reputation hence more demand for the product.*
- *Many customers will buy the product hoping to wine the price hence more sales.*
- *The company will retain the market for the product since the users are reminded of the continued existence of the product in the market.*

22. Explain five sales promotional methods which may be used by traders to increase the sales volume of their products

- *Advertising goods to create awareness/convince customers.*
- *Branding goods to create customers loyalty give variety.*
- *Price reduction/discount hence reducing customers expenditure.*
- *Free gifts hence customers get extra goods.*
- *Selling quality goods which will satisfy customers needs*
- *Organizing trade fairs and exhibitions to display products to customers.*
- *Credit facilities hence customers will pay later.*
- *After sales services- providing free services after goods have been bought.*

23. Billboards are becoming a popular method of product promotion. Explain five limitations of this method

- *They can be easily vandalized*

- *They are expensive to install and maintain*
- *They do not target a particular group of consumers*
- *They can be destroyed by weather because they are exposed to elements of nature e.g. rain.*
- *They can cause obstruction to motorists if not well erected.*
- *Local authorities usually impose high charges.*
- *They are not convenient to people with visual impairment*

24. Explain five benefits of using social media in promoting a product. (10 marks)

- *Increased brand Awareness- Increase brand recognition since you will be engaging with a broad audience of consumers.*
- *Better customer satisfactions. Trade will be able to see the comments from the customer which he/she can use to improve the product.*
- *Improve the brand loyalty*
- *Saves on the cost of sending, receiving and storing information.*
- *Help to reduce paper work since transactions are done online*
- *Large and small businesses can transact business through the social media without discrimination*
- *Fast way of doing business*

DEMAND AND SUPPLY.

1.Indicate by writing a demand or supply whether each of the following factors influence demand or supply of a commodity.

(5 marks)

a) Changes in the prices of inputs - Supply

b) Change in tastes and preferences. - Demand

c) Changes in technology - Supply

d) Changes in outcomes - Demand

e) Changes on the price of other related products. - Demand

2. State the law relating to each of the following.

Demand

it states that the demand will be high when the prices are low

Supply

It states that the supply will be high when the demands are high

Demand and supply

It states that the demand and supply will be at equilibrium of the supply and demand curve meet.

3.In each of the following cases, indicate whether the supply will increase, decrease or remain constant.

a) If the demand for coffee rises, the supply of tea is likely to ....fails.....

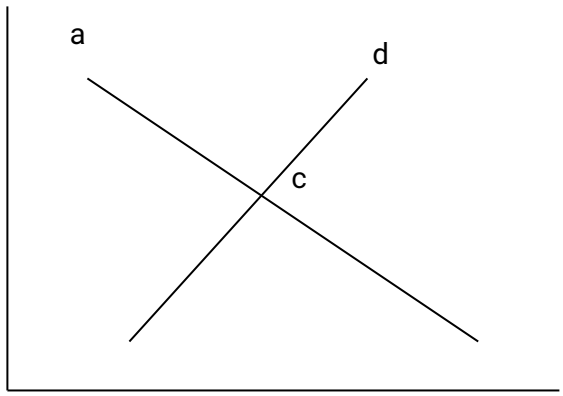
b) If the prices of cars fall, the supply of petrol as likely to .....fails.....

c) if the demand for beef increases the supply of wool is likely to .....decreases.....

4. State four factors that may cause an increase in the supply of a product. (4 marks)

- *Reduced taxation of production*
- *Favorable weather conditions*
- *Reduced costs of production*
- *Increased price of product.*
- *Increase in demand*
- *Increase in production*
- *Specialization*
- *Government policy*
- *Future expectations.*

7. The following diagram represents demand and supply of a product.
(5 marks)



a) Label the lines (a) and (b)

a) Demand curve

b) Supply curve

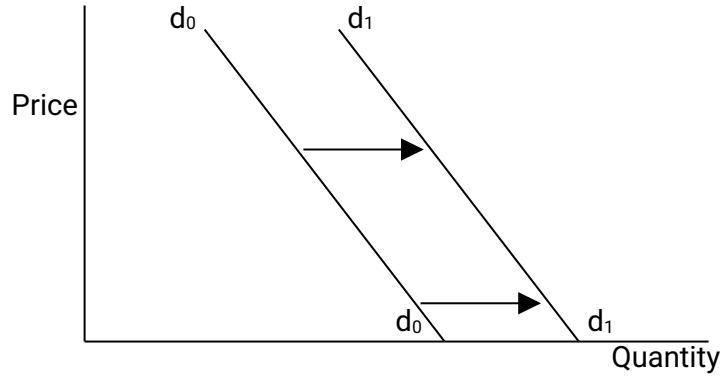
- Point C is the point of equilibrium supply (quantity) and price.

-Equilibrium price (PE) and equilibrium quantity (EQ)

8.State four factors that may lead to an increase in market supply of a product.
(4 marks)

- *Increase in the price of the product*
- *Fail in the cost of production*
- *Availability of cheap credit*
- *Government policy.*
- *Decrease in prices*
- *When the demand is high*
- *Future expected fall in price*

9. The diagram below shows a shift in demand curve from d0d0 to d1d1.



Identify four factors that have made the demand curve to shift from d_0d_0 to d_1d_1

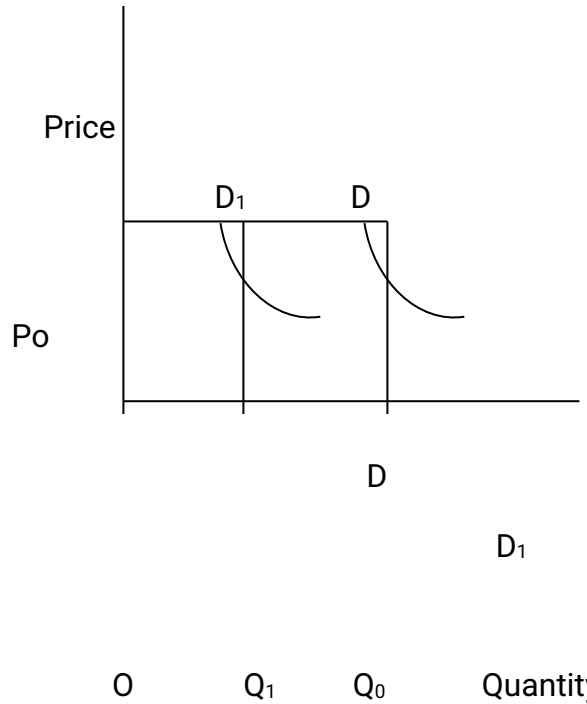
- *Future expectation in the increase of price*
- *Increase in price of complementary goods*
- *Increase in population*
- *Positive taste towards the product*

10. Explain five factors that could affect the quantities of cabbages supplied in a market (10 marks)

- ***Technology****- modern methods may increase the production of cabbages/ poor methods may decrease the production of cabbage.*
- ***Price of cabbages****- The higher the price more is supplied. Supplied, the lower theprice the lower is supplied.*
- ***Government policy****- favourable, unfavourable policies-favourable policies mayincreases the supply of cabbages/unfavourable government policies may decrease he the supply of related product decreases the supply of cabbages*
- ***Price of other/related commodities/related commodities affect the supply****-if prices of related products increases the supply of cabbages may decrease/ if prices of related product decreases the supply of cabbage may increase.*
- ***Natural factors/seasonal/climatic****-favourable factors lead to increase in supply of cabbages/unfavourable natural/seasonal/climatic factors may lead to decrease in supply of cabbage.*
- ***Skills/training of farmers****-Batter skills/training leads to increase in supply of cabbage/poor/ skills/ training leads to low supply of cabbages*
- ***Cost of production****-High cost of production leads to a decrease in supply of cabbages/low costs leads to increase in supply of cabbages.*
- ***Expected future changes in price of cabbages****-Expected future increase in demand leads to increase in supply of cabbages/expected future decrease leads to decrease in supply of cabbages.*
- ***Availability of inputs for cabbage production****- if inputs are available more may be supplied/ if available less will be supplied.*

- ***Decisions of cabbage producers****- in case of decision to produce more than there will be increase in supply/ in case of decision to produce less there will be a decrease/supply of cabbages*

11. The figure below shows a decrease in demand for a commodity from DD to D_1D_1



State four possible causes that have led to this situation

- *Rise in price of complementaries.*
- *A fall in household income.*
- *Fall in the price of substitutes.*
- *Expected fall in the price of the product.*
- *Negative tastes/preferences/fashion.*
- *Decrease in population.*
- *Unfavorable terms of payment.*
- *Unfavourable government policy (for example:- a ban on commondity).*
- *Unfaovourable seasonal changes.*

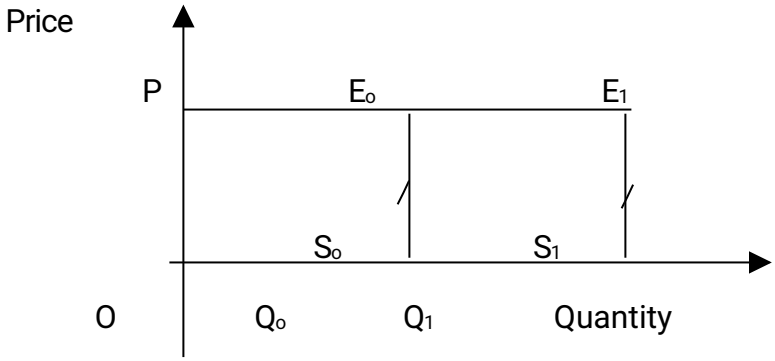
12. Write the type of demand represented by each of the following statements

(i) Demand for a commodity causes an increase in demand for another commodity - Derived demand

(ii) Demand for one commodity calls for demand of another commodity- Joint

demand/complimentary

18. The figure below shows a shift in the supply curve of a given commodity.



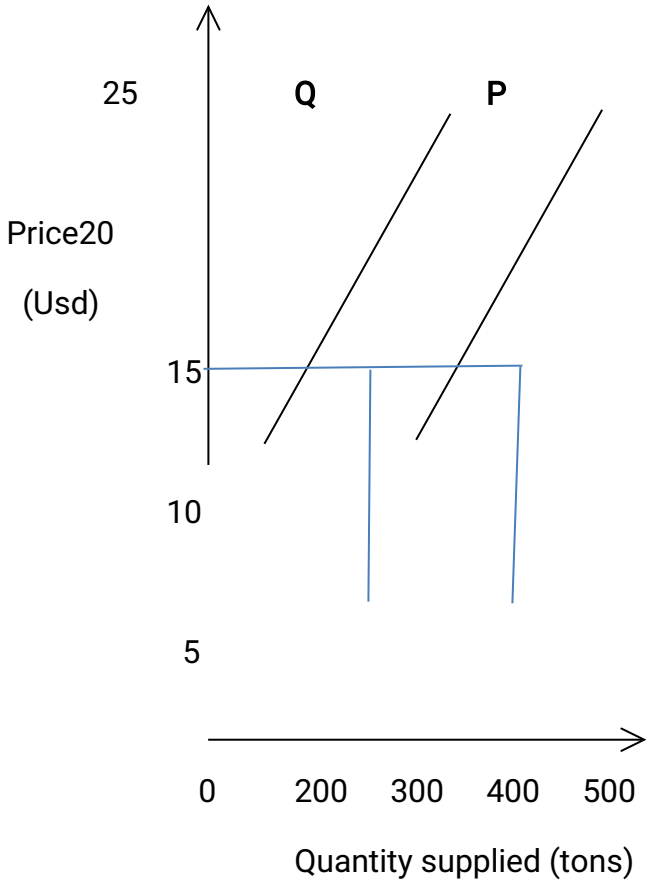
Outline four factors that may have caused the shift in the supply curve from So to S_r

- *A fall in the cost of production*
- *Fall in price of produced goods*
- *Technological progress*
- *Conducive natural factors e.g. good weather season*
- *Government policies e.g. reduced tax and increased subsides*
- *Future expectation of a fall in price*
- *Entry of new forms in the industry*
- *Increase in factor of production*
- *Longer time*
- *Less strikes*
- *Increase in price of jointly supplied goods e.g. beef and hides*

19. Zawadi operates a hardware business in her home town. Outline four methods she may use to determine prices for her goods other than the forces of demand of and supply.

- *Bargaining/Haggling*
- *Abiding by government policy*
- *Tendering-offers are invited to quote for a price. Goods are sold to buyers with the quotation that best meets Zawadi's expectations*
- *Bidders make offers for goods and the bidder with the highest offer takes the goods (sale by auction)*
- *Retail price maintenance-sell goods according to the dictates of the producer.*
- *Price discrimination*

20. The diagram below shows supply curves of two producers of maize in different countries. Highlight five reasons why producer P suppliers more maize than producer Q at the same price. (10marks)



- *Favorable climate in country P than country Q*
- *Use of modern technology in country P than Q*
- *More access to subsidies in country P than Q*
- *Availability of factors of production in country P than Q*
- *There might be peace and tranquility in country P than Q*
- *Improved infrastructure in country P than Q*
- *Lower cost of production in country P than Q*

Explain 5 factors that may negatively affect the demand for a product in the market

– 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.

SIZE AND LOCATION OF A FIRM.

1. Highlight four advantages of large – scale business organization. (4 marks)

- *Obtains discount because of bulk buying*
- *Able to advertise*
- *Incurs low costs of production*
- *Offers better management because of specialization*
- *Allows diversification in order to reduce risks*
- *Able to cater for staff welfare*
- *Large output due to many channels*

2. State disadvantages of concentrating industries in one area within a country. (4 marks)

- *Leads to congestion*
- *Cause pollution*
- *Increase social evils*
- *Leads to widespread unemployment*
- *Can lead to economic depression during times of war, calamities*

3.Highlight four circumstances under which a firm would be located near the market for its product. *(4 marks)*

- *Where the firm is producing perishable products*
- *Where the firm is producing fragile products*
- *Where the raw materials are cheaper to transport than final products.*
- *Where the market for the produce is concentrated in the area.*

4. Outline four ways in which land influences the location of industries. (4 marks)

- *Cost of land*
- *Availability of room for expansion*
- *Government policy on land utilization*
- *The nature of the land*
- *Proximity, auxiliary services*
- *Convenience*
- *Get exact value of his money*
- *Receive genuine goods directly from manufacturer*
- *Cheap*

5. Outline five benefits that country would get by encouraging businessmen to locate new industries in rural areas. (10 marks)

- *The country will achieve balanced economic development*

- *Creation of job opportunities in all regions of the country*
- *Reducing rural / urban migration*
- *Technology transfer to rural areas*
- *Location of industries in rural will lead to infrastructural development.*
- *May lead to establishment of subsidiary*
- *May lead to expanded utilization of resources*
- *May lead to even distribution of social amenities*
- *May achieve a more even distribution of income between regions.*

6.State four circumstances under which a firm would be located near the market for its products. (4 marks)

- *Get services for 24 hours*
- *Require fast service*
- *Convenience / Next To A Person*
- *Receive genuine / first class goods directly from manufacturer*
- *Cheap/doesn't require labour.*

7. State four advantages of locating a firm near the source of raw materials. (4 marks)

- *Reduce transport cost*
- *Get quality raw materials*
- *Enhance continuous production*
- *Avoid wastage of raw materials*
- *Reduce its cost of production.*

State four external diseconomies of scale that a firm may get (4mks)

- *Scramble for raw materials*
- *Unavailability of land for expansion*
- *Scramble for available labour*
- *Competition for available market*
- *Easy target especially in time of war*

8 .Identify four problems that tend to limit the growth of small–scale retail business in rural Kenya. (4 marks)

- *Lack of capital*
- *Competition techniques*
- *Lack of market*
- *Expensive*
- *Poor management*
- *Poor infrastructure*
- *Lack of commercial services.*

9.Discuss the factors that have led to the survival of small scale retailers despite competition from supermarkets. (10 marks)

- *Personalized services: small scale retailers provide personalized services and are therefore able to attract and retain customers which are not offered by supermarkets.*
- *accessibility of small scale retailers / convenience of locating small scale retailers are conveniently in urban centres.*
- *Credit facilities small scale retailers offer credit facilities to someof their customers which are not available to specific customer needs.*
- *Adaptation to specific customer needs small scale retailers easily adapt to the specific client.*
- *They can sell goods in small units than the supermarkets.*
- *Running costs of small scale retailers are little and this makes it easier for them to survive unlike small markets which require huge capital to operate.*
- *Management: Small scale businesses the risks involved are low while in supermarkets are great.*
- *Starting/ initial capital starting small scale retailers a suitable for people form of low income.*
- *Flexibility- it is easier for small scale retailers to change from one form of business to another location than it is for supermarkets.*

10.Discuss the economic benefits to a community that may result from the concentration of industries in an area. (10 marks)

- *Employment is generated for the benefit of the members of the community.*
- *Members if the community tends to be willing to learn skills required by the industries.*
- *Leads to emergence of auxiliary service industry i.e. back insurance*
- *Improve standards of living are likely to be experienced in the area due to rise of income.*
- *Infrastructure is likely to arise to serve the community*
- *Industries dealing in by products are likely to arise and the community would use there by – products*
- *Leads to development of complementary industries / auxiliary industry*
- *Leads to establishment of improved social services*
- *Leads to introduction of modern technology which the community can utilize.*
- *Provides wide market for the local produced goods*
- *May lead to exploitation of local resources which would otherwise be idle.*

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

- *Provide business incentives*
- *Provide credit facilities to investors*

- *Provide land act reasonable cost*
- *Transport*
- *Communication*
- *Health cases.*

12. Outline four advantages of large business organizations. (4 marks)

- *able to get discounts due to bulk purchases*
- *Able to establish its own retail outlet to promote its products*
- *Can afford to hire qualified manpower and hire machines*
- *Could enjoy low cost of production due to spreading of costs over large Outputs*
- *Able to spread risks*
- *Easier to raise capital*

13.State four disadvantages of locating a business away from other related business. (4 marks)

- *Difficult to acquire relevant labour*
- *Difficult to exchange ideas*
- *Difficult to get raw materials*
- *Lack of competition lead to low quality*
- *Difficult to get market*
- *Difficult in exchanging technology.*

14. State four disadvantages of delocalization of industries to a country. (4 marks)

- *Government subsidy and incentive reduce*
- *Difficult to attract professionals.*
- *Security*
- *Government may have to raise taxes on other areas to cover the*
- *short fail and thus burden the public.*
- *Specialized service may not be land required that when firms are*
- *concentrated in one place.*

15..Explain five circumstances that may influence a firm to locate its operations near the source of raw materials. (10 marks)

- *Where the raw materials are bulky*
- *Handling costs of raw materials as the movement to the firm will be minimal.*
- *Where raw materials are highly perishable*
- *Where the competition of raw materials is high to ensure access*
- *Where the government policy requires / gives incentives that industry set up near sources of raw materials.*
- *Product of the market is concentrated near the source of raw materials.*

16. State four factors which influence the location of business enterprises. (4 marks)

- *Availability of market*
- *Availability of water and power*
- *Security*
- *Communication*
- *Cost of land*
- *Government policy.*

17.Explain five measures that a government may take to encourage establishment of industries in rural areas. (10 marks)

- *Improve transport system to facilitate easy movement of goods and people though industries.*
- *Tax reduction: industries in rural areas from paying certain taxes to reduce the cost ofproduction, enabling them to sell more competitive prices.*
- *Facilitate access to cheap credit for industries in rural areas/provision of loans at low interest avail finance at affordable rates.*
- *Provide land for putting up industries in rural areas at reduced rates.*
- *Provide training/ educational facilities in rural areas foe development of labour.*
- *Subsidizing the cost of production of the industries in the rural areas by melting point of the cost of production.*
- *Provide power for running the industries*
- *Provide communication services to enable industries*
- *Provide water for running the industry*
- *Provide social amenities of those working in the industry*
- *Provide security to safeguard property for investors*
- *Setting up service industry to serve the other industries of banks insurance etc.*
- *Reducing license fees thus reducing the cost of establishing.*

18. Give five benefits of expanding a business (5 marks)

- *Provide cheap labour*
- *Provide efficient communication*
- *Reduce the rate of taxation*
- *Give subsidies*

19.Highlight five advantages of having a business enterprises located in an area.(10 mks)

- *Labour: When industries are closely located, a pool of labour both skilled and unskilled is availed.*
- *Market: The industries attract large population that offer market for the products produced in the industry.*
- *Infrastructure: roads, railway usually develops in the area with concentrated industries.*
- *Communication: by locating of industries in one area leads to development of telephone*

among others.

- *Security: when industries are closely related, these are few security problems experienced as compared to the dispersed industries.*

20.Explain five ways in which large scale organization are able to reduce their costs of production. (10 marks)

- *Large quantities They buy in bulk, hence they get a good quantity discount, hence reduce their purchase expenses*
- *Transport costs They buy in bulk, hence they transport they goods at once, which reduces on transport costs.*
- *Skilled manpower They are able to employ skilled personnel, who provides quality management reduce on losses, and hence maximize profits*
- *Use of machinery. They are able to afford machinery which in turn reduce on labour costs, hence reducing production costs Research*
- *They are able to carry out research, hence producing quality products and with the least wastage, hence reducing on production cost.*

21.Give four benefits of operating a small scale business over a large scale. (4 marks)

- *easy to raise capital to start the business*
- *The business is highly flexible*
- *Quick decision- making*
- *Requires less legal procedures during formation*
- *Able to keep top business secrets*
- *Does not have too much government control*
- *Exposed to fewer risks due to their small sizes*
- *They are not heavily taxed compared to big companies*

22.What benefits may accrue to manufacturing firm that uses modern technology (4 mks)

- *Increase level of output*
- *Improvement of service delivery*
- *Saving on production time*
- *Standardization of products*
- *Lower production of waste*
- *Reduction of waste*
- *Better quality goods.*

23.State four social responsibilities that a manufacturing firm should have on the community. (4 marks)

- *Participation in community programmers*
- *Applying appropriate waste disposal management*
- *Providing affordable products to the community*
- *Conservation of the environment*
- *Community development*
- *Provision of employment*
- *To engage family members in employmen*
- *Positive cultural practice*
- *Encouragement from family members and friend*
- *Availability of infrastructure*
- *Availability of market*
- *Hobbies interests and talents*
- *Modern technology*

24. Highlight four factors that a firm may consider when deciding on the goods to produce. (4 marks)

- *Expected demand –where demand is low, a firm will only produce a few goods or not produce at all*
- *Availability of capital resources –this would help decide on the level of production*
- *Time period-the firm must consider whether short or long term production is required*
- *Availability of labour-labour supply of the relevant skills would be required*
- *Cost of production-the firm must consider direct and indirect cost*
- *Government policy-the firm must abide by the rules and regulations of the country.*
- *Availability of raw materials/factors of production*
- *Level of competition*
- *Profitability*
- *Effect of goods on the environment*
- *Seasonality in production*
- *Social/cultural factors*
- *Price of the goods*
- *Level of technology*

25. Outline four criteria of determining size of a firm

- *Number of employees*
- *Amount of capital invested*
- *Floor area covered by the premises*
- *Size of the market served*
- *Methods of production used.*

26. Highlight four circumstances under which an entrepreneur may establish his

business where other businesses already existed

- *So as to benefit from already available improved infrastructure*
- *So as to benefit from supportive services such as banking*
- *So as to benefit from joint research with other businesses*
- *So as to benefit from already available market*
- *So as to benefit from the joint disposal of waste products with other firms*

27. Enumerate four benefits that a country would get as aresult of locating firms away from each other

- *Balanced regional development will be realised*
- *Rural-urban migration controlled*
- *Creation of employment opportunities*
- *Reduction of risk of wars*
- *Promotion of exploitation of resources*

28. Outline 4 reasons why a firm may remain small

- *If the firm is serving small market*
- *Small firms are easier to manage*
- *For quick decision making*
- *Desire to avoid diseconomies of scale*
- *Small firms are highly flexible*

29. State 4 reasons why a firm should carry out market research before releasing its products to the market

- *It eliminates wasteful advertising*
- *Help to improve the quality of a given product*
- *A firm is able to come up with new products as per the demand*
- *A firm is able to reduce the cost of production eg packaging costs*
- *A firm is able to identify new market of the product*

30. Explain five benefits that may accrue to a business organization which expands the scale of its operation

- *The firm is able to enjoy marketing econiomies due to large volume of sales*
- *Enjoys financial economies eg easy access to large credit/availability of collateral*
- *Production economies – the firm will access large quantities that attract quantity discount*
- *Spreading risks by diversifying operations*
- *The firm can afford modern machinery*
- *Can provide staff welfare facilities for improved performance*

- *Division of labour different people are assigned different task according to ability*

31. Discuss any five diseconomies of scale that a big firm may experience

- *Managerial diseconomies – Due to expanded operations firms may suffer from inheritance problems*
- *Delay in decision making – due to increased bureaucracy/consultations*
- *High costs of productions-*
- *High costs of inputs- due to exhaustion of the existing ones.*
- *Marketing diseconomies – due to limited size of market*
- *Technological diseconomies – due to the use of outdated absolute technology*

32. Explain five reasons why the government discourages localization of firms

- *Concentration of firms in one region may have a negative impact on the environment of the region.*
- *May lead to regional imbalance in development*
- *Contribute to rural urban migration*
- *Increased population in the localized area may spark off a series of problems such as congestion, increased crime rates*
- *May be risky because if any undesirable thing happens to the region it may destroy the countries economic and industrial base*
- *A fall in demand for products produced by localized firms would result into widespread unemployment in the affected area.*

33. Explain five ways in which the government can use to encourage delocalization of firms. (10 marks)

- *Offering free and cheap land*
- *Reduction of taxes. To reduce cost of productions*
- *Offering subsidies. To reduce cost of productions*
- *Offering direct financial assistance. Should facilitates access to cheap credit for firms to encourage them*
- *Improvement of infrastructure. Roads to ease the movement of goods and people in rural areas, electricity for running the business.*
- *Should enhance security to safeguard the property of investors and create confidence in them.*
- *Providing clean water for industries*

34. Explain the 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

PRODUCT MARKET.

1.Highlight four circumstances under which business enterprises may choose to merge

- *Where persistent decline in profitability exist*
- *Where there is intention to venture into new line*
- *Where there is need to expand capital base*
- *Where there is need to bring on board new skills/competences*
- *Where there is need to share research information*
- *Control wider market/increased sales*
- *Control output*
- *To lower cost of products(e.g raw materials,labour)*
- *To control prices*
- *Easier to borrow*
- *Easier to face emergencies/risks*
- *Where there is too much competition*
- *Need to diversify*

2. Explain five circumstances in which a firm may acquire monopoly power. (10 marks)

- *If the firm has a secretive production technique-This denies other firms the use of thetechnique/production/sale of the product.*
- *If the firm has control over strategic inputs/raw materials- This makes the firm have the sole access to inputs/raw materials used in production of the commodity*
- *If the venture requires large capital/investment of substantial capital other firms may not be able to raise the capital leaving the field to one firm.*
- *If the firm enjoys greater/substantial economies of scale-This enables the firm to produce at a lower cost than other firms thus edging out less efficient firms.*
- *If the firm is set up as a state monopoly/given exclusive rights/legal rights of production of a particular product by the government thus shutting out*
- *competition from competitors.*
- *If firms merge/amalgamate/combine/join together/buys others through absorption/acquisition to become the only firm/supplier/producer/eliminate*

Competition/chops competition.

- *If the market is best served by one firm more economically other firms entering the market may make losses due to low sales hence the firm remain dominant*
- *If the firm has patent rights/copyright/which bars other firms from producing/selling the products.*

3. State 4 features of oligopoly type of market structure

- *Few firms in the market*
- *Price rigidity*
- *There is interdependence in relation to pricing*
- *They experience kinked demand curve*
- *They conduct alot of advertising*
- *Firms are relatively large*

4. Outline 4 features of monopolistic competition

- *Large number of sellers*
- *Perfect knowledge in the market*
- *Free entry and exit into the industry*
- *Firms set their own prices*
- *Firms differentiate their products although serve the same purpose*

State 4 essential features of any market.

- *Presence of the commodities to be sold.*
- *Presence of buyers.*
- *Presence of sellers.*
- *Existence of a generally accepted medium of exchange.*
- *Price at which goods will be bought and sold.*

5. State 4 conditions that are necessary for pure competition

- *Large number of sellers*
- *Large number of buyers*
- *Homogenous products*
- *No transport cost*
- *No government intervention*
- *Free entry into the market*
- *Perfect knowledge of the market*
- *Free exit out of the market*

6. Highlight 4 methods used by a monopolistic firm to differentiate its products

- *Branding*
- *Packaging in different sizes*

- *Pricing*
- *Blending into different colours*
- *Persuasive advertising*
- *Trade marks*

7. Outline 4 sources of monopoly powers

- *Ownership/control of important input in production*
- *Size of the market*
- *Merging of two or more firms*
- *High initial capital layout*
- *Government power*
- *Production rights*

State 4 reasons which may influence a government to implement a policy of delocalization

- *to promote balanced regional development*
- *to redistribute incomes*
- *to ensure better use of resources in different parts of the country*
- *to create employment in different regions of the country*
- *to reduce congestion in urban centres where top many forms are local*

8. State four ways in which the government may influence the price of a commodity

- *Through taxation*
- *Through offering subsidies*
- *Through imposing quotas*
- *Through price controls*

9. Outline five distinquishing differences between oligopoly and perfect competition

Oligopoly	Perfect Competition
i)Sellers are few	i)Sellers are many
ii)The seller sets the price	ii)The seller does not set prices
iii)Heterogenous products	iii) Homogenous products/similar
iv)Barriers to entry and exit	iv)No barriers to entry/exit from the market

v)Price wars exist	v)No price wars/all firms sell at same uniform price
vi)No transport cost are incurred	vi)Transport costs are incurred
vii) Factors of production are mobile	vii)Factors of production are immobile

10. Explain five characteristics of perfectly competitive market

- *There are many sellers and buyers*
- *Free entry and exit of firms in the market*
- *Sell homogenous products*
- *Both sellers and buyers have perfect knowledge of the market*
- *There is free mobility of factors of production*
- *Buyers and sellers are in close contact hence no transport cost*
- *No discrimination of buyers and sellers*
- *No government intervention through pricing*

11. List the 4 essentials of a market

- *Willing buyers and sellers*
- *Commodity to be bought or sold*
- *Acceptable medium of exchange eg money*
- *Market price*

12. State 4 characteristics of a monopoly Market

- *Only one supplier for the entire market*
- *Commodity supplied does not have close substitutes*
- *New firms are not allowed to enter the market*
- *Prices are fixed by the producer or supplier*

13. Highlight any 5 disadvantages of monopolies

- *Consumers are exploited because monopolists charge high prices for their goods and services.*
- *Due to absence of competition, the low quality goods are produced thus consumers are supplied inferior goods.*
- *Consumers lack a wide range of goods to choose from since there is one supplier or producer*
- *When production is reduced some workers are rendered unemployed*
- *Monopolists may overlook some markets which seem less profitable to them and thus consumers are not supplied with goods or services.*
- *Monopolists may cause artificial shortages so as to manipulate prices.*

14) Outline five differences between monopolistic competition and monopoly types of markets.10mks

monopoly	**monopolistic competition**
-markets made up, of one sujpplier /seller *-Firms may earn supernormal profits in the longrun* *-products are heterogeneous /not close substitutes* *-single firms may have control over factors of prod.* *-firm is usually large in size* *-entry into the market is restricted* *price discrimination is possible*	*-market made up of many suppliers* *- firms earn normal profits in the long run* *-products are homogenous /close substitutes* *-No single firm has control over the factors of* *-involved firms usually small in size* *- entry to the market is free* *-price discrimination not possible esp. in long ru*

16. Explain five characteristics of perfect competition market structure

– Large number of buyers / sellers such that action of single buyer / seller cannot affect the market

– Homogeneity / uniformity of the product - products from different producers are identical in all aspects

– Wide knowledge of the market - therefore no single seller /' buyer can affect the business at any price other than the equilibrium price

– Freedom of entry / exit - there are no barriers to entry or exit to or from the market

– Uniformity of buyers and sellers - therefore no benefit of selling or buying from a particular buyer or seller

– No government interference - in form of taxes, subsidies, quotas, price control / price prevailing in the market is determined strictly by interplay of demand and supply

– No excess demand / supply - buyers are able to buy all they want / sellers are able to sell all they supply to the market

– No transport costs as buyers and sellers are located in one area

17. Explain five features of monopoly

– There exists only one single seller of the product

– No close substitute or rival suppliers of the product

– The demand curve steeply slopes from left to right because monopolist cannot have control of both price and output at the
same time

– Price discrimination is possible

– May produce low quality products due to lack of competition

– Prices are fixed by the supplier

– Difficult for other firms (suppliers) to enter the market

18. Explain five differences between monopoly and oligopoly market structures. (10 marks)

Monopoly	*Oligopoly*
i. There is one firm in the industry *ii. There are no price wars hence no competition* *iii. The firm is independent in relation to the output and pricing strategies* *iv. The monopoly is a price maker* *v. Products have no close substitutes.* *vi. The firm faces a downward sloping demand curve*	*i. The market is dominated by few firms* *ii. There is existence of non-price competition.* *iii. There is high level of interdependence in relation to pricing and output.* *iv. The sellers are price takes* *v. The differentiated products are close substitutes of each other.* *vi. The firm faces a kinked demand curve.*

POPULATION AND EMPLOYMENT.

1.List four types of unemployment in an economy and give the cause for each (4 marks)

- *Cyclical employment due to relatively low general demand for goods and service*
- *Structural unemployment due to technological unemployment*
- *Seasonal unemployment-due to relatively low demand for labour at certain times of the year*
- *Frictional unemployment due to time lags i.e time taken in changing jobs*
- *Involuntary unemployment – wanting jobs at prevailing wages and cannot get them.*

2.Outline four negative effects of an ageing population to an economy. (4 marks)

- *Deficiency of an economically active labour/ low labour supply*
- *Increase in welfare costs*
- *Need to import labour that effect the foreign exchange reserves*
- *Dependency ratio increases*
- *Rigidity to change*
- *Fall in old for goods and services required by the youth*
- *Less progressive/ low savings and low investments*

3.Explain five challenges that may be experienced by a country whose population is made up of a large proportion of young people. (10 marks)

- *High rate of unemployment as demand for jobs outstrips the available job opportunities.*
- *Rate of crime/social evils may rise. As the youth remain idle, they are likely to resort to crime and other social evils as they look for means of survival.*
- *Constraints on goods/services associated with young people as demand outstrips supply.*
- *Dependency ratio will rise as economically active population will shoulder a bigger burden.*
- *Reduced savings/investments. Investments will decline as a result of high rate of consumption by young people. This may lead to low development.*
- *Low per capita income. Since the National Income will be spread over a large non-contributing population which may lead to a low standard of living.*
- *Problem of raising government revenue which may force the government to divert resources meant for other sectors to cater for the young.*
- *Low labour supply as many young people may not have attained the working age nor acquired the required skills and experience.*

4.Explain ways in which the government of Kenya can reduce the level of unemployment (10 marks)

- *Diversification of the economy by encouraging the establishing of different industries / sectors to create employments Opportunities.*
- *Transforming agricultural sector / rural sector to curb rural urban migration / accept egs of transformation as a naming (to create more jobs and reduce unemployment)*
- *Transforming education / training sector to improve on skills / (this makes the graduates) acquire relevant skills.*
- *Establishing on employment policy by government to make it easy for people to get jobs / accept egs of government policy as mention.*
- *Lending / setting of a fund to assist unemployed to start income generating activities/ accept egs of funds as a mention*
- *Exporting Labour by assisting unemployed people to acquire jobs abroad / countries with labour deficiency.*
- *Encouraging the informal / Jua Kali sector in order to promote self employment.*
- *Delocalization / decentralization policy for balanced regional development / reduced rural urban irrigation.*
- *Population policy to control growth / have a labour force that the economy can absorb.*
- *To improve infrastructure in order to suitable economic activities / Accept egs of infrastructure as a raring.*
- *Increase government expenditure to expand the size of the economy / to finance development projects*
- *Effective uses of natural resources to increase production activities accept egs of natural resources as a mentor.*
- *Income / wage policy to harmonize / eliminate differences between regions / sectors.*
- *Project local / infant industries against unfair competition.*
- *Attract (Local / foreign) investments through vision incertives / to grow the economy accept eg.s of incentives as explanation.*
- *Receiving collapsed industries / projects by injector, funds I selling them / increased production activities.*

5.Highlight four problems of development planning that a country may experience (4 marks)

- *Inadequate data on economic performance.*
- *Unreliable data / inaccurate data which may not be useful for planning.*
- *Less qualified personnel to cope with the tasks of development planning.*
- *Private sector activities are not easily coordinated.*
- *Political rigidity/ lack of political will.*
- *Inappropriate use of technology.*
- *Inadequate funds / capital / resources.*

6. Highlight four measures that a government may take to reduce the mortality rate in a country. (4 marks)

- *Availability of better healthcare*
- *Food security*
- *Minimizing internal conflicts and wars.*
- *Improving environmental Sanitation.*
- *Sensitization on public e.g on personal hygiene, education vaccination HIV Aids.*
- *Disaster preparedness e.g floods, fires, collapsing buildings*
- *Apply measures to reduce road accidents*
- *Control use of drugs and alcohol*
- *Control crimes*

7. Outline 4 negative implications of rapid population growth in Kenya

- *Increased dependency ratio*
- *Reduction in savings and investments*
- *Leads to unemployment*
- *Exerts pressure on social amenities*
- *May lead to over exploitation of natural resources*
- *Reduced per capita income*

8. State 4 causes of seasonal unemployment in Kenya

- *Decline in the supply of certain raw materials*
- *Temporary employment/contract workers*
- *Economic depression/decline in economic activities*
- *Voluntary resignation due to greener pastures*
- *Interdictions i.e temporary stoppage or termination of employment*

9. State 4 negative implications of a rapidly growing population

- *Strain on the resources due to overpopulation*
- *May lead to unemployment*

- *Low standards of living*
- *Low income per capita*
- *Increase in poverty levels*

10. Give 4 reasons why it is important for a country to know its population structure

- *To determine the life expectancy of the population*
- *To know the size of uneconomically active population*
- *To provide infrastructure*
- *To plan for offering security*
- *To plan for social amenities eg security education*
- *To plan for relevant job creation*
- *To plan for regional development needs*

11. Outline 4 reasons why an ageing population may not be desirable to a country

- *Old people tend to provide less labour force*
- *High dependency ratio*
- *The society becomes less productive*
- *May result to employment due to falling in demand for goods and services required by the youth*

12. Outline 4 measures taken by the Kenyan government to control high rates of unemployment

- *Controlling population growth*
- *Providing relevant education*
- *Using appropriate technology*
- *Exporting labour to other countries*
- *Diversification of economic activities*
- *Maximum utilization of natural resources*
- *Increasing government expenditure on projects that generate more jobs*
- *Encouraging foreign investment*
- *Promoting the informal sector*
- *Controlling inflation*

13. Kenya's population is mainly comprised of the youth compared to ageing people. State 4 benefits of this population

- *There is a large supply of labour*
- *There is a large market/demand for products*
- *There is high productivity*

- *There is chance of high mobility in labour*

14. Outline 4 negative implications of underpopulation on a country

- *Limited labour supply*
- *Limited market*
- *Under utilization of resources*
- *Uneconomical to provide goods and services*
- *Lack of specialization*
- *Reduced phase of economic development*

State four emerging issues in population and employment (4mks)

- *The HIV/Aids pandemic*
- *Population growth and control policies*
- *Family planning campaign to create awareness.*
- *Teenage pregnancies*
- *Provision of free basic health services*
- *Food security issues*
- *Illegal immigration into the country*
- *Emphasis on maternal child health.*
- *Emphasis on certificate of good conduct during recruitment*

16. List four factors that contribute to an increase in the population of a country

- *Improved health facilities*
- *Decrease in mortality rates*
- *Improved standards of living*
- *Improved fertility rate*
- *Migration from other countries*
- *Early marriages*

17. Explain five measures that Kenya may take to control unemployment problem

- *Population control eg family planning*
- *Increased government expenditure thus having many projects set up*
- *Encouraging exploitation of natural resources to increase production activities*
- *Exporting labour to countries with labour deficiency*
- *Diversification of the economy to reduce seasonal unempoyment*
- *Rural development*
- *Encourage foreign investment in the country*
- *Encourage use of labour intensive method in production*
- *Improvement of the infrastructure to stimulate economic activities*
- *Improvement of education systems to make it more appropriate to the employment needs of the economy.*

18. Explain five measures Kenya may take to control her rapidly growing population

- *Adopting family planning*
- *Limiting the number of children per women through legislation*
- *Raising marriage age through legislation to discourage early marriages*
- *Creating awareness among citizens about benefits of small families*
- *Creating education opportunities for women as an alternative to bringing up children*
- *Raising the cost of raising children by raising the cost of childrens needs*

State 4 Causes of unemployment in Kenya.

- *High population growth rate.*
- *Low demand for goods and services which leads to closure of industries.*
- *Minimum wage laws: People cannot be employed at rates below the set minimum as it would be illegal.*
- *Shortage of capital which hinder the establishment and expansion of industries/ lack of factors of production.*
- *Inappropriate education system: The education system does not instill the right skills that can be applied immediately after leaving school.*
- *Choice of production methods: Choice of capital intensive methods where labour is abundant.*
- *Seasonality in production/poor climatic conditions.*
- *Job selection due to poor wages.*
- *Poor government policy on job creation.*
- *Inappropriate land tenure.*

20. Discuss five factors that determine the fertility rate in a country

- *Cultural beliefs concerning family size*
- *Cost of bringing up family*
- *Peace and security*
- *Improved health and education services*
- *Government policy on family size*
- *Age and sex structure of the population*

21. Explain five types of unemployment related to the Kenyan economy. (10marks)

- ***Residual unemployment*** *- This occurs where labor is incapacitated mentally and physically hence unable to work*
- ***Structural/Technical unemployment*** *- This occurs where capital intensive methods of production are used and workers are laid off*

- ***Seasonal unemployment*** *– It occurs due to seasonal changes in demand and production hence labor is not demanded during certain times of seasons e.g. drought, low tourism season etc.*
- ***Hidden /disguised unemployment****- This occurs when the workers are so many than the required number for a given job hence they cannot fully utilize their skill and abilities*
- ***Involuntary /open unemployment*** *– These occurs when people are looking for jobs at existing wages rate / salaries but they can't get them*
- ***Frictional unemployment*** *– These occurs where people lose jobs and they take a lot of time to get new jobs.*
- ***Cyclical unemployment*** *- This is mass unemployment that occurs due to reduction of market products all over the world*
- ***Keynesian unemployment*** *– caused when the economy is operating at a low capacity than normal hence leading to underutilization of resources.*

22. Problems with an ageing population

- *They provide a less mobile labour force- The older a person gets, the less willing they are to move from one place to another or even to change jobs.*
- *Low labour supply- Old people are less productive and thus cannot provide the much needed labour force*
- *High dependency levels- the old will be less productive and therefore will be highly dependent on the few working group who will then be strained while providing for their needs.*
- *The country becomes less progressive because it lacks the input of more energetic youth.*
- *May lead to unemployment- this may be due to the fall in demand for goods and services required by the youth.*

23. Explain five 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.

Explain the following terminologies as 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

Explain 5 measures used to curb rapidly increasing population in Kenya
- Family planning inorder 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

CHAIN OF DISTRIBUTION

1. Outline four benefits that customers get from small – scale retailers. (4 marks)

- *Enjoys credit facilities*
- *Provide variety of goods*
- *Goods are brought closer to customers*
- *They store goods for the consumers.*
- *Consumers can make special order for goods.*
- *Enjoy personal attention from them*
- *Stabilization of prices.*

2. State four activities carried out in the process of distribution (4mks)

- *Handling*
- *Storage*
- *Packing/packaging*
- *Transportation*
- *Grading*
- *Blending*
- *Sorting*
- *Breaking the bulk*

3. State 4 expenses that are incurred in the process of distributing goods

- *Storage costs*
- *Transport costs*
- *Advertising costs*
- *Packing & blending*
- *Insurance costs*
- *Actual purchasing of stock*

4. Outline 4 emerging trends in distribution (4mks)

- *Buyers are able to view goods on the internet*
- *Buyers can make orders on the internet*
- *Buyer are able to transfer payments for goods on the internet*
- *Large scale buyers are tending to buy directly from the manufacturer*
- *Premises are being converted into exhibitions*
- *Hawking has become a norm in most urban centers*
- *Single shops are being converted to self-service mini-supermakets.*

2.Highlight four benefits that accrue to a customer who buys directly from a manufacturer (4 marks)

- *Consumer is likely to get after sales services*
- *Consumer is likely to get technical advice of how to use the goods*
- *Consumer is likely to get the goods at relatively low prices*
- *Manufactures may arrange the fiancé of the consumers.*
- *Consumer is assured that what he is buying is genuine.*

3.Describe five circumstances under which a producer would sell his goods to his consumers (10 marks)

- *Where goods are expensive for middlemen (cannot afford to stock them)*
- *Where goods are of technical nature and the producer may want to have direct*
- *contact with the customer.*
- *Where goods are perishable (and producer wants to deliver them fast to have direct contact with the customer.*
- *Where the market is localized in terms of geographical location / where the producer is close to customers.*
- *where the goods are produced according to consumers specifications/ special goods*
- *where the producer requires immediate feedback*

4.Name four channels the a manufacturer would use to distribute his goods to the customer (4 marks

- *Manufacturer – consumers*
- *Manufacturer – retailers – consumers*
- *Manufacture – agent – retailers – consumers.*
- *Manufacturer ……..wholesaler……consumer*
- *Manufacturer……agent……consumer*
- *Manufacturer……wholesaler……retailer……consumer*

5.Zango manufacturers who have been selling their products directly as retailers have decided to distribute the products through wholesalers. Explain five benefits that Zango manufacturers may get from this new arrangements. (10 marks)

- *Zango will provide with information regarding the market for their goods*
- *The wholesalers will break on behalf of the manufacturers.*
- *Zango will sell his stock faster as wholesalers buy in bulk*

- *The manufacturer's supply of goods will be stabilized as wholesalers regulates the supply*
- *Zango will be relieved of various risks relating to goods to fall in price, demand, non-profitable but essential services.*

7. Highlight four factors that should be considered in choosing a method of distributing agricultural products (4 marks)

- *Nature of the produce*
- *Availability of middlemen*
- *Government policy on the distribution.*
- *Cost of the produce*
- *Distance between the producer and the consumer*

8.Explain four factors that may be considered in determining the appropriate channel for distributing goods (10 marks

- *The nature of goods where perishable a direct channel to consumers is more preferred*
- *Size of the market where the market is large, if the consumers are concentrated in one area.*
- *Costs where the cost of marketing and distribution are high manufacturers will dispose goods through intermediaries.*
- *Lack of facilities / skills where the produces lacks facilities he will call upon intermediaries.*
- *Government policy. If the government policy prohibits /required use of a certain channel then it has to be followed.*
- *Nature of market depending on consumer's preferences / taste it may require a personal attention of the producer.*
- *Competition: Where competition is high manufacture may have to be closer to the consumer.*
- *Bulkiness: If the quantity if large along channel is used and vice versa.*
- *Technical goods need to be sold direct to consumer in order to provide necessary information.*
- *Profitability where producer wants to maximize profit.*

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

- *Increased price*
- *Like hood of delay*
- *Chances of damage to goods due to handling*
- *Feedback to the manufacturer*
- *Perishable goods may go bad*

10.Describe five channels that can be used to distribute locally manufactured goods (10 marks)

- *From manufacture through own retail outlets to consumers'*
- *Manufacturers sell direct to consumers*
- *From manufacturer though wholesalers through independent retailers to consumers.*
- *From manufacturers through wholesalers through independent retailers to consumers.*
- *From manufacturers through wholesalers to consumers.*

11.State four benefits to a large consumer who buys directly from the producer. (4 marks)

- *They may be bought at lower prices*
- *They may be provided with transport*
- *They may receive cash*
- *They may be given goods on credit*
- *They have a chance to select quality goods*
- *They are likely to get goods to ones specifications.*

12.Discuss circumstances under which a wholesaler becomes essential in the chain of distribution (10 marks)

- *Where market is spread out for the producer to reach the consumer*
- *Where the producer does not have adequate capital to set up own distribution points.*
- *Management problems: Where it becomes difficult to manage producers distribution outlets.*
- *Poor infrastructure: making it difficult to distribute goods.*
- *Government policy: This may separate the functions which can be by the wholesaler.*
- *Where the producer lacks transport facilities which can be provided to advertise*
- *Where the producer wants to get information about the market he will use the wholesaler.*

13.Explain the channel of distribution for imported goods (10 marks)

- *Foreign producer ……local consumer.*
- *Foreign producer……. foreign agent / exporter……. local consumer*
- *Foreign producer…… local agents / importers ……local consumer*
- *Foreign producer's …….foreign agent ……local agent / import merchant ……local wholesaler…..Local retailer……. local consumer*
- *Foreign producer……. local retailers…….. local consumers*
- *Foreign producer ……local retailers……. local consumers*
- *Foreign producer's…… foreign agent…….. local agent / local wholesaler……..local consumer*

14.Outline four benefits to a large consumer who buys directly from the producer. (4 marks)

- *Linkage – wholesalers act as a link between the producers and the retailers.*
- *Storage – offers storage facilities to the producers.*
- *Breaking bulk – buys in large quantities from producers and sells them into smaller quantities to retailers.*
- *Transportation – wholesalers helps in transporting goods from producers to retailers.*

15.Highlight four circumstances under which a manufacturer may prefer to sell goods directly to the consumers (4 marks)

- *When goods are perishable*

- *When the manufacturers is financially strong to open up retail outside*
- *When the manufacturers wishes to take charge of he marketing of the produce.*
- *When the manufacturer wishes to have direct contact with the consumer.*
- *When the market for the product is limited*
- *When there is inefficient infrastructure.*

17.Kabu manufacturers have decided to distribute their goods through wholesalers. Discuss five benefits that would account to Kabu manufacturers (10 marks)

- *Kabu manufacturing will be provided with information regarding the market for their goods.*
- *The wholesalers will break bulk on behalf of the manufacturers Kabu manufacturers will sell his stock faster as wholesalers buy in bulk.*
- *Kabu will be relieved of transport of goods*
- *The manufacturer's supply of goods will be stabilized as wholesalers regulate the supply.*
- *Kabu will be provided with storage facilities*
- *Kabu will be relieved of various risks relating to goods to fall in price.*

18.a) Musi Enterprises are considering to market their imported products direct to consumers. Outline five reasons that may be influencing them to make this decision. (10 marks)

- *It may that the goods are produced according to customer specifications*
- *The firm may be having their own retail outlet/distribution facilities.*
- *The market may be localized/near (in terms of geographical location).*
- *The goods may be expensive and middlemen cannot be able to stock them.*
- *The goods may be of a technical nature/require after sales services.*
- *The goods may be perishable (and the firm may want to deliver them fast to the consumer).*
- *The firm may want to have direct contact with customers/get immediate feedback/create good impression.*
- *Where customers order for goods direct from the trader/firm*
- *If there are no middlemen*
- *Where government policy requires goods to be sold directly to consumers.*
- *Where the goods imported are in small quantities.*
- *Where the size of the market is small.*
- *Where the firm would maximize profits by selling directly to consumers.*
- *When there is stiff competition.*
- *Where the rest of distributors time in middlemen make the price of products high/expensive*

19. Explain five circumstances that would influence a producer to use wholesalers in distributing farm produce

- *Where the producer lacks adequate storage. The wholesaler may relieve the producer of the storage costs.*
- *Where goods require bulk breaking. The wholesaler may re-package the goods in smaller quantities as required by customers.*
- *Where there is need to prepare goods for final sale. The wholesaler may pack, brand, blend, grade sort and weigh goods to the relief of the producer.*
- *Where the market is wide and the goods have to be distributed far. The wholesaler will reach the consumer more easily.*
- *Where the producer would want feedback on the market status. The wholesaler may reach consumers through the retailers and get feedback regarding the product more easily.*
- *Where the producer would want to engage wholesaler to assist with advertising so as to save on costs.*
- *Where the producer wants to sell in bulk since the wholesalers can afford to buy in large quantities.*
- *Where the producer lacks transport, the wholesaler would relieve him of the cost.*
- *Where it is the government policy to distribute through wholesalers then the producer would have no choice.*
- *Where the marketing risks are high since the wholesalers can bear some of the risks.*
- *Where the producer wants to concentrate/specialize in production, then the distribution can be handled by wholesalers.*
- *Where the producer needs to maintain fewer records by dealing with wholesalers who are few.*

20.State four services that a wholesaler may offer to a manufacturer. (4 marks)

- *Links the manufacturer with the retailers*
- *Breaks bulk on behalf of manufacturer/preparing for sale*
- *Provides storage on behalf of a manufacturer*
- *Provides working capital when they pay for goods*
- *Assists in distribution of goods/offering transport*
- *Promoted the products on behalf of the manufacturer*
- *Relieves the manufacture off some risks e.g price of fluctuations, expiry of goods*
- *Offers valuable information about goods*

21. Highlight four circumstances under which a producer would prefer distributing his goods through a wholesaler

- *Where the producer does not have his own warehouse from where he can distribute goods*
- *Where the consumer are far away from the producers premises*

- *Where the goods to be distributed are bulky and need to be broken into smaller quantities.*
- *When the products are new and require publicity/advertisement*
- *When the cost is affordable*

22. Highlight four roles played by intermediaries to a producer in the chain of distribution

- *Reduces transactions between producers and consumers*
- *Breaking bulk*
- *Accumulating bulk*
- *Providing finances*
- *Passing relevant information*
- *Product promotion*
- *Transportation services*
- *Warehousing/storage services*

23. Outline four benefits of a long chain of distribution

- *Adds value to the final product*
- *Creates employment opportunities*
- *Spreads risks*
- *Appropriate for goods with a wider market*

24. State four circumstances under which intermediaries may be eliminated from the distribution process

- *When dealing in perishable goods*
- *When demand of goods is very high*
- *When goods are of high quality*
- *When dealing with goods that require order*

25. Identify four merits of a short channel of distribution to a producer

- *Goods can reach the consumer faster*
- *Producers has direct contact with the consumers*
- *Reduces chances of goods getting spoilt*
- *Producer can get feedback from the buyers*

26. Identify four expenses a wholesaler incurs once he buys goods from a producer

- *Transport costs*
- *Storage costs*
- *insurance costs*
- *Packing and blending*
- *Salaries and wages*

27. Describe five channels a pharmaceutical producer in Britain may use to distribute its products in the Kenyan market

Foreign producer ⟶ local consumer

Foreign producer ⟶ Retailer ⟶ local consumer

Foreign producer ⟶ wholesaler ⟶ local consumer

Foreign producer ⟶ wholesaler ⟶ Retailer ⟶ Local consumer

Foreign producer ⟶ Agent ⟶ Wholesaler ⟶ Retailer ⟶ Local consumer

Foreign producer ⟶ Agent ⟶ Retailer ⟶ Local consumer

Foreign producer ⟶ Agent ⟶ Wholesaler ⟶ Local consumer

28. Describe five channels that may be used to distribute imported products

Foreign producer ⟶ local consumer

Foreign producer ⟶ Foreign agent/exporter ⟶ local consumer

Foreign producer ⟶ foreign agent ⟶ local agent ⟶ local consumer

Foreign producer ⟶ local retailer ⟶ local consumer

Foreign producer ⟶ local wholesaler ⟶ local retailer ⟶ local consumer

Foreign producer ⟶ local wholesaler ⟶ local consumer

Foreign producer ⟶ local agent ⟶ local retailer ⟶ local consumer

29. Discuss five important roles of intermediaries in the chain of distribution

- *Reducing transactions between producers and consumers*
- *Breaking bulk – buy in large quantities and sell in small quantities*
- *Accumulating bulk – buying in small quantities from many small producers and offering the large amount gathered to buyers*
- *Risk taking eg assocauted with damaged goods*
- *Providing finance – some producers lack finance and other resources required to enable them sell to final consumers*
- *Passing information – gather information from consumers and passs to producers*
- *Product promotion*
- *Transport and storage*
- *Availing goods to consumers*

30. Explain the meaning of the following intermediaries in the chain of distribution (12mks)

- ***Brokers*** *- An intermediary who represents a buyer or a seller in negotiating a purchase or a sale without without physically handling the goods involved*

- ***Auctioneers*** *– These are business organisations or individuals who dispose off goods on behalf of their principals. Auctions are held in public where attending members of the public give their bids and the item on sale goes to the highest bidder on the fall of the hammer.*
- ***Clearing and forwarding agents*** *– Agents who facilitate export and import of goods in areas of documentation, storage, customs clearance, collection of goods from the ship*
- ***Wholesalers*** *– Traders who buy in large quantities from producers and sell at relatively low quantities to other traders*
- ***Agent****s – Intermediaries who sell goods on behalf of their principal for commission based on agreed percentage and quantity of goods sold*

- ***Merchants****- Intermediaries who buy and sell goods on their own account. They take risks as they handle the goods and makes profits or losses.*

31. Explain 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, along 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.

32. 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*

NATIONAL INCOME.

1. Explain five factors that may influence the level of national income of a country.
(10 marks)

- *Human resources / labour / working population / manpower*

A country with skilled /(highly) trained / large manpower can produce quality/quantity goods/services / can generate high income.

A country with unskilled / or untrained / small manpower can produce low quality / quantity goods / services can generate low income.

- *Natural resources / land ./ gifts of nature / accept gift of nature*

a country endowed with natural resources can produce more good / services / can generate income.

A Country not well endowed with natural resources may produce less goods /services / can generate less income.

- *(Level of) technology*

High level of technology may produce low quality / quantity of goods / services / generate high income.

Low level of technology may produce low quality / quantity goods / services / generatelow income.

- *Capital (equipment) / man – made resources / accept if manmade resources e.g. infrastructure buildings.*

Availability of capital / manmade resources (goods) makes production easy / preserves production (resulting in increased natural income) / may generate high income.

Lack of capital / or makes production different / reduces production / may generate low income.

- *Foreign investment*
  - *Investments from abroad may increase natural income to the country / increase production of goods / services / investments abroad may increase national income.*
  - *Reduction of foreign investment may reduce production of goods / services / income.*
- *Good governance / political stability*
  - *Production of goods / services / investments / income increase as a result of good governance / political stability creates confidence in investors.*

- *Poor governance / political instability reduces savings / investment / damages / investment / reduce incomes / production of goods / services.*

- *Culture / entrepreneurship*
  - *Culture that encourages hared / work / entrepreneurship reduces production of goods / services / may generate low income.*
  - *Culture that encourages hard / work / entrepreneurship reduces production of goods / services / may generate low income.*

2.Outline four reasons why an increase in per capita income may not necessarily lead to a rise in the standard of living of the citizen (4 marks)

- *Per capita income is an average and hence a mere statistics.*
- *Per capita figures may be high but income may be uneveny distributed.*
- *Those not involved in the generation of the national income are also included in the calculation*
- *Generation rise in the price of commodities! inflation may affect the purchasing power of the citizen.*
- *High taxes may erode the real value of per capita income.*
- *May be obtained through a strain on people's health.*

3.(a) Using a diagram explain the circular flow of income in a two sector economy

(10 marks)

Receipts/payments for factors of production / rent / wages/ salaries / profits

▼

interests

Expenditure/payments/receipts on goods and services

Business firms

Household

- *Finished goods and services*
- *provision of factors of production / land / labour / capital/entrepreneurship*
- *House holds supply their resources (factors of provision) to various types of businesses and receive payments on the form of rent, wages and*

profit

- *On the other hand, businesses sell finished products to household and*

  households pay for the goods and services received.
  The destruction must be shown

4.State four factors that may influence the level of national income. (4 marks)

- *Availability of natural resources/natural endowment*
- *Availability of skilled labour force/quality availability of skills*
- *Literacy levels of the citizens in general*
- *Level of county's industrialization*
- *Dependency ratio on the economically active portion of the population*
- *Level of technology*
- *Population size (quantity of labour)*
- *Entrepreneurial culture/level of investment/trade*
- *Political stability*
- *Social cultural*
- *Infrastructure*
- *Foreign investments*

5.Outline four challenges that may be encountered when measuring national income using the output approach. (4 marks)

- *Deciding on what goods and services to include in measuring national income.*
- *Inadequate output data*
- *Some activities earning income are considered illegal and not included in the measurement of national income.*
- *Determining the value of national output/ due to change in prices.*
- *How to value output in the subsistence sector.*
- *Deciding on the price to use for the goods that have been kept as stock.*
- *Possibility of double counting / differentiate primary input from intermediate input*
- *Problem of valuing government output as they are not sold in the market.*

6. List four items that are considered when measuring the national income using the expenditure approach

- *Exports*
- *Imports*
- *Net income from abroad(exports- imports)*

- *Consumption expenditure*
- *Government expenditure*
- *Investment expenditure on capital goods*

7. State 4 problems associated with expenditure approach of determining national income

- *Accurate records of expenditure are not kept*
- *Double counting problem*
- *Fluctuating exchange rates*
- *Difficult to differentiate between final expenditure and intermediate expenditure*
- *Approximation to determine expenditures in subsistence sector*
- *Problem of valuing illegal activities*
- *Problem of changing prices*
- *Individuals/firms may not give complete/accurate inflationary times*

8. Highlight four factors that may lead to a decline in the level of national income of a country

- *Low population*
- *Low level of technology*
- *Inadequate finance/capital/resources*
- *Population with high number of unskilled labour*
- *Political instability*
- *A population with few entrepreneurial skills*
- *Deep rooted corruption practices*

9. State four reasons why national income statistics is not a good measure of standards of living in a country

- *The data being used may not be accurate*
- *The national income figures do not reflect the distribution of income*
- *People have different tastes and needs*
- *Figures may not reflect appreciation or depreciation of assets*

10. List four uses of national income statistics to the Kenyan government

- *Indicators of standards of living.*
- *Comparing standards of living of different countries*
- *Assessing the performance of the economy over time*
- *Assisting the government to plan the economy*
- *Used by entrepreneurs to make investments decision*

State 4 assumptions of the circular flow of income

– The economy has only two players; firms and households
– There is not government involvement
– There is no foreign trade / the economy is closed
– Households use all their incomes to acquire goods produced by firms
– Firms spend all their revenues on acquisition of factor services from households

11. Name 4 factors affecting the circular flow of income

- *Savings-leakages*
- *Taxes- leakages*
- *Government expenditure*
- *Investments*
- *Foreign trade*

Identify four factors that may lead to an increase in the level of national income of a country. 4mks

– availability of human resources
– availability of natural resources
– high levels of technology in production
– good governance /political stability
– increased foreign investment
– good entrepreneurial culture.

Explain five limitations of using per capita income in measuring people standard of living. 10mks

– At the problem of handling illegal activities that generate income to the receipt
– lack of accurate data of population
– lack of accurate data of national population
– time spent on production versus recreation.
– does not take intro consideration the effects of production activities on the environment e.g environment degradation ands
pollution
– economic growth does not necessarily measures development
– Does not show the distribution of grass national output among the citizen of a country

13. Explain five problems encountered in using national income statistics in comparing the standards of living in different countries

- *Differences in the cost of living in a country----where the cost of living is low, low per capita may not mean low standards of living.*
- *Differences in level of inflation ---A country with high inflation may have high per capita income but the living standards is low.*

- *Distribution of income ----Where income is fairly distributed the gap between the poor and the rich will be narrow. Such a country may have low per capita but high standards of living.*
- *Differences in prices of goods and services in different countries -----in a country where there is price control the national income may appear to be lower than in a country where the prices are determined by the market forces.*
- *Different needs and tastes ---Due to different needs and tastes of living in different countries, national income statistics may not compare.*
- *Different currencies ---- Different countries have different currencies with different values which may be tedious to convert.*
- *Different goods and services --- Used in computing national income may differ from one country to another.*

14. Explain five factors which may lead to a decrease in the level of national income of a country

- *Inadequate skilled/human resource/labour ------A country with inadequate skilled labour can produce poor quality/low quantity goods/services thus generating low income*
- *Inadequate natural resources---- A country with inadequate natural resources can produce less goods thus generate less income*
- *Low level of technology --- use of low level of technology leads to low production thus low income*
- *Inadequate capital leads to low production of goods/services leading to less income*
- *Political instability which scares investors leading to less investment and low income.*
- *Inadequate foreign investment due to lack if enough subsidies/incentives thus reducing production of goods and services*
- *Poor entrepreneurial culture reduces production of goods thus generating low income*

15. Explain five assumptions that would makes two sector economy to hold

- *There is no government influence*
- *Firms spend all their income in hiring factors of production*
- *House holds use all their income in buying goods and services*
- *The economy does not allow goods and services from other countries*
- *The country has only two sector firm and house holds*

16. Explain five reasons why a country's economy is showing slow increase in their National Income

Poor supply and low productivity of the labour force

Inadequate capital necessary for the exploitation of natural resources
Poor natural resource endowment
The technology used may be poor and inappropriate
Effects of political instability
Citizens's laziness and negative attitude towards work
Presence of a large subsistence sector
Low levels of foreign investment

17. Explain any 5 problems encountered when measuring national income

– Transfer payments poses a problem as it is difficult to impute the proportion of income constituted by those transfers
– Inaccurate data / inadequate data where there could be underestimation or overestimations
– Price fluctuations may devalue or over value the income figures
– Ignoring illegal goods / services yet they constitute generated income
– Subsistence sector goods and services are not marketed hence unaccounted for
– Differentiating between final expenditure and intermediate expenditure may be difficult which may lead to double counting
– Lack of qualified personnel to collect and compile data
– Lack of adequate resources to finance the gathering of relevant information
– Valuing of government output - many services are not sold in the open market

18. 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.

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)

NETWORTH OF A BUSINESS.

1. The following account balances were extracted from the books of Kitu traders on 30th November 1995

Machinery	250,000
Debtor	62,000
Creditors	46,000
Stock	12,680
Cash in hand	1,500
Cash at bank	15,000

Determine the capital as at 30th November1995

Capital= Total assets – Total liabilities

250,000+12,680+ 62,500 +15,000+46,520

=295,160

2. The following balances were extracted from the books of Waso traders on

30th October 1995.

Cash	20, 520
Bank	160,230
Premises	800,000
Debtors	40,000
Creditors	62,000
2 year loan	40,000
Stock	2,500

Prepare a balance sheet (5 marks)

3.The following table contains information relating to a business A, Band C. Determine the figures represented by W, X and Y.

Business	Assets	Capital	Liabilities
A	620,000	W	230,000
B	X	400,000	120,000
C	800,000	500,000	Y

– Capital – Assets = liabilities

(a) Capital = 620,000 – 230,000

= 390,900

(b) Assets = 400,000 + 120,000

= 520,000

(c) Liabilities = 800,000 – 500,000

= 300,000

4.In the spaces provided, indicate with a (+) or (-) the effects of each one of the following transactions on the assets, Liabilities or capital (4 marks)

Transaction	Assets	Liabilities	Capital
a Bought furniture on credit			
b. Paid creditors by cash			
c. withdrew cash for personal use			
d. Converted a personal car for business us			

	Asset	Liability	Capital
a) Bought furniture	+	+	
b) Paid creditors on cash	-	-	

c) Withdraw cash for personal use d) Converted a personal car for personal use	- +	-	- +

5.The following relate to business A, B and C. For each of the business determine the missing figures: M, N, and P

Business	Assets	Capital	Liabilities
A	30,000	m	12,000
B	n	16,000	13,000
C	60,000	48,000	p

- M - Kshs 18,000
- N – Kshs 29,000
- P Kshs 12,000

6.State four uses of balance sheet for business organizations. (4 marks)

7.For each of the following types of accounts, state in the spaces provided whether you debit or credit increase or decrease the account. (3 marks)

Type of account	To increase	To decrease
a Asset account		
b Liability account		
c. Capital		

8.The following transactions relates to Tajira Traders for the month of January 2001

Jan 1 started business with Kshs. 20,000 in cash

Deposited 15,000 from cash till into a business Bank account

Bought goods on credit from Wema traders for 6,000

Bought furniture by cheque sh 3,000

Prepare a balance sheet as at 31st January 2001

9. In the table below, determine the missing fig. X, Y and Z for each of business Q, R and S.

Business	Assets	Capital	Liabilities
Q	250,000	X	120,000
R	Y	1,500,000	Z
S	600,000	100,000	400,000

(3 marks)

10. The following information relates to business A, B, C and D.

Business	Assets	Liabilities	Capital
A	500,000	x	300,000
B	Y	800,000	1,200,000
C	300,000	120,000	z
D	700,000	t	500,000

Determine figure represented by X, Y, Z and T. (4 marks)

11. The following balances were extracted from the Tango traders as at 31st December 2004

Motor vehicle	80,000
Plant and machinery	70,000
Loan from Bank	60,000
Stock	25,000

Debtors	30, 000
Creditors	15,000
Bank	20,000

Prepare a balance sheet for Tango Traders as at 1st December 2004. (5 marks)

12. State two characteristics of each of the following balance sheet elements:

a) Assets

b) Liabilities

(a) ***Assets***

-Resource owned and controlled by the business.

-Must have been acquired in the past.

-An item of value that can be measured reliably in monetary terms.

-Future benefits associated with the net expected to be received by business

entity.

-They are fixed or current.

(b) ***Liability***

-A present obligation for a business to settle as a result of past commitments.

-Settlement would reduce business assets.

-Amount involved can be measured reliably in monetary terms.

-Owed to outsiders.

-They are long term or current/short term.

13. The following balances were extracted from the books of Saku Traders on 31 March2008

Fixed assets	300,000
Current assets	123,700
Creditors	84,500
5 year loan	125,000

Determine the net worth of the business as at 31st March 2008
(4 marks)

Determination of net worth of Saku traders

Net worth = Total assets - Total liabilities

X =-{300,000 + 123,700) - (125,000 + 84.500)

X = 423,700 - 209,500

Net worth = 214,200 $8x^1/_2$marks

PUBLIC FINANCE.

1. **Explain five considerations to be made by a government when deciding on a good tax system. (10 mks)**

- ***Equitable*** *– fairness in payment of tax. It should not strain the tax payers.*
- ***Certain*** *– should be clear in terms of amount, time and manner in which it should be paid.*
- ***Convenient-*** *Tax levied should be convenient to the contributor and the collector. To the contributor it should be levied at a time when the payer has money.*
- ***Economical-*** *the cost of collecting and administering should be lower than the revenue to be collected.*
- ***Diversity*** *– A good tax system should be diversified so that it meets revenue requirements of the country and also be in line with the principle of equity.*
- ***Flexibility*** *– should be capable of changing in accordance with changes in National income.*
- ***Elastic*** *– it should allow the government to increase or reduce revenue as need arises.*
- ***Ability to pay*** *– A tax system should be designed in a way that the amount charged is not too high to the extend that the contributor is not able to pay.*
- ***Simplicity****- A good tax system should be simple enough to be understood by each tax payer.*

2. **Explain five reasons why the Government imposes tax on its Citizens. (10mks)**

- ***Raise revenue****- this is used by the government to provide essential goods and services to the citizens.*
- ***Discourage consumption of harmful products*** *– such as beer and cigarette by heavily taxing them*
- ***Reduce inequality in income distribution*** *– This is done by taxing the rich and using the money fo benefit the poor*
- ***Control inflation****- taxation reduces the money supply through reduction of peoples income thereby controlling inflation.*

- ***Correct unfavourable balance of payments*** *– high tax on imported products would discourage their importation and low tax on exporting products will encourage more exportation.*
- ***Discourage importation of certain products*** *by charging high tax on their importation. For example high tax on imported sugar aimed at protecting the local sugar industries.*
- ***Influencing location of businesses*** *for example by heavily taxing businesses located in towns this will make entrepreneurs to shift to rural areas.* .

3 .Explain five benefits of taxation to the Kenyan economy (10 mks)

- *To raise revenue to finance government development projects*
- *To discourage consumption of harmful products e.g. cigarettes which cause negative effects on health of the people.*
- *To discourage importation of certain products in order to boost, local production andlocal industries.*
- *To correct balance of payment deficit by taxing imports in order to discourage importation.*
- *To reduce inequalities in income distribution by taxing the rich and financing activities that benefits the poor members of the society.*
- *To reduce inflation by reducing peoples disposable income/by reducing money supply.*
- *To encourage delocalization of industries by taxing urban businesses more.*

4. Explain five disadvantages of progressive taxes (10mks)

- *It may discourage people from working as any additional income goes to the tax*
- *Investors may be discouraged from venturing into risky but more profitable businesses as these would attract more tax.*
- *It is based on the assumption that people earning the same amount of income have similar needs and ability to pay tax. This is not the case in reality.*
- *It may reduce output.*
- *It may discourage vertical mobility of labour..*
- *Retards capital formation*
- *Scope of tax evasion*
- *It breeds corruption*
- *Hampers social welfare*

5. Value added tax is one of the indirect taxes used by the government to raise revenue. Explain five benefits of this tax to the economy.

- ***More revenue is collected****- The tax is levied on a wide range of essentials commodities /products thus a high amount of revenue is collected.*
- ***Can be used selectively****- it can be used selectively by the government to achieve a certain objective like discourage consumption of certain products such as beer by imposing high tax on it.*

- ***Stimulate effort****- increase in indirect tax is likely to stimulate effort as people struggle to maintain their current standards of living by working harder to raise additional revenue.*
- ***Convenient****- it is convenient because it is not paid in lumpsum but in small bits as one buys the commodity.*
- ***Flexible****- the tax is flexible which enables the govt to either raise or reduce the tax rate to suit the prevailing economic situation in the country.*
- ***Easier to collect****- collection is done by manufacturers and sellers who then remit to the govt. this makes it easier to collect.*
- ***Payment is made promptly*** *– Government can get tax revenue immediately products are bought/produced.*
- ***Less expensive to administer*** *-Since it can be collected at the point of production,may not be expensive to administer as direct taxes.*
- ***Tax payment is voluntary*** *– Payment of indirect tax is voluntary because it is paid mainly by those who consume the taxed commodity.*
- ***Not possible to evade*** *– It is not possible to evade indirect tax because all those who buy the taxed commodity have to pay the tax.*

6. Highlight five differences between direct tax and indirect tax (10 mks)

Direct tax	Indirect tax
(i)Tax revenue is certain	(i)Uncertainty in tax collected
(ii) Does not affect prices of goods and services	(ii)Affects prices of goods nd services
(iii) The society or tax payers are conscious	(iii) the tax payer may not be aware of tax being paid.
(iv) Economical in collection	(iv) Expensive in collection
(v) Cannot be avoided	(v) Can be avoided
(vi)Can discourage work	(vi)Encourages people to work hard to maintain their standards of living.

7. Explain five negative effects of high taxation in an economy (10 mks)

- ***Decrease in profits of businesses****- this makes the businesses unable to meet its operational expenses thus aiding their poor performance.*

- ***Reduction in consumers income-*** *The consumers disposable income will reduce thus lowering their standards of living.*
- ***Discourages savings –*** *people will be discouraged from saving thus reducing level of investments in the future.*
- ***Increases costs of production –*** *This will force producers who cannot meet the cost out of business or pass the burden to consumers in terms of high priced products.*
- ***Increased prices of goods and services-*** *This makes them unaffordable by some consumers thus reduction in consumption.*

8. Explain five merits of direct taxes (10 mks)

- ***Elastic –*** *Can be raised or reduced according to the needs of the economy.*
- ***Flexible –*** *It can be expanded to cover as many areas as possible(tax base) to collect more revenue.*
- ***Simple to understand –*** *its simple to understand to both the tax collector and the payer in terms of amount and time of collection.*
- ***Certain –*** *The tax collection is certain in the amount of revenue to be collected*
- ***Equitable –*** *Direct tax is equitable as amount to be paid increases with increase in income.*
- ***Doesn't affect the price of goods and services –*** *its not part of the selling price of goods and therefore cant fuel inflation.*
- ***Desirable –*** *it only affects individuals in a certain income bracket as it does not affect all the citizens.*
- ***Promotes wealth redistribution –*** *reduces high differences between the rich and the poor. High income earners are taxed more.*
- ***Economical in collection –*** *Most of the direct taxes are collected at source and the cost of collecting them is fairly low. For example Pay-As-You-Earn (P.A.Y.E) tax is deducted at the end of every month from the employee's salary by the employer who acts as a honorary tax-collector.*

9. Explain five disadvantages of indirect taxes (10 mks)

- ***May fuel inflation –*** *continued increase in indirect tax may fuel inflation as it directly increases the prices of goods and services.*
- ***Can be avoided –*** *Indirect tax can be avoided by people who do not consume the taxed product.*
- ***Uncertainty in revenue collection –*** *The amount to be collected in indirect tax may not be predicted because its not easy to forecast sales.*
- ***Expensive in collection –*** *indirect taxes are expensive in collection as many tax inspectors are employed.*
- ***Lack of contributors awareness –*** *as indirect tax is hidden in the prices of goods and services, many of its contributors are not aware that they are contributing anything to the government.*

- ***Less equitable –*** *The burden of indirect tax falls more heavily on consumers with low incomes compared to those with high incomes.*
- ***Might interfere with resource allocation –*** *Indirect tax increases the prices of the taxed goods relative to others. This might discourage consumers from buying them thereby shifting consumption and production resources towards commodities that are not taxed.*

10. State four types of direct taxes (4marks)

- *Income tax*
- *Stamp duty*
- *Corporation tax*
- *Capital gain tax*
- *Estate duty tax*
- *Wealth tax*
- *Capital transfer (gift) tax*

11. State four circumstances under which the govt may find it necessary to raise revenue through internal borrowing

- *If external sources of funds are not available.*
- *If the govt wants to stand on its own*
- *If the govt wants to control inflation*
- *When the govt wants to reduce external debts.*

Circumstances when the government may borrow from internal sources.

- *If there is budget deficit in the country.*
- *When there is need to improve infrastructure.*
- *When there is need to reduce inflation.*
- *If internal loans attract low interest rates than external ones.*
- *Incase the external loans have strict/tough conditions attached to them.*
- *When relief/emergency services are required in the country.*

State any 4 sources of finance to the county government.

– Fines and penalties.
– Income from sale of county government owned property.
– Recovery of principal amount and interest of loans.
– Charges i.e. receipts by the government for services rendered.
– Income generated from tourism etc.

12. Outline four sources of government revenue

- *Taxes*
- *Fines and penalties*
- *Rates and rents*
- *Profits from government businesses*
- *Interest on loans*
- *Fees and licenses*
- *Sale of shares/debentures*
- *Government borrowing*

13. Explain five types of taxes levied on businesses in Kenya (10 mks)

- ***Income tax*** *– it is levied on the incomes of individuals and businesses*
- ***Excise duty*** *– it is levied on goods produced within a country.*
- ***Customs duty*** *– It is a tax levied on goods which are imported into/ exported to other countries.*
- ***Value added tax*** *– it is applied to all goods at a given percentage.*
- ***Capital gains tax*** *– it is levied on increase in the value of certain types of property when sold at a higher price than it was bought.*

14. Explain five ways in which the government finances its expenditure (10 mks)

- *Fines imposed by court on offenders*
- *Benefits and rates paid for use of government property*
- *License fee paid by those who want to operate businesses.*
- *Dividends and profits earned from government direct investments.*
- *Interests earned on loans advanced by the government to firms.*
- *Proceeds from sale of government property*
- *Government borrowing internally and externally*
- *Taxes paid by individuals or organizations to govt.*

15. Explain five principles of government expenditure (10 mks)

- ***Maximum social benefit*** *– Any public expenditure must be spend in such a way that majority of the people are able to reap maximum benefit from it.*
- ***Economy*** *–Public expenditure must be incured in the most economical way by avoiding any possible waste or misuse.*
- ***Elasticity/Flexibility*** *– must be possible to increase or decrease the expenditure according to the prevailing circumstances.*
- ***Sanctions*** *–Public expenditure must be sanctioned or approved by the relevant authority such as the parliament or the county assembly.*
- ***Proper financial management****- public funds should be well managed. Proper records of expenditure should be kept and audited as required.*

16. Outline four ways in which government expenditure may stabilize the economy of a country.

- *Provision of security: This creates an enabling environment for economic activities*
- *Creation and maintenance of administrative departments: These are created for effective operation of a country's economy e.g. salaries*
- *Social services: This enhances the warfare of the population for effective participation in economic activities.*
- *Spending on infrastructure - It improves efficiency in production and distribution of goods and services in the economy.*
- *Advancement of non-interest earning capital to entrepreneurs during economic recess*
- *Provision of basic growth and services through subsidies.*
- *Promoting local industries*

17. Highlight five reasons why budgeting is important to a business organization (10 mks)

- *Planning activities is a necessary activity which assists organizations to focus on future operations*
- *Budgeting is important in coordinating operations in an organization from different departments*
- *Budgeting assists in communicating the intended operations of the organization to interested parties*
- *Budgets set standards of performance for the organization which the managers strive to achieve*
- *Budgets motivate the managers as they work to achieve the target*
- *Budgets helps to control expenditure as those implementing it are expected to operate within its limit*
- *It helps the business to identify its areas of expenditure*
- *A well planned budget can be used as a means of attracting external finances*
- *It helps the business estimate the revenue*

18. Discuss the reasons why a business organization may prepare a budget (10 mks)

- *In order to determine organizations earnings/ sales total receipt for a given period of time*
- *To determine all expenses/ payments*
- *To determine the balance between the receipt and payment and discover if there is balance surplus or deficit in a budget*
- *Determine ways of getting extra income if there is a deficit in the budget*
- *Enable the organization to have a forward looking approach*
- *Create staff motivation/ coordination if all are involved*
- *It is required by lenders of finance/ conditions e.t.c*

19. Explain four ways that a government can use to finance a budget deficit. (8 mks)

- *(Inflationary financing) Borrowing from the central bank through overdrafts / short term loans / accept use of examples to explain.*
- *Borrowing from international money markets / agencies / financial institutions / non-*

banking financial institutions such as IBRD / IMF /World Bank / PBR / provides funds / revenue for government / accept use of examples.

- *Borrowing from capital markets such as ICDC / insurance companies / AFC / NPCK / procedure by selling bonds.*
- *Borrowing from domestic money markets such as commercial banks / selling treasury bills and / bonds / promissory notes / I.O.U.*
- *Borrowing from other countries / multilateral / Bilateral borrowing through loans / buying goods / services on credit.*
- *Borrowing from members of the public by selling treasury bills / bonds/ promissory notes.*
- *Grants / donations / from donor countries / finances / individuals.*
- *Printing more currencies*
- *Imposing conditions / new / taxation in related goods / services / increased government revenue / raise funds.*

20. Explain six sources of government revenue for development expenditure.

- *Taxation – Government levis different types of types on goods/ services from raising revenue/ on incomes*
- *Rent/ rates/ lease income/ hiring charges received from government property such as land/buildings*
- *Sales of assets – this includes assets like shares/ buildings/ vehicles*
- *Loans – These are received from development partners/ international lenders/ world bank/I.M.F/local lenders*
- *Dividends/ profits – received from government investment/ business*
- *Licenses/ fees – licenses for operating business/ fess for government services*
- *Loyalties – generated by a country's resources such as forests/ minerals. National parks*
- *Grants/donation/ gifts – from the development partners/ other well wishers*
- *Loans repayments/ interests on loans given out by the government agencies*
- *Fines/ penalties imposed by courts/ government agencies*

21. Outline five sources of non- tax public revenue

- *External borrowing e.g. from IMF and World Bank*
- *Solicit for foreign grants/donations/aids from donor countries*
- *Reduce government expenditure through cost-cutting measures*
- *Sale and lease back of public assets*
- *Introducing new taxation of selected goods*
- *Impulses from public corporative/government businesses.*
- *Fines & penalties imposed on peoples found breaking the law.*
- *Fee from direct services.*

- *Escheats*
- *Income from government properties e.g. parks/land e.t.c*
- *Loan repayments /interest earned from government owned financial institutions.*

22. (a) Explain five sources of public finances. (10 marks)

(i) Taxes and levies

These are taxes and levies on individual members of public and business organizations out of their earnings and services provided by the government.

(ii) Dividends from parastatal and investments

These are the shares of profits given to the government by parastatals in form of dividends.

(iii) Borrowing loans locally an internationally

Locally, the government borrows through the sale of treasury bonds and bills as well as infrastructure bonds. Internationally the government borrows from international financial institutions such as the World Bank and friendly countries.

(iv) Fees for services rendered to individuals directly by the government for examples registration of birth, marriages and deaths, business licensing, burial permit, work permits and transfer of property.

(v) Fines and penalties charged on those considered to have breached government laws from courts.

These are imposed on individuals firms and corporations found guilty of breaking the laws of land.

(vi) Escheats

Properties reposed by the government from members of public for various reasons e.g. where one dies without a will and have no legal heir.

23. Indicators of a good tax system

- *Equity; Tax burden should be distributed among the tax payers according to their ability to pay*
- *Economy; Collection and administrative cost of the tax should not exceed tax revenue collected*
- *Flexibility; Tax system should be capable of being revised or changed in line with the changing economic conditions.*
- *Diversity; Different types of tax so that tax burden is on different groups of the society.*
- *Elasticity; Tax revenue should be capable of responding appropriately to changes in*

national income.

- *Simplicity; The tax system should be understood by tax payers and the collectors. This motivates them to pay tax.*
- *Certain; The one expected to pay should be clearly aware of how much he/she is paying. The tax collector/government should also be aware of how much it is supposed to collect from tax*

MONEY AND BANKING.

1. **Highlight four advantages of using a telegraphic money order as a means of remitting money though the post office. (4 marks)**

- *It is faster means of sending money*
- *The sender can be compensated in case the money is lost*
- *It is faster way of sending money*
- *It is a convenient way of sending money*
- *It can be easily traced when it gets lost*

3. **Explain five ways in which banks contribute to the development of Kenya (10 mks)**

- *Providing capital to existing new business*
- *They carry feasibility studies for potential investors*
- *They provide advisory services on how to set up and ran invest projects*
- *They support investments in areas which would otherwise not be financed by other financial institutions due to risks involved*
- *They generate revenue to the government to pay taxes or dividends to the government*
- *Create employment opportunities*
- *Mobilization of savings investments*

4. **State four limitations of barter trade (4 mks)**

- *Involve double coincidence of wants which is difficult to find in real life*
- *Some items cannot be conveniently divided into smaller units*
- *Some goods are too heavy hence difficult to transport*
- *Lacks standards measure of value.*
- *Some commodities cannot be stored for a long period/perishable.*
- *Difficult to determine fair rate of exchange*

5. **Outline five reasons why banks current account is popular with traders (10 mks)**

- *The traders can withdraw money at any time without notice*
- *Cheques are used for payments instead of cash*
- *Traders can arrange for overdrafts facilities with the management of the Bank*
- *The bank can pay on behalf of the trades such as standing orders*
- *There is no minimum balance required in the account*
- *Purchases can be made post dated cheques*

6. **Explain service offered to commercial banks by the central bank of Kenya (10 mks)**

- *Accepting deposits from commercial bank*
- *Advice commercial banks on financial matters*
- *Supervises the operations to commercial banks*

- *Facilitates the clearing of cheques*
- *Gives loans to commercial banks operations*
- *Sale of foreign currency*

7. List four characteristics of money (4 mks)

- *Divisibility*
- *Portability*
- *Malleability*
- *Acceptability*
- *Homogeneity*
- *Stability*
- *Durability*

8. State four methods that central bank may use to control credit (4 marks)

- ***Bank rates**. This is the rate at which the central bank lends to commercial banks. It can be varied to encourage or discourage credit/ raising/ lowering bank rate*
- ***Open market operation**. The central; bank may sell or buy securities in the market. Selling securitiesreduces the money supply (for lending)*
- ***Special deposits/ compulsory deposits/ minimum reserve requirements**. The central bank require other financial institutions to have a certain percentage of deposits deposited in the central bank which can be varied to encourage / discourage credits*
- ***Cash ratio/ liquidity ratio**. The ration of cash/ deposits may be carried to control money supply credit which can be increased to reduce money supply/ can be decreased to increase money supply.*
- ***Moral persuasion**/ Liquid assets persuasion. The central bank may appeal/ request/ persuade/ restrain leading/ credit rationing.*
- *The commercial banks may be required by the central bank to approve loans only for special types of projects e.g. agriculture, manufacturing e.t.c*
- *Direct action/ directive/ instructions*
- *Central banks can use its authority to direct/instruct the financial Institutions to lend more/ less/ apply credits squeeze/ credit expansions margins requirements.*

9. Describe methods which may be used by commercial banks to transfer money for customers.

- ***Standing order –** A standing order is an instruction by its customers to be paying a certain amount of money to a named person or institution after a given interval until a specified date*
- ***Credit transfer** – It is a method of paying many people using one cheque. The payer compiles a list of payees, the amount payable to each, the address and the account number of each.*

- ***Telegraphic transfer*** *– Telegraphic transfer is a method of remitting money offered by commercial banks to anybody who wants to send money to another. The money is transferred through cable or telephone facilities.*
- ***Mobile banking*** *– where customers can carry out transactions by use of mobile phones.*
- ***Travelers cheque*** *– which assists people travelling abroad*
- ***Bankers cheque*** *– This are bought by customers to pay their creditors who cannot accept personal cheques*
- ***Cheques*** *– is a written order by the drawer to a bank to pay on demand a specified amount of money to the person named as the payee or to the bearer.*

10. A businessman wishes to obtain a loan from a commercial bank. Highlight the conditions that he should satisfy before the bank can grant him the loan

- *Collateral security valued by appointed valuers*
- *Account from leading bank at least six months old*
- *Bank statements for the last six months busy account to determine credit worthiness*
- *Quarantine to the followed in case of default*
- *Intended purpose of the loan*
- *Agreement on the repayment*
- *Appraisal fee/ charge to determine credit worthiness by a bank*

11. Highlight four reasons why loans advanced by commercial bank in Kenya may not appeal to many people
(4 marks)

- *High rate of interest charged on these loans*
- *Poor profits as a result of poor economy*
- *Individuals and firms may have cheaper source of loans*
- *Involve lengthy formalities*
- *Many people fear the consequences of failing to pay the loans*
- *Many people do not have recognized property that they can offer as security for loans*

12. Explain five services that the central bank of Kenya offers to commercial banks (10 marks)

- *Accepts deposits for safekeeping*
- *Licensing the operations of commercial banks*
- *Supervision of banking operations*
- *Provide clearing hoses facilities for cheque*
- *Giving commercial banks, loans as the tender of the last resort*
- *provides advisory services, banking economic matters*
- *Central bank is a source of currency for commercial bank operations*
- *Buying and selling foreign currency from commercial banks*

- *Acts as a mediators for commercial banks in case of dispute between them*
- *It repatriates excess foreign currency on behalf of commercial banks*
- *Statutory management during financial crisis*

13. Explain four disadvantages of using a bank overdraft as a source of finances (8 mks)

- *It is an expensive source of finance as the interest charges are very high*
- *Frequent use of overdraft use of overdraft could be sign of poor management hence it make it difficult to obtain credit. Bank may recall the overdraft any time*
- *Overdraft are not easily available unless one is well known*
- *Interest repayment cannot be planned for with certainty*
- *Limited access- overdrafts is only given to current account holders only*
- *Security – the lenders may require security/ property pledge*
- *Limited amount are hence unsuitable for long term financing*
- *Repayment patterns are unplanned hence any deposits made in the account are assumed to be repaying the overdraft*
- *Short repayment period which affects the cash flow of firm adversely*

14. Describe four ways in which a non- bank financial institutions differ from the commercial banks

- *They do not provide current account (facilities) while commercial banks provide the facilities. In commercial banks current A/C holders use cheques/ commercial*
- *bank issues cheques while NBFI don't*

- *They provide long term loans while commercial banks provide short term loan while commercial provide short term loan / overdraft / discounting bills of exchange NBFI don't*
- *Non- bank financial institutions are not regulated supervised by central bank while commercial banks are regulated by central banks/ supervised/ banking act.*
- *The NBIFs lend money for specific purpose/ specific sector while commercial bank provides general finance*
- *Commercial bank credit while NBIF don't create credit*
- *Commercial bank means of payment / transfer of money while NBFIs don't*
- *Commercial bank exchange foreign currency while NBFI don't*
- *Commercial bank provides safe (for later bankers) while NBFI don't*
- *Commercial bank gives letters of credit in IT while NBFI don't*
- *Commercial bank provides lockers facilities/ safe custody for valuables while NBFIs don't*

16. Discuss five reasons why business people prefer to operate bank current accounts

- *One can give post dated cheques if need arises, thus enabling clearing of debts at a future date.*
- *One can make withdrawals as many times as they wish thus enabling them to access money when needed*
- *One can get issues of regular statements thus enabling them to be aware of their bank balances.*

- *One can withdraw large sums of money without notice, which convenient for the business.*
- *One can get bank overdraft facility when one does not have enough cash.*
- *One does not have to maintain minimum balance unlike in other accounts hence can use all the funds in the account.*
- *Safety is enhanced as one pay creditors using a cheque and does not have to go to the bank.*

17. Wambua intends to import a car from Dubai which costs Kshs. 20, 0000 Dirams. If 4 Dirams = 1 Us Dollar and Kshs 70 = 1 Dollar, calculate the amount in Kenya shillings that Wambua will pay for the car.

Car Costs 20,000 dirams

4 dirams = 1 US dollar

Amount of Kshs paid

$\frac{20,000}{4}$ = 5,000 US dollars

Amount paid = Kshs 350,000

18. Highlight 4 functions of the Central Bank of Kenya

- *issuing of currency*
- *Banker to the government*
- *Banker to controller commercial*
- *Lender of last resort*
- *Controlling credit*
- *Management of foreign exchange reserves*
- *Implementing government monetary policy*
- *Management of public debts*

19. Outline the benefits that bank customer gets from operating a current account (10 marks)

- *pay creditors cheques, hence safety and does not have to go to the bank*

- *They can get bank overdraft facility when they do not have enough cash*
- *They do not have to maintain minimum balance unlike in other accounts hence can use all the funds in the account*
- *They can withdraw large sums of money without notice convenient for business*
- *They can make withdraws as many times as they wish thus enabling them to access money when needed.*
- *They can give post dated cheques if need arises, thus enabling them to be aware of their bank balances*
- *one can withdraw large sums of money without notice, which is convenient for the business*
- *One can get bank overdraft facility when one does not have enough cash*
- *One does not have to maintain minimum balance unlike in other accounts hence can use all the funds in the accounts*
- *Safety is enhance as one pay creditors using a cheque and does not have to go to the bank*

20. Explain the 5 services offered by commercial banks to their customers (10 marks)

- *Safe keeping of valuables items. Commercial bank acts as custodian of valuable item for the clients such as wills, title deeds, jewellery etc.*
- *They lend money to their clients in form of loans, overdrafts or discounting bills of exchange and promissory notes.*
- *They receive money deposits from their clients commercial banks operate 3 types of accounts for this purpose namely savings, current and fixed deposit account.*
- *They facilitate transfer of money through cheques, credit transfers standing orders etc.*
- *They advice their clients on financial and investment matters.*
- *They facilitate international payments through letters of credit.*
- *They act as management trustees of properties of business of deceased clients.*
- *They act as referees for their clients during a credit status inquiring.*

21. Outline four ways that the World Bank may use to assist developing countries to improve their economy. (4 marks)

- *Providing finances to reduce budgetary deficits*
- *Provide loans for development projects.*
- *Provide finance to correct and adverse balance of payment.*
- *Provide technical expertise to support development.*

22. Explain four functions of money. (8 marks)

- *Used / serves as a medium of exchange. Money can be exchanged for goods/services removing the problem of barter/ can be used to buy goods/ serves as it is generally accepted as a medium of exchange.*
- *Measure of value: Value of goods / services can be compared / estimated / determined/ calculated / assigned.*
- *Store of value: value of goods / services can be stored in form of goods / services are recorded in terms of money.*
- *Standard of deferred payments / money assist of conduct business on credit / where payments are made later.*
- *Unit of account. Values of goods /services are recorded on term of money.*

Outline 4 services offered in agency banking as a trend in the banking sector.(4mks)

- *Customer deposits*
- *Withdrawal from own account*
- *Transfer of funds*
- *Paying bills*

- *Balance enquiries*
- *Opening new accounts*
- *Filling of loan application forms*

23. The following are some of the accounts available to customers in the Kenyan banking industry: Current account, savings account and Fixed deposit account. Give the account that corresponds to each of the descriptions given below. (4 marks)

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

24. Outline four benefits that accrue to a customer who uses automated teller machine (ATM) banking service. (4 marks)

- *Saves time*
- *Withdrawing any time*
- *Conveniently placed*
- *Access to account balances / extra information*
- *Can pay utility bills*
- *Deposits any time*
- *Since ATM cards can be used to buy goods/ services*
- *Cheaper to operate*
- *Safer to use*
- *Highly portable*
- *Withdrawals can be done for one else behalf*

25. Describe four measures that the government may put in place to reduce the amount of money in circulation. (8 marks)

- *Compulsory deposits/special deposits/increase minimum reserve requirements. The Central bank may require that commercial banks deposit a certain amount of their cash with the central bank.*

- *Selective credit control/credit rationing. The government through the central bank may require that certain sectors of the economy be assisted financially.*
- *Open market operations. The government may instruct the central bank to sell government securities/stocks/bonds in the open marker/stock exchange.*
- *Raise interest rates - High interest rates may be offered for savings to encourage more deposits.*
- *Raise cash/liquidity ratio thereby leaving commercial banks with less money to lend.*
- *Raising the bank rate leading to credit/loans becoming more expensive.*
- *Raising margin requirement to discourage borrowing.*
- *Moral suasion by government appealing to commercial banks to reduce lending to the public.*
- *Reducing government expenditure by suspending some projects.*
- *Raising taxes to reduce disposable income hence lower purchasing power.*
- *Surplus budgeting by spending less than the income raised.*

26. Outline four requirements for opening a current account with a Commercial bank

- *Personal identification.*
- *Initial deposit required.*
- *A letter of introduction from an existing customer.*
- *Physical contact address.*
- *Be of majority age/above 18 years old.*
- *Passport size photographs.*

27. A trader has decided to take a loan to expand a manufacturing business. Give four reasons why it is beneficial to borrow from a non-bank financial institution (4 marks)

- *Gives long term loans*
- *Provides finance for capital development / specific projects*
- *Low interest rates.*
- *Assist in management of the project.*
- *Accept lower collateral values.*
- *Give a longer grace period..*

28. Explain four services that the Central Bank of Kenya may offer to a banker to commercial banks (8 marks)

- *Advising/ information / education / publishing journals for commercial banks or financial matters.*

- *Banker to commercial banks / accepts deposits by being in custody of the reserves received from commercial basis.*
- *Supervising / monitoring the operations of commercial banks banking act*
- *Providing a central cleaning horse where commercial banks settle debts due to each other / for cheques.*
- *Being a tender of the last resort to the commercial banks.*
- *Foreign exchange / buy / sell foreign currency to / for commercial banks.*
- *Icore of currency for commercial banks operations / replaces old currency / issue new notes /coins.*
- *Mediation /arbitration in case of disputes (between commercial banks)*
- *Licensing— the operations of commercial banks.*
- *Repatriation of excess foreign currency / profits (broad) on behalf of commercial banks.*
- *Statutory management during financial crisis I receiverships.*

29. Identify four benefits that accrue to a customer using E- Banking/Mobile banking services

- *The customer can use it to buy airtime.*
- *Enable the customer to pay utility bills.*
- *Fast in transacting business.*
- *Customer can be alerted on any deposits in the account*
- *One may access account balance*
- *One may request for mini-statement*
- *One can transfer money from the bank to the mobile phone.*

30. State four methods used by commercial banks to lend money

- *Overdraft facilities*
- *Personal loans*
- *Use of credit facilities*
- *Treasury bills*
- *Discounting bills of exchange/promisory note*

32. Name four factors influencing the amount of money held for precaution motive

- *Level of income*
- *Family status*

- *Age of individual*
- *Number of dependants*
- *Individual temperaments*
- *Duration between incomes*

33. Discuss five circumstances under which the government may be forced to borrow money

- *Where there is a budget deficit – if the planned expenditure exceeds planned revenue*
- *Where there is need for reconstruction – this usually happens after the economy is devastated by natural calamities or war.*
- *Where there is need to provide relief services to those affected by disasters.*
- *When there is need to improve infrastructure – so as to enhance the peace of economic development/distribution of goods and services.*
- *Where there is need to maintain price stability – the government could borrow through the sale of treasury bills and bonds inorder to reduce the amount of money in circulation.*

Explain five ways in which commercial banks facilitate payment on behalf of their customers. (10 marks)

a. Standing orders. A customer making regular payments could instruct the bank to make the payments for an agree period of time until he makes changes to the instruction in writing.

b. Credit transfer. Customer with several payments to make at a certain time may write only one cheque and then fill a credit transfer form which instructs the bank who is to be paid and how much.

c. Credit cards. The customer obtains goods without paying for them in cash from a retail outlet that accepts the cards. The buyer signs a voucher which is later presented to the bank by the seller for payment.

d. Cheques. The bank issues the customers with a cheque book which they use for payments.

e. Mail transfer. This is where the bank would remit the payment through mail on behalf of the customer.

f. Banker's cheque/bank draft. This is a cheque drawn by one bank to another the people making the payment buys the cheque and makes the payment to creditors who don't accept personal cheques.

g. Letter of credit. This is where banks guarantee payment to exporters on behalf of their clients who have imported goods.

h. Traveler's cheques. This is used to assist travelers in/out of the country to settle their debts in the country they are visiting.

i. Telegraphic transfer. This is whereby bank remits money by use of cables/telephone on behalf of their customers.

34. Explain five ways through which the Central Bank can reduce excess supply of money in the economy. (10 marks)

- *Bank rates-Increasing the Central bank interest lending rates to commercial banks*
- *Liquidity/cash ratio – increasing the cash/liquidity ratio*
- *Compulsory deposit- increasing the compulsory deposit requirements*
- *Open market operations- selling the government securities to the general public and institutions*
- *Selective credit control-instruction to commercial banks and other lending institutions to advance loans to few specific sectors*
- *Directives – instructions to commercial banks and other lending institutions to increase the interest that they should charge*
- *Requests/moral suasion-appealing the commercial banks to contract credit activities to specific sectors*

Explain five advantages of M-pesa

– Saves time – Mpesa shops are available everywhere.
– Withdrawing any time – as long as the shops are opened.
– Conveniently placed – in all towns.
– Access to account balances / extra information – through phone.
– Can pay utility bills – e.g. electricity bills.
– Can deposit any time – as long as the shops are opened.
– M-pesa can be used to buy goods and services – in a shop / petrol station.
– Cheaper to operate – less charges.
– Safer to use – has private pin / password.
– Withdrawals can be done for oneself behalf – with an ID.
– Can deposit money in the bank account – through M-banking.
– Can withdraw money from the bank – through M-banking

Explain 5 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 getfinances 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

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
- 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)
- Easier credit conditions - variety of loan products / loans with minimal requirements are now available (to attract morecustomers)
- 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 OfficenService Activities (FOSA, KWFT) accept examples of micro-finance.

-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) nance institution as expansion)

Explain the 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, o transport costs
- Instant feedback is available for any transaction

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0714497530 (Mr Isaboke)

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INTERNATIONAL TRADE .

1. **Outline four benefits that Kenya derives by being a member of preferential Trade Area PTA** (4 marks)

- *Obtains loan from PTA*
- *Obtains wide market for goods*
- *Obtain loan from PTA bank*
- *Promotes understanding between states*
- *Promotes understanding between states*
- *Reduced customs duty.*
- *Obtains goods cheaply*
- *She can get goods that she cannot produce*
- *There is need for foreign exchange when importing goods from PTA members.*

2. **Explain five ways in which a country benefits by participating in international trade** (10 marks)

- *The country is able to export surplus goods*
- *The country is able to buy what it does not produce*
- *The country is able to earn foreign exchange.*
- *Consumers in the country enjoy a variety of goods*
- *The country is able to acquire technology from other countries*
- *Country's citizens may acquire/ learn positive habits lifestyle*
- *It enables a country to specialize in fields where it is best suited*
- *Promotes healthy competition among local and foreign manufacturers*
- *A country variable to get goods even during times of calamities e.g floods*
- *It creates employment opportunities for citizens.*
- *It generates revenue through taxes.*

3. **Give four reasons why it may be necessary for a country to control imports (4 marks)**

- *To protect infant factories*
- *To avoid dumping*
- *To correct balance of payment deficit*

- *To raise revenue*
- *To protect existing local industries.*

4. Outline five transactions which are recorded in balance of payment account of a country (10 marks)

- *It records tangibles/ visible exports.*
- *It records tangible/visible exports*
- *It records non tangible/visible imports.*
- *It records non tangible imports services.*
- *Inflow of loans/grant by foreign government.*
- *Inflow of private capital*
- *Out flow of loans by a government to other countries*
- *Monetary movement form IMF/ world Bank*

5. Explain five measures that a country may take to promote her exports (10 marks)

- *By participation in international trade fairs*
- *By using her commercial attaches to promote countries of accreditation*
- *By subsidizing production of export / giving boundaries through export compensation.*
- *By diversifying her export/ relying on different products*
- *By entering into (bilateral) trade agreement*
- *By lowering duties on imported raw materials meant for export/customs drawback*
- *Lending/ making finance available for export producers*
- *Reduce bureaucracy in licensing of export trade*
- *By establishing EPZ*

6. State four methods of controlling imports (4 marks)

- *Tariffs on imports*
- *Subsidies to control local producers*
- *Exchange control*
- *Quotas*
- *Total ban*

- *Long import producers*
- *Administration*

7. **Explain the meaning and significance in each of the following terms as used of the following terms as used in foreign trade. Terms of trade, balance of payment, exchange rate, balance of trade and common market.** (10 marks)
   - ***Terms of trade****: the rate at which exports on one country exchanges with imports. ToT = Price index of exports determines whether the trade between one country and another is favourable.*
   - ***Balance of payment****: the difference between both capital and current exports and imports of a country. If the value of exports is higher, the country experiences a surplus and vice versa. It determines whether a country is experiencing surplus in I*
   - ***Exchange rate****: rate at which a country's currency exchanges with another. This rate determines the value of exports and imports/ shows its indication of a country's economic strength.*
   - ***Balance trade****: the difference between the value of a country's visible tangible imports and its value of exports is higher than imports.*
   - *Determines whether a country is experiencing surplus/ deficit trade*
   - ***Common market****: an agreement between countries that allow free movement of goods and factors of production. This allows mobilization of resources/ trade without restriction.*

8. **Explain the significance of each of the following documents as used international trade. Bill of lading, proforma invoice, indent, letter of credit**
   - ***Bill of landing****: it is a document used in transporting goods by ship. It enables the holder to take possession of goods. It entitles the holder to take possession to goods imported.*
   - ***Performa invoice****- a document sent in advance of goods being exported.*
   - ***Indent****- an order placed with agent of exporter. It is used to assist the exporter of agent to know where to buy goods. It used to assist the agent to select on exporters.*
   - ***Letter of credit*** *– an official letter from a bank allowing another bank in foreign country to pay an exporter on behalf of the importer.*

State four factors that may limit the success of trade agreements among African countries

- *Lack of good will*
- *Similar products*
- *Bureaucracy.*
- *Difference in heights and measures*
- *Political*
- *Language barrier*

- *Cultural difference.*

9. Highlight five ways in which a bill of lading is useful to an importer of goods

- *He uses it as a document for future reference.*
- *He uses the bill of lading to countercheck his goods on arrival*
- *He can use it to get money for clearing, once the goods have come*
- *He can us it as a proof of business transaction*
- *He can use the bill to claim compensation in case all the goods indicated do not reach him.*

10. Highlight four problems a country may experience by participating in international trade (4 marks)

- *Causes exhaustion of non-renewable resources*
- *Threat to growth of local industry due to importation of cheaper and better goods*
- *Importance of goods that have adverse effect on citizens, like consumption of harmful imported products*
- *Erosion of cultural value due to coping of undesired foreign habits*
- *Police blackmail due to political difference*
- *Increased inflation due to importation of expensive goods*
- *May lead to a country experiencing imported inflation*
- *May lead to unfavourable balance of payments where the value of imports are more than the value of exports*
- *A country that relies on imported products may face problems of supply during times of emergency.*
- *May lead to dumping when local market is flooded with cheap goods.*

11. Outline four circumstances under which a proforma invoice may be used (4 marks)

- *When goods are sent on an agent to show selling prices*
- *When the seller doesn't want to give credit to the buyer*
- *When payment for goods is required in advance*
- *When the importer want written clearance before goods are sent*
- *When goods are sent to a trader*
- *When answering an inquiry letter*

- *When the consignee of goods wishes to determine profitability before selling*

12. Explain six problems being faced by the Kenya External Trade Authority (KETA)

- *Poor infrastructure which discourages investors makes local goods less competition*
- *High production costs which may make local products expensive*
- *Insecurity: may discourage investors/discourage tourism*
- *Corruption / embezzlement of funds which may add to extra costs to project*
- *Shortages of energy may hamper the operations of the investors*
- *Inadequate funds may make it difficult for KETA to achieve its aims*
- *Political interference which hiders the smooth running of KETA*
- *Competition from other countries which makes it difficult for the Kenyan goods to sell.*

13. Explain the factors that may lead to deteriorating terms of terms of trade for a country (10 marks)

- *High prices of imports. Lower prices exports compared to countries exports.*
- *Advice/fall in exchange rates / depreciation of local currency which makes the imports expensive*
- *Appreciation of foreign currency which makes imports more expensive*
- *Low / fall in demand for country's exports more expensive*
- *Competition (from similar products of other countries in the same market which leads to decrease hence lower export prices*
- *Devaluation of local currency thus making imports more expensive making exports cheaper*

14. Explain the following terms as used in international trade

*a. **LOCO** – Means the price quoted covers the goods as they are in the exporter's premises. The importer has to meet the costs of moving the goods from the exporter's premises to their destination.*

*b. **F.O.R** – This means that the price quoted includes the expenses for transporting the goods from the seller's warehouse up to the nearest railway station. The buyer meets railway charges and all other costs.*

*c. **F.A.S** - Price quoted include transport expenses up to the docks as well as dock charges. Loading onto the ship and any other expense are paid by the importer.*

*d. **Bill of Landing** - This is a document prepared when goods ordered for are loaded into the ship. It serves as evidence that goods have been received by the ship owner. It used by the importer to claim the goods when they arrive at the port of destination.*

*e. **Indent** – This is an order sent by an importer to an agent in the exporting country. It contains the details of the goods required, the method of packing, the transporting company and the terms of*

payment.

f. ***letter of hypothecation*** *– This is a letter written by the exporter to his/her bank authorizing it to resell the goods being exported.*

State three functions of departments of international trade in the ministry of commerce and indust

- *Protection of consumer against exploitation (high prices and low quality)*
- *Carry out market research on distribution of essential goods and services*
- *Promotion and development of internal trade.*
- *Acts as a mediator for commercial banks in case of dispute between them.*
- *It repatriates excess foreign currency on behalf of commercial banks.*
- *Statutory management during financial crisis.*

15. Explain five disadvantages that a country may experience from imposing trade restrictions on trading partners.

- *Retaliation by other trading partners/countries leading to reduction in exports.*
- *Low/foreign exchange earnings due to reduced exports.*
- *Curtailed transfer of technology/factors of production that may lead to poor quality production/low quality of products/low output.*
- *Lack of variety of/limited products which restricts consumers' choice.*
- *Poor international relations which may lead to conflicts among consumers/may not get assistance in times of calamity/needs.*
- *Leads to increased unemployment due to reduced trading activities.*
- *May suffer balance of payment as a result of reduced income of exports.*
- *Reduced competition leading to low quality goods/services/inefficient firms/exploitation of consumers.*

17. Discuss five reasons why less developed countries are reluctant in implementing free trade agreement.

- *Avoid unfair competition from developed countries with superior products as it may/could lead to loss of market for their products.*
- *Prevent dumping of inferior goods by developed countries which may have adverse effects on the economy.*
- *To safeguard local employment this may suffer due to free entry of imports.*
- *Reduce balance of payments deficits; as a result of payment for imports exceeding receipts form exports.*
- *Safeguard against government revenue otherwise earned through taxation of exports/imports.*
- *Safeguard against government revenue otherwise earned through taxation of exports/imports.*
- *Avoid erosion of cultural values arising from unrestricted interruption in free trade*
- *Avoid over exploitation of resources which may be depleted/exhausted due to increase*

demand in free trade.

- *Avoid imported inflation which may be caused by inflow of highly priced imports.*
- *Prevent entry of harmful goods/ services which may have adverse effects on the health of the people/accept examples if harmful goods as explanation.*

18. Explain six circumstances under which a country may restrict international trade (12 mks)

- *Where there is need to protect local/infant industries which may not withstand competition from established foreign industries.*
- *Where there is need to control dumping to prevent adverse effects on the economy.*
- *Where balance of trade/payment continues to deteroriate to reduce payment on imports.*
- *Where goods are hazardous/harmful for consumption in order to protect the health of consumers.*
- *Where goods involved are a security risk to the country to ensure peace and stability.*
- *Where it is necessary to counter the actions of trading partners as a retaliatory measure.*
- *Where there is need to avoid imported inflation arising from overpriced imports.*
- *Where it is politically expedient to do so in order to promote good governance in another country.*
- *Where there is need to safeguard local employment which may be lost through entry of cheap imports.*
- *Where there is need to avoid overdependence on imports which may lead to political blackmail.*
- *Where there is need to avoid overexploitation of resources which may cause their depletion.*
- *Where there is need to build reserves of strategic commodities to avoid shortages in meeting local demands.*

19. State four items that usually appear on the credit side of the current account of a country

- *Receipts from export of goods I visible export*
- *Receipts from export of services / invisible exports*
- *Receipt from investment abroad*
- *Deficit balance.*

20. Explain five measures that the government may take to improve the volume of exports.

- ***Creation of export processing zones*** *— where the producers / exporters enjoy a variety of inceptives / accept e.g. of investors as explanation.*
- ***Manufacture under bond*** *to encourage local manufacturers to produce exclusive for export.*

- ***Export compensation schemes / subsides schemes*** *by refunding a specific % age of*
  value of goods / services exported / meeting part of the cost of production for exporters

- ***Providing information on international markets*** *through publications / seminars / workshops / educational tours.*

- ***Financing those producing for exports*** *by availing credit / loans to exporters.*

- ***Participating in international trade fairs / exhibition*** */ show to expose the exporters / their goods / services.*

- ***Use of commercial*** *attaches* ***other government agencies*** *to promote exports I advertise / look for markets for exports.*

- ***Reduction of bureaucracy / red tape*** *through simplification of export procedures.*

- ***Customs drawbacks*** *by refunding tax on imported ran materials used to produce exports.*

- ***Devolution of currency*** *to make exports cheaper / increased demand.*

- ***Improved infrastructure*** *to facilitate export production / export trade / accept egs of infrastructure as a mentioned.*

- ***Entering into trade agreement / b1oks / integration grouping cooperation*** *to give preferential treatment to cooling exports.*

- ***Improving quality / standardization / packaging*** *to make exports more attractive.*

- ***Export credit guarantee scheme*** *to insure / compensate exporters against risks when*
  selling overseas.

- ***Tax*** *rebates / lowering of duties on exports / reduction of taxes on inputs .used to produce goods for export to make them cheaper / increase their demand / to reduce cost of production.*

- ***Improve / adopt modern technology*** *in order to increase the volume of goods for*

exports.

22. State four forms of economic integration that may exist between countries.

- *common markets –. This is where countries in an economic integration allow free movement of factors of production such as labour capital and entrepreneurship among the member countries*
- *Free Trade Areas - where barriers such as tariffs and quotas are removed.*
- *Customs Unjons - member countries charge common external tariffs.*
- *Economic Union - where common economic institutions like banks are set to deal with monetary policy.*

Outline five characteristics of an economic union form of integration. 10mks

– free trade in all goods and services
– freedom of migration
– single currency in use
– joint economic institution eg central bank
– development of common infrastructure
– free flow of capital
– common environmental regulations
– No national differences in taxation

23. Explain five disadvantages that a country would suffer if she restricted trade with other countries. (10 marks

- *Reduced competition- leading to low quality goods/services in efficient firms/explanation of consumers.*
- *Reduced/limited consumer choice- trade restriction reduces the variety of goods/services available to consumers leading to low standards of living.*
- *Retaliation/trading partners are likely to retaliate leading to loss of business between countries involved/reduced export/imports.*
- *Reduced/low investment due to limited trading opportunities*
- *Blackmail of government by infant/local industries seeking continued protection/due to lack of growth/stagnation/not to withdraw protection.*
- *Reduced/limited market hence under exploitation of available resources/reduced production capacity.*
- *Misallocation of resources/inappropriate allocation of resources- it may force a country to use her resources in areas where she has no comparative advantage/not best suited in*
- *Costly to the government- This may happen if measures like subsidies are used/to enhance restrictions by encouraging import substitution/meet part of the costs.*
- *Reduced/loss of government revenue earned from import /export taxes.*
- *Reduced foreign exchange earnings from goods/services not exported*

- *Leads to increased unemployment due to reduced trading activities.*
- *Poor international relations which may lead to conflicts/friction/among countries/may not get assistance in times of calamities.*
- *Controlled transfer of technology/factors of production that may lead to poor quality goods/low quality of products*
- *Reduced/limited supply of goods and services which may adversely affectconsumers (Accept examples of adverse effects as explanation)*
- *Encourages smuggling/black marketing hence leading to loss of revenue/entryof counterfeit goods/services.*

25. Outline four benefits that Kenya derives from being a member of Preferential Trade area

- *Get a wider market*
- *Duty exemptions benefits*
- *Obtain concessionary loans from PTA banks*
- *Increased investment opportunities*
- *Obtain a variety of goods*
- *Peaceful co-existence is created*
- *The common currencies thus reduce the burden of currency exchange*

26. Give four demerits of economic intergration to a country

- *Loss of a country's revenue*
- *May compromise home trade as more attention is directed to intergartion*
- *Member countrys are subjected to a competition which is expensive.*
- *May cause/bring insecurity due to free movement*

27. State four roles of international monetary fund

- *Offer loans to member countries*
- *Give technical advice and support*
- *Maintenance of stable exchange rates*
- *Give member countries debt relief*
- *Provide sufficient international liquidity*
- *Promote consultation and co-operation*
- *Assisting member countries with balance of payment deficit*

28. Outline four special concessions offered by the government to encourage establishment of industries in a particular area

- *Offering free or cheap land*
- *Reduction of taxes*
- *Offering subsidies*
- *Direct financial assistance*
- *Improvement of infrastructures*

29. Identify four advantages of export processing zones to a country

- *It provides employment to the citizens*
- *They stimulate growth in specific sectors of the economy such as agricultural activities.*
- *They lead to development of good infrastructure in these zones.*
- *They promote export trade which earn foreign currency.*

30. East Africa community has not realized the benefits which accrue from its establishment. Discuss five factors which may have contributed to slow pace in the achievement of its goals

- *Differences in political ideologies – This makes it difficult to harmonize their economic activities*
- *Common or similar products produced hence not much trade can take place between them*
- *Lack of common currency makes trade between the people of the three countries difficult*
- *Poor infrastructure that leads to poor connectivity by means of transport*
- *High level of poverty among member states make it difficult for them to buy goods from neighbouring countries*
- *Lack of common language of communication thus hampering sharing of ideas*

31. Discuss five factors that may lead to deteoriorating terms of trade of a country.

- *High prices of imports/lower prices of exports compared to countries exports*
- *Fall in exchange rates/depreciation of local currency which makes exports expensive*
- *Appreciation of foreign currency which makes imports more expensive*
- *Low/fall in demand for a countrys exports.*
- *Competition/similar products of other countries in the same market leads to decrease in demand hence lower prices of exports.*
- *Devaluation of the local currency, thus making imports more expensive and exports cheaper.*

32. A country was experiencing balance of payment surplus. Explain any five factors that might have caused that.

- *Increase in export earnings whereby the value of export is greater than the value of import.*
- *Decreased import expenditure. Whereby the value of imports is less than the value of export earnings.*
- *Increased foreign private investments which increases inflow of foreign currency*
- *Increased foreign public loans/grants which increases foreign earning*
- *Reduced outflow of capital which reduces outflow of foreign exchange by private investors.*
- *Reduced outflow of public capital where the government spends less on*

loans/grants to other countries.

33. Explain Five reasons why many countries tend to prefer free trade

- *Enable a country to enjoy quality goods and service due to increased competition*
- *Allow specialization/countries tend to specialize in what they can produce best.*
- *Allow them access wide variety of goods/services*
- *Allow wider market for goods /services produced*
- *Free movement of factors of production from country to country.*
- *Allow creation of many job opportunities for investment in different countries*
- *Countries enjoy cheaper goods/services*
- *Allow free flow of new technology ideas and skills among different countries*
- *Promote peace and understanding among countries*

34. Explain five causes of persistent balance of payment disequilibrium in East Africa

- *Fall in volume of exports – rely on primary/agricultural products usually affected by draught yielding low production hence low exports hence reduced foreign earning*
- *Deteriorating terms trade – value of exports are low relative to the value of imports hence pay more than the foreign earned*
- *Less capital inflow compared to outflow- they usually borrow money from developed countries at repay at high interest rates creating a net capital out flow.*
- *Devaluation policy – devaluation of local currency makes exports cheaper to foreigners and hence an increase in the cost importation*
- *Increase in import volume of capital goods and industrial raw materials for development purposes. This increases expenditure on foreign good.*

35. Explain five measures that the Government of Kenya may take to control her persistent Balance of payment deficit ;

- *Increasing the volume of exports ie. by giving incentives to traders so that they can produce more output*
- *Reducing the level of input ie. By using restrictive measures such as input duties total ban etc*
- *By diversifying the rate of exports of the country so that when some fail others can still sell in the world market*
- *Through Devaluation of the country's currency- this makes the exports cheaper and hence more competitive in the market*
- *By negotiating for foreign debt reduction*

- *By adding value to the exports*

36. Explain five measures of correcting balance of payment disequilibrium. (10mks)

- *Devaluation of currency (lowering the currency value) - This is making exports cheaper and imports expensive. This increases exports and reduces imports thus reducing deficit in the balance of payment.*
- *Import restrictions -This may be done by imposition of high tariffs on imports or setting import quotas. This limits the volume of imports where by reducing the negative of balance of payments.*
- *Export promotion - This is aimed at increasing the volume of exports from the country through exports compensation by establishing export processing zones and diversification.*
- *By encouraging foreign investment into the country -This provides the foreign currency necessary for the payment of imports.*
- *Restricting outflow of capital. -This is a deliberate effort by the Government to restrict outflow of capital.*

37. **Describe five documents used in international trade**

- ***inquiry**– letter sent by an importer to an exporter asking about the supply of goods/terms of sale*
- ***Order/indent** – Used by importer to ask the exporter to supply him with goods specified*
- ***Bill of lading** –Document used by importer to claim for the goods when they arrive at the port of entry .*
- ***Letter of credit** - it's issued by the importers bank to the exporters bank to assure the exporter that good will be paid for*
- ***Import licence**-Issued by the authority to permit the holder to buy goods from abroad .*
- ***Freight note**-Shows transportation charges for goods*
- ***Airway bill**-Issued by the air line . It's a document of title used by importer when claiming for goods at the port*
- ***Certificate of origin**– Shows the country from which goods have been bought*
- ***Consular invoice** – It's an invoice signed by consul to confirm that prices charged on goods are fair*
- ***Proforma Invoice** – Issued by the exporter if he wishes to be paid before goods are delivered*
- ***Commercial Invoice** – Issued by the exporter to demand payment for goods sold*

on credit

38. Outline six benefits Kenya derives from being a member of East African community. (12marks)

- *Expanded market for goods and services – since it is composed of many countries where it can sell surplus goods*
- *Creation of employment opportunities – due to increased trading/business activities*
- *Fair/lower prices of goods and services – due to reduction/abolishment of tax/competition*
- *Encourage/promote specialization – in areas where countries enjoy comparative advantage/low cost of production*
- *Increased bargaining power – which may improve terms of trade/balance of payments*
- *Free flow of goods/services/factors of production – due to minimal restrictions/flow of factors of production*

39. Reasons why a country may restrict trade with other countries

- *Protect local infant industries from established foreign industries which may enjoy great economies of scale.*
- *Create/protect local employment by encouraging production.*
- *Protect of culture/social values by minimizing interaction by foreigners*
- *Protecting strategic industries of a country so as to avoid dependence on other countries.*
- *Prevent dumping /importation of sub-standard goods which may create unfair competition.*
- *Expanding market for local products by limiting the number of external suppliers.*
- *Promote self reliance to avoid political interference or crisis.*
- *Protect balance of trade by ensuring export are more than imports hence leading to favorable balance of trade.*

40 . 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.

INFLATION.

1. **State 4 causes of hyper inflation**
   - *Devaluation of currency/loss of value of currency*
   - *Global recession- economic down trend in other countries*
   - *Political instability/turmoil causing uncertainties*
   - *Natural hazards eg drought leading to low production*

2. **Highlight 4 ways in which inflation benefits an economy**
   - *Mild inflation gives incentives to investors who in turn create*
   - *Increases production*
   - *Sellers may earn more*
   - *Motivates people to work*
   - *Promotes better use of available resources*

State four factors that might cause cost-push inflation.
   - *Rise in wages and salaries.*
   - *Increase in taxes*
   - *Increase in profit margin*
   - *Increase in cost of inputs other than labour.*
   - *Reduction in subsidies.*

3. **Increase in money circulation is the major cause of inflation. State four monetary policies the central bank of Kenya can use to control inflation**
   - *Increase the rate of interest on lending to commercial banks*
   - *Selling government securities in open market operation (O.M.O)*
   - *Increase commercial banks cash or liquidity ratio*
   - *Increase compulsory deposits by commercial banks with the central bank*
   - *Institution of selective credit control measures*
   - *Directives to commercial banks on interest rates to charge on lending.*
   - *Requests by central bank to commercial banks(moral persuasion) to willingly exercise control on their lending to control inflation,*

4. **Highlight four adverse effects of inflation**
   - *Leads to reduction in profits*
   - *Leads to wastage of time as people move from one place to another in such of better prices of goods.*
   - *Leads to conflicts between employers and employees*
   - *Leads to decline in standards of living*
   - *Loss to creditors as they lend out when the value of money is high and receive money when the value is low.*
   - *Leads to retardation of economic growth*
   - *Leads to loss of confidence in the monetary system*

- *Discourages savings as people tend to spend most of their earnings leaving little or nothing to save.*

5. **State four causes of demand pull inflation**
   - *Increase in government expenditure*
   - *Effects of credit creation by the commercial banks*
   - *Increase in money incomes*
   - *General shortage of goods and services*
   - *Increase in consumer's expenditure*

6. **Year 2017 has Kenya experience a persistent rise in the general price levels or most of the commodities. Explain five measures that the government should take to counter this trend.**
   - *Increase the rate of interest on lending to commercial banks*
   - *Selling government securities in open market operation (O.M.O)*
   - *Increase commercial banks cash or liquidity ratio*
   - *Increase compulsory deposits by commercial banks with the central bank*
   - *Institution of selective credit control measures*

7. **State four causes of Cost push inflation**
   - *Rise in wages and salaries*
   - *Increase in taxes*
   - *Increase in profit margins by businesses*
   - *Increase in cost of inputs other than labour*
   - *Reduction in subsidies by the government to businesses*

8. **Describe five statutory measures the government may use to curb inflation**
   - ***Controlling wages and salaries****- increases in salaries and wages brings more money into circulation which in turn fuels demand-pull inflation. The government controls this type of inflation by restricting increases on salaries and wages.*
   - ***Price controls*** *- where inflation is profit push the government may curb it by use of price controls*
   - ***Restricting imports*** *– where inflation is caused by increases in prices of imports, the importing country can control the inflation by reducing the quantities of such imports, this can be done by looking for alternative sources of supply.*
   - ***Restricting terms of hire purchase and credit terms of sale*** *– The government can place controls on hire purchase agreement and credit sales in order to reduce demand for commodities sold.*
   - ***Controlling of exports –*** *inflation may stem from excessive exportation of locally produced commodities. Such exportation creates shortages in the local market thereby increasing the prices, the government curbs this inflation by*

restricting or banning exportation of the said products.

9. Briefly explain five positive effects of inflation to a country

- ***Debtors may pay less*** *– debtors may pay for the commodities in the future at the old low prices and not the high prices which the commodity would be selling.*
- ***Sellers may earn more*** *– Sellers may benefit from inflation in that they buy commodities when prices are low and sell them later when prices are high thereby making more profit.*
- ***Motivation to work*** *– As prices of commodities go up, people may work harder in order to earn more so that they are able to buy the commodities.*
- ***Increased production*** *– As people work hard in order to maintain their standards of living they had before inflation set in, they produce more goods and services.*
- ***Better use of available resources*** *– during inflationary times people tend to use the available resources in the most economical way in order to avoid wastage.*

10. Explain the meaning of the following terms as used in Inflation

- ***Mild inflation*** *- A type of inflation where the general prices of goods and services increase slowly at a single digit rate of less than 10%*
- ***Hyper inflation*** *- It is a situation whereby the general prices of goods and services are extremely high whereby the rate is in thousands and millions percent per year*
- ***Demand pull inflation*** *- Comes about when there is excessive demand for goods and services in the economy causing arise in prices In this situation there is to much money in the economy chasing very few goods and services*
- ***Cost push inflation*** *- It results from an increase in the total production costs of goods and services leading to an increase in prices of commodities. It is the high costs of production that pushes the prices of goods and services up*
- ***Imported inflation*** *- It results from trading with foreigners whereby prices of foreign goods affect domestic prices. High prices of foreign goods [imported goods] increases domestic prices of goods due to domestic demand*

Explain 5 ways through which inflation may be controlled other than the use of monetary policy.

– Taxes should be reduced to reduce disposable income hence lowering consumption expenditure.
– Restriction of imports / impose heavy tariffs to make people switch their spending on imports to locally produced goods in
order to curb imported inflation.
– Price legislation / price control as a temporary measure of keeping prices stable.
– Use of wage policies / checking on trade unions to avoid increase in wages.

– Increase general production of goods and services to avoid shortages.
– Reduce public expenditure such as construction of roads / extensive electrification, free public goods and services to reduce
demand for goods and services.
– Appropriate regulation of printing national currency.

11. Explain five measures that can be taken by a government to reduce cost push inflation. (10 marks)

- *Impose price control-on fuels, electricity. Fixing an upper limit for prices of fuel, electricity so as to control increase in cost of production.*
- *Controlling wages/salaries-harmonizing wages/salaries and checking on trade union pressure to avoid increase in wages that could lead to increase in the cost of production leading to cost push inflation.*
- *Subsidizing production –so that producers incur less in production*
- *Reducing tax on production-tax imposed on raw materials*
- *Improve efficiency of production*

ECONOMIC DEVELOPMENT AND PLANNING.

1.Highlight four problems encountered at the implementation stage of development planning

- *Reliance on donor funding*
- *Lack of domestic resources*
- *Failure to involve local people in planning*
- *Lack of political will*

2.The gap between the rich and the poor in Kenya is so wide. Highlight four factors that contribute to this

- *Disparity in natural resources*
- *Inheritance*
- *Corruption*
- *Differences in talents*
- *Nepotism in employment*

2. State four problems that a planner may encounter in development planning

- *Lack of adequate information*
- *Bureaucratic rigidities*
- *Inadeaquate political goodwill*
- *Inadequate financial resources*
- *Inadequate human resources*

3. Outline four reasons that make it necessary for a country to get involved in development planning

- *Enables appropriate allocation of resources*
- *Encourages stimulation of effort*
- *Enable project evaluation*
- *Helps to support foreign aid bargain*
- *Encourages long term decision making*
- *Helps to avoid the duplication of projects*

- *Promote balance in regional development*

Changes that may take place in a country to indicate that it is experiencing economic development

- *Shift from agricultural sector to manufacturing sector.*
- *Increased entrepreneurial ability.*
- *Reduction of illiteracy level.*
- *Improvement in research activities.*
- *Increase in skilled manpower.*
- *Improved infrastructure.*
- *Improvement in health facilities.*
- *Increased in level of savings and investments*
- *Improved technology.*

4. **Highlight four problems encountered in the processs of implementing development plans**

- *Shortage of qualified manpower/personnel*
- *Political interference/lack of political support or goodwill*
- *Local people are not involved in planning*
- *Reliance in donor funding*
- *Natural calamities/unforeseen occurrences*

5. **Outline four structural changes that may take place when a country is experiencing economic development**

- *Shift from agriculture to manufacture*
- *Reduction in illiteracy levels*
- *Increase in skilled manpower*
- *Improvement in health facilities*
- *Improvement in technology*

- *Improved infrastructure*
- *Improved balance of payment*

6. Describe five features of an under developed country

- *High levels of poverty- Most under developed countries tend to be poverty-ridden such that a big population lives at the subsistence or below the poverty level.*
- *Disparity in income distribution- in most under developed there is a small proportion of a few rich people while the rest of the population living below the poverty level.*
- *Low levels of savings and investments – most people have little or nothing to save. Low savings in turn leads to low investments.*
- *High population growth rate – Most of the population are illiterate and does not value family planning*
- *Dominance of subsistence sector – In under developed countries the traditional subsistence sector tends to dominate the economy.*
- *Problem of unemployment - This may be as a result of high growth rates and high illiteracy levels.*
- *Under utilization of natural resources – Natural resources existing in many under-developed economies remain under-exploited due to lack of either capital or appropriate technology.*

7. Explain five problems encountered in development planning in developing countries

- ***Lack of accurate data*** *– Development planning depends on the quality and reliability of the statistical data on which it is based, when such data is inaccurate, then the quality of the plan is greatly diminished.*
- ***Lack of qualified personnel*** *– Due to lack of local qualified personnel, many less developed countries relies on foreign experts who may not be having adequate knowledge about the local economies.*
- ***Transfer of inappropriate development plan*** *– when plans that worked in other countries are transferred to the less developed countries they end up failing.*
- ***Reliance on donor funding****- most less developed countries base their*

development plans on the expected aid from more developed countries. If such aid is not released, implementation of the project becomes difficult.

- ***Lack of domestic resources*** *– limitation of domestic resources such as skilled personnel, finance and capital equipment may hamper implementation of a well laid out development plan.*
- ***Failure to involve local people in planning*** *– if the local people who are expected to implement plans are left out during the plan formulation stage, they may fail to support the plan at implementation stage.*
- ***Natural calamities*** *– Project implementation may be frustrated by natural calamities such as outbreak of disease, floods or drought.*
- ***Over- ambitious plans*** *– Some plans especially those meant to entice donors for funding may be unrealistic*
- ***Lack of political goodwill*** *– irrespective of how good a plan is if there is no political goodwill or political commitment to implement it , it will remain a paper plan.*

9. Explain five functions of the national budget as a tool of planning;

- *Outlining government expenditure – It details the various expenditure programmes the government plans to undertake over a given period of time*
- *Outlining government revenue – It gives details of the various sources of revenue for the government to finance its activities*
- *Enabling government planning – The government uses the budget to plan for various activities and programmes that lead to economic growth and development*
- *Introducing changes in taxation – The various taxes to be applied, the tax rate and the mode of application of the taxes are outlined in the budget*
- *Regulating money supply – It outlines the monetary systems to be instituted by the government to regulate money supply in the economy*
- *Stimulating economic activities – It is used to increase government expenditure in the economy which will spur economic activities in the country*

10. **Explain factors that may hinder the formulation of a good development plan in Kenya. (10marks)**

(i) Lack of adequate /accurate/detailed data- records are rarely kept by society leading to poor /unreliable plans.

(ii) Shortage /inadequate funds or capital- this make it difficult to collect /compute information and reliable prepare plans

(iii) Copying/transfer of inappropriate plans - which will not suit local citizens /communities as they differ in culture, development

(iv) *Existence of large subsistence sector hence difficult to get information and makes the whole process of planning unrealistic*

(v) *Problem of the private sector- in most cases they may pursue different objectives from those of the government yet government doesn't have direct control*

(vi) *Lack of trained staff to conduct the planning- Expatriates are used which is expensive and they do not have adequate knowledge about the local economies they are called upon to plan for.*

11. Explain five benefits that a county government may derive from preparing a proper development plan (10marks)

- ***Appropriate resource allocation*** *– to where output is highest to ensure maximum utilization of resources.*
- ***Prioritizing of projects*** *– to ensure that more important projects in the county are given priority*
- ***To stimulate effort\motivational tool*** *– to be owned and supported by the citizens to meet their objectives.*
- ***To ensure balanced regional development*** *– to make it possible to distribute development to all parts of the county.*
- ***To avoid duplication*** *– by ensuring that similar projects are put in the same area*
- ***For long term decision making*** *–in areas/sectors of investments*

12. Explain 5 reasons for development planning

– Appropriate resource allocation to avoid / reduce wastage
– Stimulation of efforts by showing possible achievements which makes people to apply greater efforts
– Supports foreign aid bargain because the plan is used to convince donors to give resources
– Project evaluation - as implementation of the project is done on the basis of pre-determined criteria contained in the plan
– Long term decision making because the plan contains a long term view for making decisions
– Avoiding duplication - to avoid establishment of similar industries in same localities
– Promoting balance in regional development
– by avoiding establishment of industries in same localities
– Correct imperfections in the market - like presence monopolies and oligopolies which contribute to misallocation of resources

ACCOUNTING REVISION.

1. The following information relates to Rokito traders for the year ended 31st December 2011.

	Sh.
Fixed Assets	5,000,000
Current assets	650,000
Net Profit	300,000
Current Liabilities	650,000
Sales	2,000,000
Closing stock	100,000
Opening Stock	200,000

Gross Profit Margin was 20%

Calculate

(a) Current ratio
(b) Gross profit mark-up
(c) Rate of stock turnover
(d) Capital employed

14. (i) Current Ratio. $= \frac{Current\ Assets}{Current\ Liabilities}$

$= \frac{650,0000}{650,000} = 1:1$

(ii) Gross profit mark-up

$= \frac{Gross\ Profit}{Cost\ of\ Sales} \times 100\%$

(a) Gross Profit = Margin x sales

$= \frac{20}{100} x\, 2,00,000 = \underline{\underline{400,000}}$

(b) Cost of sales = Sales – Gross Profit
= 2,000,000 – 400,000
= 1,600,000
= 25% or ¼

ALTERNATIVE I

Convert margin to mark-up

$\frac{20}{100\ x20} x100 = \frac{20}{80} x100 = 25\%$

ALTERNATIVE II

Convert Margin to mark – up

$\frac{1}{5} - 1 = \frac{1}{4} or\ 25\%$

3. Rate of Stock Turn Over

$$= \frac{Cost\ of\ sales}{Average\ \ Stock} = \frac{100,000 + 200,000}{2} = 150,000$$

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

= 10.67 times

4. Capital Employed
   = Fixed Assets + Current Asset
   = 5,000,000 + 650,000
   = 5,650,000
   Or
   Capital + Net profit + Current Liabilities
   = (4,700,000 + 300,000) + 650,000
   = 5,650,000

2. (b) As at 1st July 2008 the cash book of Emori enterprise showed the following balances: Cash sh.20, 000 and a bank overdraft sh. 8,600.

During the Month the following transactions took place.

3/07/08: Nafula settled her account of sh. 16,000 by cheque of sh. 15,000
6/07/08: Paid rent by cash sh. 8,000
10/07/08: Deposited sh. 6,000 into the business bank account from the cash till
15/07/08: Settled Wakulis account of sh. 20,000 and he allowed a discount of 1% by cheque.
18/07/08: Deposited sh. 28,000 in the bank from private sources.
21/07/08: Cash sales sh. 12,000
24/07/08: Otieno a debtor settled his account by cheque of sh. 8,000 having been allowed a discount of 20%.
26/07/08: Purchased furniture of sh. 5,200 paying by cheque.
28/07/08: Received sh. 3,600 cash from Nduta.
30/07/08: Banked the cu crilable cash except sh. 1,600.

Required:

Draw up a three – column cash book. (10marks)

3. Ijara investiment operates a whole sale business. The following transactions took place in the Month of may 2010.

May 3: Sold goods on credit to Ayimba sh. 60,000.
May 8: Purchased goods on credit from mjuaji stores sh. 120,000.
May 12: Returned goods to Mjuaji stores worth sh. 6,000.
May 16: Purchased goods on credit from Mjuaji stores sh. 160,000.
May 22: Sold on credit to Mafala retailers sh. 150,000.
May 23: Bought a new motor vehicle from Mashariki motors worth sh. 3,200,000.
May 24: Ayimba returned goods worth sh. 10,000.
May 29: Sold equipment worth sh. 840,000 on credit to chap limited.

Required:

Record the above transactions in the relevant books of original entry for

Ijara Investments (10marks)

3. (a) The following balances were obtained from the books of Nakhulo Traders on 31st Dec 2011

	Shs.
Opening stock	60,000
Equipment at cost	125,000
Accumulated depreciation on equipment	16,200
Purchases	161,000
Sales	208,000
Land and building	100,000
Discount received	7,500
Returns outwards	25,000
Returns inwards	27,000
Salaries	22,000
Telephone charges	5,000
Water bills	2,100
Creditors	15,000
Debtors	21,000
Electricity expences	2,000
Bank	68,000
Cash in hand	12,000
Drawings	19,000
Insurance paid	1000

Additional information

(i) Closing stock was valued at sh.72,000

(ii) Telephone charges prepaid shs.1100

(iii) Outstanding water bill shs. 1300

(iv) Depreciation on equipment is 10% on cost carried inwards shs.11,000, carried outwards shs.10,000

Prepare;

Trading, profit and loss account for year ended 31st Dec 2011.

Nakhulo Traders

Trading profit and loss Account

For the year ended 31st Dec 2011

	Shs		Shs	shs
shs		Sales	208,000	
Opening stock		Less Returns	27,000	
60,000		181,000		
Purchases	161,000			
Add coming inward	11,000			
	172,000			
Less Returns out	25,000			
147,000				
207,000				
Less closing stock				

72,000			181,000
COS			GP b/d
135,000			46,000
GP c/d			Dis received
46,000			7,500
			Net loss
181,000			1,300
Telephone	5,000		
Prepaid	1,100		
3,900			
Water bills	2,100		
Add due	1,300		
3,400			
Depreciation on equip			
12,500			54,800
Carriage out			
10,000			
Salaries			
22,000			
Electricity expenses			
2,000			
Insurance			
1,000			
54,800			

4. (b) The following trial balance was extracted from the books of Bumala traders on 31st Dec 2011

Trial Balance
Bumala Traders

	Dr (shs)	Cr(shs)
Sales		720,000
Purchases	340,000	
Returns	20,000	18,000
Rent	16,000	
Advertising	24,000	
Commission		9,000
Debtors / creditors	54,000	64,000
Stock 1/1/2011	60,000	
Insurance	30,000	
Drawings	40,000	
Furniture / fittings	100,000	
Cash in hand	15,000	
Premises	400,000	
Capital		288,000

	1,099,000	1,099,000

Additional information;

(i) Stock as at 31st December 2011 shs 52,000
(ii) Rent accrued shs. 6,000
(iii) Insurance paid in advanced sh.4,000
(iv) Commission due shs.5,000
(v) Salaries along shs.21,000

Required;

(a) Trading, profit and lost account for the year ended 31st December 2011.
(b) Balance sheet as at that date (12mks)

(b)

Bumala Traders
Trading Profit and Loss Account
For the year ended 31/12/2011

	Shs		Shs	shs
shs		Sales	720,000	
Opening stock		L.Returns	20,000	
60,000			700,000	
Purchases	340,000			
Less returns	18,000			
322,000				
G.A.S				
382,000				
Less closing stock				
52,000			700,000	
COS			GP b/d	
330,000			370,000	
GP c/d			Commuss	9,000
370,000			Add due	5,000
			14,000	
700,000				
Rent	16,000			
Add curved	6,000			
22,000				
Advertising				
24,000				
Insurance	30,000			
Less Advance	4,000			
26,000				
Salaries			384,000	
21,000				
Profit c/d				
291,000				
384,000				

Bulala Trades
Balance sheet
As at 31/12/2011

F.A	shs	shs		Shs	shs
Formative / Fittings	100,000		Capital	288,000	
Premiers	400,000		Less Drawings	40,000	
500,000			Add net profit	248,000	539,000
CA				291,000	539,000
Debtors	54,000		C.C		
Stock	52,000		Creditors	64,000	
Insure prepaid	4,000		Rent accured	6,000	
Commiss due	5,000		Salaries	21,000	91,000
Cash	15,000				
130,000					630,000
630,000					

5. b) Thefollowing trial balance relates to Kitui Millers Ltd as at 31st December 2011.

Kitui Millers Ltd
Trial Balance
As 31st December 2011

Particulars	Dr shs	Cr shs
Capital		283,200
Drawings	8000	
Cash at Bank	30,000	
Machinery	360,000	
Debtors	42 700	
Creditors		20 000
Stock (1.1.2011)	40000	
Sales		570 000
Purchases	325 000	
Return inwards	10000	
Return onwards		15000
Carriage inwards	4000	

Carriage outwards	5000	
Rent	18000	
Salaries and wages	40000	
Discounts Received		9000
General expenses.	14,500	
	897 200	897 200

Stock as at 31/12/2011 was valued at shs. 35,000

Required:

i) Prepare a trading, profit and loss account for the year ended 31st December, 2011.

(8 marks)

ii) Draw a balance sheet as at 31st December, 2011. (4 marks)

Kitui Millers Ltd

Trading, profit and Loss Account✓

For the year ended 31st December 2011

	Shs	Shs		Sh	shs
Opening stock		40,000	Sales	570,	
Add: purchases	325	✓	Less : Returns	000	
LessReturns	000		inwards	✓	560,000
outwards	✓		Net sales		✓
				10,0	
Add : carriage	150			00✓	
inwards	0✓	31400			
	310,	0			
C.O.g.a.f.s	000	35400			
Less: closing		0✓			
stock	4,00	35000			560,00
C.o.g.s	0✓	✓			0
Gross profit c/d		31900			
		0			
		24100	Gross profit b/d		241000
Expenses		0✓	Discount received		✓
Carriage		560,00			
outwards		0			9000✓
Rent					
Wages and					
salaries					

General expenses		5000 ✓			
			77500		250,000
Net profit c/d		180 00✓	17250 0✓		
		400 00✓	250,000		
	14500✓				

Kitui Millers Ltd

Balance sheet

As at 31st December 2011

	shs	shs		shs	shs
Fixed Assets					
Machinery		360,000 ✓	Capital	283200 ✓	
	35000 ✓		Add: Net profit	172500 ✓	
Current Assets			Less	455700	447700
Stock	42700 ✓		Drawings	8000✓	20000 ✓
Debtors	30000	107 700			
Bank	✓	467 700	S.T.L creditors		467700

6. b) On 1st January 2012, Mlachake traders had cash in hand Ksh. 10,000 and cash at bank shs 15000. The following transactions took place during the month:

Jan 2: Bought goods in cash sh. 1500

Jan 4: Paid salaries by cash sh 7500.

Jan 5: Received cheques from the following debtors after allowing 2% discount in each case. Masy sh 980, kiplimo sh .1960.

Jan 8: Settled the following accounts by cheque in each case deducting 5 % discount; Juma sh 3000, Kasani shs 1200.

Jan 12: Bought machinery worth sh 7000, paid sh 5000 by cheque and the balance to be paid later

Jan 20: Took sh 1000 for personal use from the business cash till.

Jan 25: Cash sales sh 2000

Jan 26: Received cash shs.3000 from Kioko, a Debtor.

Jan 28: Brought in Sh 2000 cash from his personal savings.

Jan 29: Banked all cash except sh. 1000

Required: Prepare a duly balanced three column cashbook. (12 marks)

Three Column Cashbook

Dr

Date	particulars		Disc allow shs	cash shs	Bank shs	Date	Particular	L.f	Disc Rev shs	Cash shs	Bank shs
2012 Jan 1	Balance			10,000✓	15000 ✓	2012 Jan 2	Purchases			1500✓	
Jan 5	Mary		20 ✓		980 ✓	Jan 4	Salaries		150✓	7500✓	2850✓
Jan 5	Kiplimo		40 ✓		1960✓	Jan 8	Juma		60 ✓		1140✓
Jan 25	Sales			20000 ✓		Jan 8	Kasani	C			5000✓
Jan 26	Kioko			3000 ✓		Jan 12	Machinery			1000✓	
Jan 28	Capital			2000 ✓	6000✓	Jan 20	Drawings	c/d	210✓	600 0✓	14950 ✓
Jan 29	Cash		60 ✓		23940	Jan 29	Bank			1000✓ ✓	
				17000	14950					17000	23940
	Balance			1000			Balance				

Cr

24 x ½ = 12 marks

8. Ekerubo shop sells all its goods at a margin of 20 % for the year ended 30th April 2006, the trading activities were as follows;

Purchases	Shs. 800,000
Sales	Shs 950,000
Net profit	5 % of sales
Closing stock	Shs 200,000

Calculate;

(10 mks)

(i) The gross profit
(ii) The opening stock
(iii) The mark-up percentage
(v) The net profit.

(i) Gross profit =margin = $\frac{\text{gross profit}}{\text{Sales}} \times 100\%$ (2 mks)

$\frac{20}{100} \times 950{,}000$

Since margin =20% Mark up=1= ¼ =25%

$\frac{5}{1}$

Cost of sales

Mark up =G.P 100%

Therefore $\frac{25\%}{1} = \frac{\text{G.P}}{\text{cost of sales}} \times 100\%$

Hence 25% cost of sales=G.P 100

25% cost of sales =190,000 100

Cost of sales $= \frac{19{,}000{,}000}{25}$ ✓

(2mks)

=760,000 ✓

Therefore opening stock + Purchases – closing stock =cost of sales.

O.S +800000-200000=760,000

O.S =760-600000

=160,000✓

(4 mks)

(iv) Net profit =5% of sales

$\frac{5}{100} \times 950000$

(2 mks)

=47,500✓ 10 ticks

=10mks

8. (b) The following trial balance belongs to Kipevu trades as at 30th June, 2004

KIPEVU TRADERS

Trial balance as at30th June 2004

	Dr (shs)	Cr (shs)
Stock on 30/6/03	40,000	
Capital		162,300
Purchase and sales	35,000	70,000
Drawings	6,000	
Furniture and fittings	20,000	
Motor vehicles	150,000	12,000
Debtor and creditors	8,000	4,800
Returns	2,000	800
Discount	900	
Wages and salaries	15,000	
Rent	3,500	
Insurance	2,100	
Commission	400	
Bank		3,000
cash	6,000	
	252,900	252,900g

REQUIRED

(i) Prepare a trading profit and loss account

(ii) Prepare a balance sheet as at 30th June 2004 (12mks)

KIPEVU TRADERS:

Balance sheet as at 30th June 2004.

Dr			Cr
Fixed Assets	Capital	164,000	
Furniture and fittings 20,000	Add profit	900	

Motor vehicles			164,900
150,000		Less drawings	6,000
	170,000	Net capital	158,900
Current assets.		Current liabilities	
Debtors	8,000		
Cash at hand	6,000	Creditors	22,100
	14,000		
			184,000
	184,000		184,000

4. (a) KIPEVU TRADERS

Trial balance as at 30th June 2004:

Dr		Cr	
Opening stock	4,000	Sales	70,000
Add purchases	35,000 ½	Less sales return	2,000
Cost of goods as	39,0000	Net sales ✓ ½	68,000
Less returns outward ✓ ½	4,800	✓ ½	
	34,200		
Gross profit c/d	33,800		
EXPENSES:			
DISCOUNT	900	Gross profit b/d	33,800 ✓ ½
Wages	15,000	Add discount	800
Rent	3,500		34,600
Insurance	2,100		
Commission	400		
	21,900		
Net profit c/d	12,700		
	34,600	Net profit b/d.	34,600
			12,700 ✓ ½

Total= (8mks)

KIPEVU TRADERS

BALANCE SHEET

As at 30th June 2004

FIXED ASSATS		Capital	162,300✓ ½
Motor vehicles		Less drawings	6,000 ✓ ½
150,000		Add profit	12,700
Furniture		Net profit ✓ ½	169,000✓
20✓,000 ½		½	
	170,000	CURRENT LIABILITY:	
CURRENT ASSETS		Creditors	12,000✓
Stock		½	
34,200			
Debtors			
8,000			
Cash		218,200✓ ½	
6,000✓ ½			
48,200			Total = mks.
	218,200✓		

9. Prepare a three column cash book from the following information for the month of

May 2004 and balance it off.

May 1 Balances b/d cash sh 50,000, Bank sh 180,000

May 1 Cash sales sh 3,000

May 2 Paid the following creditors by cheque, N Mwangi sh 1,500, J .Mwaniki sh 16,000, N Mugo sh 1,200 after deducting 10% cash discount in each case.

May 3 Received cheques from the following debtors after deducting 5% discount in each case E. Githinji sh 24,000, D.Nyamu sh 9,000, E. Mutua sh 1,400.

May 5 Paid for repairs in cash sh 16,000

May 10 Paid Juma in cash sh9,500

May 15 Banked sh 6,000 from the cash till

May 15 Received cash from P. Kavuniki sh 13,500 in full settlement of his account of sh 15,000.

THREE COLUMN CASHBOOK

DATE		DA	CASH	BANK	DATE	DETAILS	DISCOUNT RECEIVED	CASH	BANK
2004		Sh	Sh	Sh	2004		Sh	Sh	Sh
May	Bal b/d		5000	18000	May	N.	150✓		1350✓

1	Sales		0✓	0✓	2	Mwangi	1600✓		14400✓
1	E Githinji	1200✓	3000✓	22800✓	2	J. Mwanikii	120✓	16000✓	1080✓
May 3	D. Nyamu	450✓		8550✓	2	N. Mugo		9500✓	
3	E. Mutua	70✓		1330✓	5	Repairs		6000✓	
3	Cash C_1	1500✓	13500✓	6000✓	10	Juma			201850✓
May 15	P Kavuniki				15	Bank C_1	1870	35000✓	
15					20	Bal c/d			218680
		3220✓	66500	218680				66500	

10. The following trial balance was extracted from the books of Baite Traders on 31st August. 2009.

	Dr (sh)	Cr (sh)
Sales		350,000
Purchases	160,000	
Cash at bank	290,000	
Return inwards	5,000	
Carriage inwards	20,000	
Carriage outwards	14,000	
Salaries and wages	10,000	
Debtors	56,000	
Creditors		90,000
Stock	35,000	
Machinery	265,000	
Rent		25,000
Discount received		18,000
Lighting and heating	12,000	
Building	240,000	

Advertising 13,000
Drawings 3,000
Capital
667,000

1,150,000

1,150,000

Additional information;

a) Stock on 31st August. 2009 was valued at sh 50,000. Required; Prepare Trading profit and loss account for the year ended 31st August. 2009. (12 marks)

11. On 1st January 2012 Manga traders had 180,000 cash in hand and a bank credit balance of Shs.57,500. During the month the following transactions took place.

3rd Jan: Cash sales Shs. 2,800

4th Jan: A debtor settled his accent of sh. 90,00 by cheque

10th Jan: Paid Salaries shs. 40,000 in cash.

12th Jan: Took cash sh. 35,000 to settle on personal debt.

23rd Jan: Received a cheque shs. 8460 from Ouru distribution after deducting 6% cash discount.

24th Jan: Deposits shs. 10000 in the bank from office cash.

25th Jan: Purchased stock worth shs.8950 on credit from Ngumo distributors

26th Jan: Cash sales banked directly shs.38000

27th Jan: A cheque received on 4th from a debtors was dishonored. The bank charged him 2500.

29th Jan: Settled creditors account shs. 6000 b cheque less 3% cash discount.

31st Jan: Bank all cash except shs.40,000

Required: Prepared a three column cash book duly balanced (10mks)

b)

Date	Details	D.A	Cash	Bank	Date	Details	D.R	Cash	Bank
2011					2011				
Jan 1	Balance BF		18,000		Jan 1	Balance BF			57,500
3	Sales		21,800		10	Salaries		40,000	
4	Debtors			90,000	12	Drawings		35,000	
23	Ouru	540		5460	24	Bank		10,000	

24.	**Cash**		**10,000**		**27**	**Bank**			**90,000**
26.	**Sales**			**38,000**	**"**	**Charges**			**2,500**
31.	**Cash**			**103800**	**29**	**Reditor**	**180**		**5820**
					31	**Bank**		**108300**	
					31	**Balance c/d**		**40,000**	**98880**
		540	**201800**	**254700**			**180**	**201800**	**254700**
Jan 31	**Balance b/d**		**40,000**	**98800**					

12. b) The following balances were extracted from the books of Mutua Traders for the year ended 31 Dec 2010 having proffered a trading account.

	Dr. (sh)	**Cr. (Sh)**
Gross profit		38100
Cash	105060	
Motorvan	603 000	
Capital		653560
Equipment	200600	
Furniture	94400	
Creditors		74300
Debtors	75900	
Discount received		26400
Salaries	12400	
Carriage outward	14400	
Rent: income		12600
Advertising	22200	
Insurance	9400	
Bank overdraft		412600
	1,217560	1,217560

Required:

a) Prepare a profit and loss account of Mutua Traders for the year ended 31st Dec 2001 (5mks)

b) A balance sheet as at that date.

(5mks)

MUTUA TRADERS

PROFIT & LOW ACCOUNT

FOR THE YEAR ENDED 31 DEC 2001

	Shs.		Shs.
Carriage Outwards	14400	Gross Profit b/f	38100
Salaries	12,400	Discount Received	26,400
Advertising	22200	Rent income	12,600
Insurance	9400		
Net Profit	18,700		
	77100		**77100**

MUTUA TRADERS
BALACE SHEET
AS AT 31ST DEC 2001

FIXED ASSETS	**SHS**	**SHS**		**SHS**	**SHS**
Motivation	603100		Capital		653,56
Equipment	200600		Add: Net profit		18,700
Furniture	94400	898,000			67226
Current Assets			**Current Liabilities**		
Stock	80200		Bank overdraft	412,600	
Debtors	75900		Creditors	74,300	
Cash	105060				486,9
		261260			
		1,159,160			**1,159,**

13. The following Trial balance was extracted from NDOLO'S STORES on 31st Dec 2009.

	Dr. Shs	Cr. Shs
Capital		250,000
Stock	25,000	
Machinery	250,000	
Motor vehicles	87,000	
Purchases	360,000	
Sales		600000
Returns inwards	40,000	
Returns outwards		20,000
Discount received		5,000
Carriage inwards	2,000	
Carriage outwards	3,000	
Bad debts (written off)	80,000	
General expenses	88,000	
Debtors	18,000	
Creditors		49,000
Rent		1,000

954,000

954,000

Additional information:-

Closing stock was valued at sh. 22,000.

Prepare NDOLO'S STORES; Trading, profit and loss accounts for year ending 31/12/2009.

NDOLO STORES

TRADING, PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DEC. 2003

Opening stock		25000		Sales	600000
Add purchases	360000			less return inw.	40000
Add carriage inw.	2000				56000
	362000				
Less return out	20000	342000			
Goods av. for sale		367000			
Less closing stock		22000			
Cost of sales/ Cost of goods sold		345000			
Gross profit c/d		215000			
		360000			560000
General expenses	88000		Gross profit b/d		215000
Carriage out.	3000		add discount recv.		5000
Rent	1000				
Bad debts	80000	172000			
Net profit c/d		48000			
		220000			
			Net profit b/d		48000

14. On 1st June 2009, MULI ENTERPRISES had cash in hand sh. 87,000 and cash at bank sh. 250,000.During the month, the following transactions took place.

June 2, Sales (cash) sh. 50,000

June 3, Paid salaries sh.101, 500 by cheque.

June 6, Received a cheque for sh. 76,800 from Mwelu after allowing her a cash discount of 4%.

June 12, Bought office furniture by cheque sh. 85,000

June 16, Settled Musau's account of sh. 40,000 in cash, having deducted shs 800 cash discount.

June 18, Received a cheque for shs 150,000 in respect of cash sales.

June 21, Paid wages shs 24,000 in cash.

June 22, Withdrew shs 30,000 from bank for office use.
June 25, Withdrew shs 5000 cash for private use.
June 28, Received shs 16500 cash from Kasiva in settlement of her account less shs 660 cash discount.
June 30, Deposited all the money into bank except shs 25,000
Prepare a three column cash book and balance it off.
(12marks)

MULI ENTERPRISES

THREE COLUMN CASH BOOK

Date	Details	Disc. Allowed	Cash	Bank	Date	Details	Disc. Received	Cash	Bank
2009 1/6	Bal b/d		87,000√	250,000 √	2009 2/6	Salaries			101,500 √
2/6	Sales		50,000√		12/6	Furniture			
6/6	Mwelu	3,200√		76,800	16/6	Musau	800	39,200√	
18/6	Sales			150,000	21/6	Wages		2,400√	
22/6	Bank		30,000√		22/6	Cash			30,000√
28/6	Kasiva	660√	16,500√		25/6	Drawing s		5000√	
30/6	Cash	c		90300√	30/6	Bank	c	90,300√	
					30/6	Bal c/d		25,000√	350,600 √
		3,860	183,500	567,100			800	183,500 √	567,100 √

15. ***The following balances relate to Msafiri Traders as at 31st December, 2012:***

	Sh.
Purchases	*900,000*
Stock, 1/1/2012	*230,000*
Buildings	*1,200,000*
Motor vehicles	*750,000*
Returns outwards	*50,000*
Debtors	*190,000*
Creditors	*310,000*
Loan from IDB	*600,000*
Cash at hand	*130,000*
Cash at bank	*270,000*
Drawings	*100,000*
Capital	*1,840,000*
	170,000
Net profit	
Stock, 31/12/2012	*280,000*
Expenses (including carriage inwards, shs 150,000)	*250,000*

REQUIRED:

i) Balance sheet as at 31st December, 2011.

ii) Calculate:

- *Mark-up percentage. (2mks*
- *Return on capital employed. (2mks)*

Msafiri traders

Balance sheet as at 31st December 2011

Assets			*Liabilities*	
	KSh	Ksh		
Fixed Assets			Capital 1,840,000	
Buildings	1,200,000		Add: Net profit 170,000	
Motor vehicle	750,000	1,950,000		2,010,000
			Less: Drawings	100,000
				1,910,000
Current Assets			*L/T Liabilities*	
Stock	280,000		Loan from IDB	600,000
Debtors	190,000		*Current Liabilities*	
Bank	270,000		Creditors	310,000
Cash	130,000	870,000		
		2,820,000		2,820,000

ii) **Mark-up**

= Gross profit Cost of sales Gross profit = net profit + expenses = 170,000 + 100,000 **= sh270, 000**

Cost of sales = op. stock + purchases + carriage in - returns outwards – closing stock = 230,000 + 900,000 + 150,000 - 50,000- 280,000 = **sh670, 000**

Mark-up = 270,000 x **= 40.298%**
670,000.

½mkx 4 ticks = 2 mks.

Return on capital employed:

= Net profit x 100
Capital employed Capital employed = owner's capital + L/T liabilities. = 1,910,000 + 600,000 **= sh2, 510,000.**

Return on capital employed = 170,000 x 100
2,510,000 =
6.77%/6.8/7.0%.

16. On 1st June 2011, Nyati Traders had cash in hand of sh25,000 and sh56,200 at bank. During month, the following transactions took place:

2011

June 2 Cash sales, sh42,000.

June 5 Received a cheque of sh70,500 from Butala Traders after deducting a 6% cash discount.

June 8 Paid salaries, sh24,000 in cash

June 9 Kivuitu settled his account of sh45,000 in cash and was allowed sh l,800 cas discount.

June 12 Cash sales sh46,500.

June *18 Paid Tuiei's debt* of *sh l00,000 by cheque after deducting 5% cash discount.*

June 24 Withdrew sh26,000 from the bank for office use.

June 30 Banked all the cash except sh25,000.

Prepare a 3-column cashbook and balance it off on 30th June, 2011.

(10mks)

Nyati Traders 3-column cash book For the month of June 2011

Date	Details	Disc. All.	Cash	Bank	Date	Details	Disc. Rec.	Cash	Bank
2011		shs	shs	shs	2011		shs	shs	Shs
June 1	Bal. b/d		25,000	56,200	June 8	Salaries		24,000	
June 2	Sales		42,000		June 18	Tulei	5,000		95,000
June 5	Butala Tr	4,500		70,500	June 24	Cash			26,000
June 9	Kivuitu	1,800	43,200		June 29	Elect		8,750	
June 12	Sales		46,500		June 30	Bank		24,950	
June 24	Bank		26,000		June 30	Bal. c/d		25,000	130,650
June 30	Cash			124,950					
		6,300	182,700	251,650			5,000	182,700	251,650
July 1	Bal. b/d		25,000	130,65C					

17. The following trial balance relates to Nthoi's enterprise as at 31st December 2011

	DR	**CR**
	Shs.	Shs.
Drawings	60,000	
Land + buildings	700,000	
Cash in bank	115,000	
Stock 1.1.2011	18,000	

Purchases and Sales	500,000	1,000,000
Debtors and Creditors	46,000	92,000
Salaries and wages	85,000	
Carriage inwards	9,000	
Carriage outwards	12,000	
Motor vehicles	400,000	
Capital		909,000
Water and lighting	36,000	
Insurance	40,000	
Returns	30,000	50,000
	2,051,000	2,051,000

Stock on 31st December 2011 was valued at kshs. 25,000.

Required; prepare Nthoi's Trading Profit and Loss Account for the year ended 31st December 2011.

(10marks)

NTHIO'S TRADING PROFIT & LOSS A/C

FOR THE YEAR ENDED 31ST DECEMBER 2011

	DR		CR
Opening stock	18,000√	Sales	1,000,000√
Add Purchases	500,000	Less return	30,000√
Add carriage	√	Inwards	970,000√
inwards	9,000√	Net sales	
	527,000		
Less return	√		
outwards	50,000√		
Cost of goods for	477,000		
sales	√		
Less	25,000√		970,000√
Cost of goods sold	452,000		518,000√√
Gross profit	√	Gross profit B/d	
	518,000		
Expenses	√		
Salaries & wages	970,000		
Carriage outwards	√		
Water & Lighting			
Insurance	85,000√		518,000√
	12,000√		
Net profit C/d	36,000√		
	40,000√		
	173,000		
	√		
	345,000		
	√		
	518,000		
	√		

20 x ½ = 10mks

19. The following Trial Balance was extracted from the books of Kisumu Auto spares as at 31st Oct 2011

Kisumu Auto Spares
Trial Balance
As at 31st Oct 2011

	DR	CR
Capital		653,560
Motor vehicle	603,000	
Equipment	200,600	
Furniture	94,400	
Debtors	75,900	
Creditors		74,300
Carriage on sales	14,400	
Discount Received		
26,400		
Salaries	12,400	
Rent Income		12,600
Sales		319,400
Purchases		300,000
Advertising	22,200	
Rates	9,400	
Stock 1-11-2010	61,500	
Bank		412,600
Cash	105,060	
TOTAL	**1,498,860**	
1,498,860		

Stock on 31st October 2011 was sh. 80,200

Required,

(i) Prepare Trading ,Profit and Loss account for the year ended 31st Oct 2011

(ii) Prepare Balance sheet as at 31st October 2011

(12mks)

Kisumu Auto Spares
Trading, profit and loss account
For the year ended 31st Oct 2011

Shs.	Shs.
Opening stock 61,500✓ Add purchases 300,000✓ COGAS 361,500✓ Less closing stock	Sales 319,400✓

80,200			
COGS		319,400	
281,300√		Gross profit b/d	
Gross profit c/d		38,100√	
38,100√		Discount received	
		26,400√	
319,400		Rent income	
		12,600√	
Carriage on sale			
14,400√			
Advertising			
22,200√			
Rates		77,100	
9,400√			
Salaries			
12,400√			
Net profit dd			
18,700√			
77,100			

14× ½

=7mks

Kisumu Auto Spares
Balance sheet
As at 31st Oct 2012

Fixed Assets			Shs.
Shs.			
Motor vehicles	603,000√	Capital	653,560√
Equipment	200,600√	Add. Net profit	18,700√
Furniture	94,400√		
		672,260	
898,000		Current liabilities	
Current Assets		Creditors	74,300√
Stock	80,200√	Bank	412,600√
Debtors	75,900√		
Cash	105,060√	486,900	
261,060			
		672,260+672,260+486,900	
1,159,060		1,159,060	

20. The following information relates to Bizna Distributor Company for the year ended 31st Dec 2009

	shs
Gross profit	600,000
Opening stock	285,000
Sales	2,400,000
Purchases	1,830,000
Expenses	360,000
Closing stock	315,000
Fixed assets	400,000
Debtors	900,000
Bank	35,000
Current liabilities	438,000

Required calculate

i) Margin (2 ½ mks)

ii) Rate of stock turnover (2 ½ mks)

iii) Return on capital employed (2 ½ mks)

iv) Current ratio (2 ½ mks)

a) .i. Margin =Gross profit/sales ×100√

=600,000/√ 2,400,000 ×100=25%√√ (5× ½=2 ½mks)

ii). Rate of stock turnover=cost of sales/average stock√√

=1,800,000/300,000√√=6times √√

iii). ROCE=Net profit/Capital employed × 100√

=240,000/1,212,000 × 100√√√

=19.8%√√

(5 ×½ =2 ½mks)

iv). Current ratio = Current Assets: √√Current liabilities

= 1,250,000√ : 438,000√

=2.85:1√√ (5×½=2½mks)

21. b) On 1st December 2009, Kamau had sh. 55,000 in hand and sh. 250,000 at bank. During the month, the following transactions took place.

December 2 cash sales banked sh. 35,260

3 Bought stationery in cash sh. 4,500

8 Paid Odongo a creditor sh. 94,000 by cheque in full settlement of his account after deduction 6% cash discount

12 received a cheque for sh 58,800 from Wafula after allowing him a cash discount of sh. 1,200

15 paid salaries sh. 34,000 in cash

25 Withdrew sh. 50,000 from bank for office use.

28 Anyango, a debtor paid her account of sh. 75,000 by cheque less 10% cash discount

30 Deposited all the cash into the bank except sh. 13,700

Prepare a three column cash book and balance if off. (10mks)

KAMAU

Three column cash book for the month of Dec.2009

Dr.

Cr.

DATE	Particulars	Discount allowed	Cash(shs)	Bank (shs)		DATE	Particulars	Discount receiver	Cash (shs)	Bank (Shs)
2009						2009				
Dec 1	Balanced b/d		55,000 ✓	250,000✓		Dec. 3	Stationery		4,500 ✓	
2	Sales			35,260 ✓		8	Ondongo	6,000✓		94,000 ✓
12	Wafula	1,200 ✓		58,800 ✓		15	Salaries		34,000	
25	Bank (C_1)		50,000 ✓			25	Cash (C_1)			50,000 ✓
28	Anyango	7,500 ✓		67,500 ✓						
30	Cash (C_2)			52,800 ✓		30	Bank (C_2)		52,800 ✓	
						30	Balance c/d		13,700 ✓	320,360✓
		8,700 ✓	105,000	464,360				6000✓	105,000	464,360
Jan 1	Balance b/d		13,700	320,360						

22. b) The following trial balance was extracted from the books of Mawego Traders 31st December 2010.

MAWEGO TRADERS

TRIAL Balance as at 31st December,2010

	Dr (shs)	Cr (shs)
Gross profit		380,000
Closing stock	274,000	
Capital		259,000
Drawings	83,000	
Creditors		93,000
Premises	103,000	
Debtors	123,000	
Cash at bank	33,000	
Bank loan (2 years)		50,000
General expenses	54,000	

Commission received		20,000
Wages and salaries	132,000	
	802,000	802,000

Prepare:

i) Profit and loss account for the year ended 31st December 2010. (4mks)

ii) Balance sheet as at 31st December 2010. (6mks)

i)

Mawego Traders

Profit and Loss account for the year ended 31/12/2010

EXPENSES	SH	SH		shs
General expenses	54,000✓		Gross profit b/d	380,000✓
Wages and salaries	132,000✓	186,000✓	Add: Commission received	20,000✓
Net profit c/d		214,000✓		400,000
		400,000		400,000✓
			Net profit b/d	214,000

(8 ticks x ½ = 4mks)

(ii) Mawego Traders

Balance Sheet

As at 31st December 2010

	SH	SH		Shs	Shs
FIXED ASSET					
Premises		103,000 ✓	Capital	259,000✓	
			Add: Net profit	214,000✓	
CURRENT ASSETS				473,000✓	
Stock	274,000✓		Less: Drawings	83,000✓	
Debtors	123,000✓		Net capital		390,000✓
Cash at bank	33,000✓	430,000	Long term liability		
			Bank loan		50,000✓
			CURRENT LIABILITY		
			Creditors		93,000✓
		533,000✓			533,000

23. b) The following trial balance was extracted from the books of Mzalendo Traders as at 31st Dec 2011.

Mzalendo Traders
Trial balance
As at 31st Dec. 2011

A/C Title	Dr (Sh)	Cr (Sh)
Fixed assets	292,600	
Current assets	78,000	
Rent income		23,000
Discounts	3,000	2,000
General expenses	89,000	
Carriage inwards	28,000	
Purchases /sales	280,000	474,000
Returns	4,600	7,000
Stock 01/01/2011	46,000	
Drawings	33,000	
Current liabilities		53,000
Capital		295,200
	854,200	854,200

Stock on 31st Dec. 2011 was Sh. 54,000.

Required:

i) Prepare trading, profit and loss accounts for the year ending 31st December 2011.
(8marks)

Calculate;

ii) Rate of return on capital employed.

(2marks)

iii) Rate of stock turn over. (1mark)

iv) Gross profit margin as a percentage. (1mark)

24. b) The following transactions relate to Busbul Traders for the month of December 2011.

Dec 1: Started a business with Sh.200,000 in the bank account.
Dec 2: Bought furniture for Sh.50,000 and paid by cheque.
Dec 3: Sold goods on credit to Tila Sh.20,000, Katu Sh.10,000.
Dec 4: Bought goods on credit from Kahama Sh.30,000, Kanga Sh.40,000.
Dec 5: Returned faulty goods to Kahama Sh.5,000.
Dec 6: Paid Kahama on account by cheque less 10% cash discount.
Dec 7: Received faulty goods from Katu Sh.2,000.
Dec 8: Received payment due from Tila and Katu by cheque less 5% cash discount.
Dec 9: Cash sales Sh.100,000.
Dec 10: Paid wages Sh.20,000 by cash and electricity Sh.10,000 by cheque.
Dec 11: Deposited all cash in hand into the bank account.

Required:

Prepare a three column cash book duly balanced

(10marks)

25. (a) The following Trial Balance relates to Katiba Traders for the year ended 31st January 2008

Capital		220,000
Land & Buildings	140,000	
Machinery	43,200	
Furniture	40,000	
Debtors	156,000	
Creditors		100,000
Opening stock	2,200	
Bank	120,000	
Cash	18,000	
Sales		30,800
Sales returns	800	
Purchases	16,000	
Purchases Returns		2,400
General Expenses	2,400	
Carriage Inwards	800	
Carriage Outwards	1,800	
Rent Received		5,000
Commission Received		2,000
Salaries and Wages	12,000	
Electricity	1,400	
Insurance	3,000	
Postage	600	
Drawings	2,000	
Bank Loan		200,000
TOTAL	**560,200**	**560,200**

Note: Closing Stock on 31st January 2008 was valued at Kshs. 5,000.,

Prepare:

(i) Trading, Profit and Loss Account for the year ended 31st January 2008. (8mks)

(ii) Balance Sheet as at 31st January 2008.

(4mks)

KATIBA TRADERS

TRADING PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 31ST JANUARY 2008

	SHS		SHS.
Opening Stock	2,200√	Sales	30,800√

Purchases	16,000√		Less Sales Returns	800√
Add: Carr Inw	800√			**30,000**√
	16,800			
Less: Purch. Ret	2,400√	14,400√		
Cost of Goods avail for sale		16,600√		
Less Closing Stock		5,000√		
Cost of Goods Sold		11,600√		
Gross Profit C/d		18,400√		
		30,000		**30,000**
General Expenses		2,400√	Gross Profit b/d	18,400√
Carriage Outwards		1,800√	Rent received	5,000√
Salaries and Wages		12,000√	Commission received	2,000√
Electricity		1,400√		
Insurance		3,000√		
Postage		600√		
Net Profit		4,200√√		
		25,400√		**25,400**

(24 ticks x 1/3 = 8mks)

(ii)

KATIBA TRADERS
BALANCE SHEET
AS AT 31ST JANUARY 2008

Fixed Assets	**SHS.**		**SHS.**
Land and Buildings	140,000√	Capital	220,000√
Machinery	43,200√	Add: Net Profit	4,200√
Furniture	40,000√		224,200
	223,200	Less Drawings	2,000√
Current Assets			222,200
Stock	5,000√		
Debtors	156,000√	**Long Term Liabilities**	
Bank	120,000√	Bank Loan	200,000√
Cash	18,000√	**Current Liabilities**	
	299,000√	Creditors	

100,000√

522,200

522,200

27. The following information relates to Ndhiwa resort traders for the month of November 2009:-

November, **1**.started a business with shs 160,000 cash
2. Purchases shs.120,000
3. Made sales in cash shs.126,000
4. Paid for electricity shs.1000 in cash
5. Received rent of shs.37 500 in cash
6. Gave discount of shs.6,000 in cash

Required :- i) Post the above information in the relevant ledger accounts and balance them off

iii) Extract a trial balance

Dr. CAPITAL A/C Cr.	
Dec. 31 Bal. b/d 160,000	Dec. 1 A/C 160,000
	Jan Bal b/d 160,000

Dr. Cash A/C Cr.			
Dec. 1 Capital	160,000	Dec. 2 Purchase	120,000
3 sales	126,000	4 electricity	1,000
5 Rent	37,500	6 comm.	6,000
		7 Bal c/d	196,500
	323,500		323,500
Jan 1 bal. b/d	196,500		

Dr. PURCHASE A/C Cr.	
Dec. 2 Cash 120,000	Dec. 30 Bal b/d 120,000
Jan. 1 Bal b/d 120,000	

Dr. SALES A/C Cr.	
Dec. 30 Bal. b/d 126,000	Nov. 3 Cash 126,000
	Jan. 1Bal b/d 126,000

Dr. ELECTRICITY A/C Cr.	
Dec. 4 Cash 1,000	Dec. 30 Bal c/d 1,000
Jan. 1 Bal b/d 1,000	

Dr. RENT A/C Cr.	
Dec. 30 Bal. c/d 37,570	Dec. 5 Cash 37,500

	Jan. 1Bal b/d 37,500

Dr. DISCOUNT A/C Cr.	
Dec. 6 Cash 6,000 Bal b/d 6,000	Dec. 30 Bal c/d 6,000

NDHIWA TRADERS Trial balance as at 31st Dec. 2008		
Title of Accounts	Debit	Credit
Capital		160,000
Cash	196,500	
Purchases	120,000	
Sales		126,000
Electricity	1,000	
Rent		37,500
discount	6,000	
	323,500	323,500

28. On March 2007, Doris had cash in hand shs.87,000 and cash at bank shs.25,000. During this
month, the following transactions took place:

March 2nd : Cash sales shs.60,000

3rd: Paid salaries shs.101,500 by cheque

7th : Received a cheque of shs.76,000 from Henry after allowing a cash discount of 5%

13th: Bought office furniture by cheque shs.86,000

17th: Settle marital account for shs.34,200 in cash having deducted shs.8,000 cash discount

20th: Received a cheque for shs.165,000 in respect for cash sales

22nd: Paid wages shs.25,000 in cash

24th: Withdrew shs.32,000 for bank for office use

25th : Withdrew shs.4,000 cash for personal use

29th: Received shs.17,000 cash form Alvin in settlement of his account less shs.1000
cash discount

31st : Deposited all the money into the bank except shs.24,600

Required: ***Prepare a three column cash book duly balanced***

Date	Detai	L.	Dis	Cash	Bank	Date	Details	L.	Dis	Cash	Bank

	ls	F	allowed					F	paid		
1/3/07 2/3/07 7/3/07 20/3/07 24/3/07 29/3/07 31/3/07	Bal Sales Henry Sales Bank Alvin Cash Balb/		 4,000 1,000 5,000	87,000 60,000 165,000 32,000 16,000 360,000 24,000	250,000 76,000 272,800 598,800 379,300	3/3/07 13/3/07 17/3/07 22/3/07 24/3/07 25/3/07 31/3/07	Salaries Furniture Marita Wages Cash Drawing Bank Bal c/d		 8,000	 34,200 25,000 4,000 272,800 24,000 360,000	101500 86,000 32,000 379,300 598,800

31. A petty cashier of Mugirango traders operates his petty cash book on an imprest system of sh. 2500. On I February 2009, he had cash in hand of Sh. 500 and was reimbursed the difference by the main cashier to restore his cash float. The following transactions took place during the same month of February 2009:

Feb 2nd paid taxi fare sh.150 and wages sh250
4th Bought five reams of paper for sh25 each and stamps for sh.30
7th Paid wages sh.250 and bought envelopes for sh.40
20th Bought tea for staff sh.70 and paid for water bills sh.56
28th Paid for electricity sh.80 and stamps sh.40

Required: Prepare a petty cash book using the following analysis columns;

- Wages
- Traveling
- Stationery
- Postage
- Miscellaneous

PETTY CASH BOOK

Receipts	Date	Details	Vouch No.	Total	Wages	Traveling	Stationery	Postage	Miscellaneous
500	2009 Feb	Bal b/d							

2000	1	Cash							
	" 1	Taxi fare		150		150			
	"2	Wages		250	250				
	"2	Reams of		125			125		
	"4	paper		30	250			30	
	"4	Stamps		250					
	"7	Wages		40					
	"7	Envelope		70			40		70
	"20	Staff tea		56					56
	"20	Water bill		80					80
	"28	Electricity		40				40	
	"28	Stamps		1091	500	150	165	70	206
				1409					
2500	"28	Bal c/f		2500					

32. Record the following transactions in the relevant ledger accounts, balance the account
and extract a trial balance

Date	Transaction
1/4/2007	Mary started business with shs.80,000 cash
2/4/2007	Bought stationery for shs.4,000 and paid in cash
3/4/2007	Opened a bank account and deposited shs.50,000 from the cash till
4/420007	Bought motor vehicle worth shs.250,000 from Lucy motors on credit
5/4/2007	Bought postage stamps for shs.60 in cash

33. The following transactions relate to Furaha traders for the month of July,2008

July 1 : Balance brought down cash sh.16,250 and Bank Shs.19,847

July2 : Sold goods worth Shs.1,348 to Patel and received a calculator in exchange

July 5 : Paid transport by cheque Shs.2,000

July 6 : Issued a cheque to Kerio Traders setting an invoice for Shs.10,000 deducting 2% cash discount

July 10: Transfer Shs.15 000 from cash till to bank

July 12: Sold goods for cash Shs.12,000 less 2% cash discount

July 13: Sold goods to Onyango on credit worth Shs.15, 000

July 14: The owner of the business withdrew Shs.3000 in cash to buy a present for his

daughter

July 16 : Received a cheque from Kuria Shs.2,500 less 5 % cash discount

July 22 : Bought furniture from Babu Traders on credit worth Shs.16,500 and cash discount of 10% if payment is made within 2 weeks

July 24: Withdrew cash from bank for office use Shs8,000

July 26: The owner brought into the business Shs.9,000 cash

July 27: Issued a cheque to Babu Traders for amount due

July 28: Sold goods to Kuria worth Shs.5,000 for Shs.3,800 and received payment by cheque

July 30: Banked all cash and remained with Shs.100 in the cash till

Required; Prepare Furaha Traders three column cash book for the month of July, 2008

FURAHA TRADERS

CASH BOOK

DATE	*PARTICULARS*	*D.A*	*CASH*	*BANK*	*DATE*	*PARTICULARS*	*D.R*	*CASH*	*BANK*
2008					2008				
July 1	Balance b/d		16520	19847	July 5	Transport			2000
					6	Kerio traders	200		9800
10	Cash			15000					
12	Sales	240		11760	10	Bank		15000	
16	Kuria	125		2375		Drawing		3000	
24	Bank		8000		14				
26	Capital		9000			Cash			8000
28	Sales	120	3800		24	Babu traders	1650		14850
30	Cash ©	0		18320	27	Bank ©		18320	
			37320	67302	30	Balance c/d		1000	32652
	Balance b/d	156	1000	32652			1850	37320	67302
		5							

34. Journalize the following transactions which took place in the business of W. Wanjala during the month of June 2009:-

June 1 Balance B/f from May 2009 were:-
Office furniture shs.50,000 and motor vehicle shs.100,000

June 2 Purchased office furniture on credit for shs.65,000 from Mwema furniture

June 10 Sold an old vehicle on credit to Omwami garage for shs.200,000

June 25. Discovered that a motor vehicle that had been bought on credit from Kanyere motor for Kshs.750,000, had been recorded in

purchases account

June 28 Sold an old computer to classic academy on credit for ksh. 15,000

June 29 : Sold an old tractor whose book value is Kshs. 200,000 for Khs.250,000

to Goseta

the general journal

Date	*Particulars*	*Folios*	*Dr(sh)*	*Cr (sh)*
2009 June	Furniture A/C	G.L	50,000	
	Motor vehicle	G.L	100,000	
	(A record of opening balance of assets)			
2009 June 2	Furniture A/C	G.L	65,000	
	Mwema furniture Ltd	G.L		65,000
	(Being a record of office furniture bought on credit from Mwema furniture Ltd)			
2009 June 10	Omwami garage A/C	G.L	200,000	200,000
	C Motor vehicle A/C	G.L		
	(being a record of credit sale of motor vehicle to Omwami garage)			
2009 June 25	Motor vehicle A/C	G.L	750,000	
	Purchases			750,000
	(Being a correction of an error of principle)			
2009 June 28	Classic academy A/C	G.L	15,000	15,000
	Computer office			
	Equipment A/C			
	(Being a record of the computer to classic			
2009 June 29	academy)	G.L	250,000	
	Goseta farm A/C			200,000
	Tractor A/C			50,000
	Train on disposal of old tractor			
	(Being a record of old tractor to Goseta farms at a profit)			

35. On 1st June 2009, **Nyamira Traders** had cash in hand shs.87,000 and cash at bank Shs.250,000.

During the month, the following transactions took place:-

2009 June 2:-Cash sales shs.50,000 issued Receipt No.063

3:- Paid salaries and wages shs.101,500 by cheque ; cheque no. 083

6:- Received a cheque for shs.76,800 from Kemunto, after allowing her a cash discount of 4% issued a receipt No. 064

12:- Settled Omwabo's account of shs.40,000 in cash, having deducted shs.800 cash discount. Received recipt no. 0656

18:- Withdrew shs.30,000 from bank for office use

21:- Received shs.16,500 cash from Manwari in settlement of his account less shs.660
cash discount. Receipt No. 065

22: - Bought office furniture by cheque shs.85,000. Receipt No. 734

23:- Paid wages Shs.24,000 in cash receipt No. 801

28:- Withdrew shs.5000 cash for private use

30:- Received a cheque for shs.150,000 in respect of cash sales . Receipt No. 066

Required: Prepare:- (i) A cash receipts journal

(iii) A cash payment journal

Cash receipt journal

Date 2009	*particulars*	*Receipt number*	*Ledger folio*	*Discount allowed*	*cash*	*Bank*
June 2	sales	063			50 000	
6	Kemunto	064		3 200		76 800
18	Bank		C		30 000	
21	Manwori	065		660	16 500	
30	Sales	066				150 000
				3860	96 500	226 800

(iv)

Cash payment journal

Date 2009	*particulars*	*Receipt number*	*Ledges folio*	*Discount received*	*cash*	*bank*
June 3	Salary	083				101 500
12	&wages	0656		800	39	
18	Omwabo		C		200	30 000
22	Cash	734				85 000
23	Furniture	801				
26	Wages				24	
	drawings			800	000	216 500
					5	
					000	
					68	
					200	

(v)

36. The following is a trial balance of JAO traders as at 31/12/2009

	Dr (Shs)	**Cr (Shs)**
Capital		170000

Opening stock	60000	
Equipment at cost	125000	
Purchases	161000	
Sales	208000	
Discounts	2000	8000
Returns	27000	25000
Salaries	20000	
Telephone charges	5000	
Water bills	2100	
Creditors		15100
Debtors	21000	
Electricity expenses	2000	
Insurance paid	1000	
	426000	426000

Additional information

i. Closing stock was valued at Shs.72000
ii. Telephone charges prepaid was Shs.1000 and outstanding water bills was Shs.1300
iii. Depreciation on equipment is 10% p.a on cost
iv. Carriage inwards was Shs.11000 and carriage outwards Shs.10000

Prepare trading and profit loss account for the year ending 31/12/2009

JAO TRADERS

TRADING AND PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDING 31/12/2008

DR			*CR*	
Opening stock		60000	Sales	208000
Add purchases	161000		Less returns in	27000
Add carriage	11000			
	172000			181,000
Less returns out	(25000)	147000		
G.A.F.S		207000		
Less closing stock		(72000)		
Cost of sales		135000		
Gross profit c/d		46000		
		181000		
Expenses			181000	
Discount allowed		2000		
Salaries		20000		
Tel charges	5000		Gross profit	46000
Less prepaid	1000	4000	Discount rec	8000
Water bills	2100		Net loss c/d	800
Add accrued	1300	3300		
Electricity expenses		2000		
Carriage out		10000		

Insurance paid	1000	
Dep on equil ($^{10}/_{100}$ x 125000)	12500	
	54800	
Net loss b/d	800	54800

38. The following extracted from the books of Mogusii Ltd. 2005

March 1. Credit purchases from Obwocha Sit 1200
Agwata sh. 3,000 and Nyauamba sh.2,500

March 5 Credit sales to Okero Sit 2,000, Michieka sh.4,300 and Omwenga sh. 1500

March 10 Credit purchases from Onyancha Sh.2700
Obwocha sh 6600 and Ombaki sh.3300

" 20 Returned goods to Obwocha sh.250 and Onyancha 703

26 Credit sales to Bundi sh.850. Tendu sh.630 and Okero-sh.900

" 30 GoodswereretumedbyBundish.I50andMichiekasitl30

Required: ***Enter the above transactions in their relevant day books***

PURCHASES JOURNAL

Date	*Details*	*Invoice No.*	*Ledger folio*	*August*
2005 March 1	Obwocha			1200
" " 1	Agwata			3000
	Nyanamba			2500
1 0	Onyancha			2700
" " 1 0	Obwocha			6600
" " 1 0	Ombaki			3300
				19300

SALES JOURNAL

Date	*Details*	*Invoice No.*	*Ledger folio*	*August*

2005 March 5 " " 5 " " 5 " "	Okero Micheka Omwega Bundi Tendu Okero			2000 4300 1500 850 630 900 10180

PURCHASE RETURNS JOURNAL

Date	*Details*	*Invoice No.*	*Ledger folio*	*August*
2005 March 20 " " 20	Obwocha Onyancha			250 700 950

SALES RETURNS JOURNAL

Date	*Details*	*Invoice No.*	*Ledger folio*	*August*
2005 March 30 " " 30	Bundi Michieka			150 130 280

39. The following information was extracted from Jaribu traders on 31st December 2009

Stock turnover	5
Mark up	25%
Cost of sales	60,000
Closing stock	8,000

Required: i) Net sales

iii) Average stock

iii) Opening stock

iv) Net purchases

Mark up $= \frac{GP}{Cost\ of\ sales}$

$\frac{1}{4} = \frac{GP}{60,000}$

$4GP = 60,000$

$GP = 15,000.$

i) Net sales = Cost of sales + gross profit

60,000 +15,000 =75,000

ii) Average stock : stock turn = $\frac{cost\ of\ sales}{Av.\ stock}$

$\frac{5}{1} + \frac{60,000}{}$

AV

5AV + 60,000

AV = 12,000

iii) Opening stock .

AV = op.st + cl.stock

2

24,000 = 8000 + op stock

Op.stock = 16,000

iv) Cost of sales

op.st + p – cls

60,000 = 16,000 + p – 8000

Purchases = 42,000

40. The following trial balance was extracted from Vumilia traders as 31st December 2006

	Dr	Cr
Capital		125,000
Purchases	45,000	
Carriage on sales	2,000	
Stock	25,000	
Sales		120,000
Carriage on purchases	1,200	
Insurance	5,900	
Salaries	12,450	
Discount allowed/ Discount received	3,400	1,950
Debtors/creditors	25,000	15,500
Bank	14,500	
Machinery	128,000	
	262,450	
	262,450	

Additional information:

-closing stock 25,000

-Outstanding salaries 450

-Insurance 900 has been paid in advance

-Depreciate machinery by 10% on cost

Required: i) trading, profit and loss a/c

ii) Balance sheet

Vumilia Traders

Trading, profit and loss account

For the year ending 31st December 2006.

Opening Stock	25,000	Sales	120,000
Add. Purchases	45,000		

		70,000	
Add. Carriage on purchases		1,200	
Cost of good sold		71,200	
Less. Closing stock		25,000	
Cost of sales		46,200	
Gross profit c/d		73,800	
		120,000	
120,000			
Expenses			
Carriage on sales		2,000	Gross profit b/d
73,800			
Discount allowed/		3,400	Add: Dis received
1,950			
Insurance paid	5,900		
Less Prepaid	900		
		5,000	
Salaries	12,450		
ADD Outstanding salaries	450		
		12,900	
Machinery		12,800	
Total Expenses		36,100	
Net profit c/d		39,630	
		75,730	
75,730			

Vumilia Traders
Balance sheet
AS AT 31st December 2006

Machinery	128,000		Capital	
125,000				
LESS Deprec	12,800		Add. Net Profit	
39,630				
		115,200		
164,630				
Stock		25,000		
Insurance prepaid		900		
Debtors		25,000	creditors	
15,500				
Bank		14,500	outstanding salaries	
450				
		180,600		180,600

41. The following balance sheet was prepared by the accounts clerk of Mapato traders:-

Mapato traders
Balance sheet
As at 31st dec 2009

Fixed assets			
Land and building	300 000	capital	422 930
Furniture and fittings	51 500	+net profit	220 500
Machinery	140 000		643 430
Motor vehicle	190 000	-drawings	175 000
	681 500		468 430
Current assets		long term liabilities	
Stock	124 500	mortgage loan	30 000
Debtors	103 650	bank loan	400 000
Cash at bank	54 850		430 000
Cash at hand	3650	current liabilities	
	286 650	creditors	99 730
	968 150		968 150

Requirements:

Calculate the following

i) Working capital
ii) Return on capital
iii) Current ratio
iv) Capital employed
v) Borrowed capital

i) Working capital

Working capital=current assets-current liabilities

CA=stock+ debtors+ cash in hand+ cash at bank

=124500 +103650 +54850 +3650 =sh 286650

CL=creditors=99720

∴ W.C=286650-99720 = sh 186,920

ii) Return on capital

$$\text{Return on capital} = \frac{\text{net profit}}{\text{Capital invested}} \times 100$$

$$= \frac{220500}{422930} \times 100$$

=52%

iii) Current ratio

iv) Capital employed

Capital employed=capital owned +long liability

=468430+400000 = 868430

Or

=fixed assets + working capital

=481500+186930 =868,430

v) Borrowed capital

Borrowed capital=long term liabilities

=mortgage loans +bank loan
=300000+100000 =sh 400000

42. The following information was extracted from books of Chunga Traders for the period ending
31/12/2000:-

Fixed assets – 350,000
Drawings – 50,000
Creditors – 50,000
Cash – 60,000
Discount received 4,000
Rent – 12,000
Bank overdraft – 10,000
Debtors – 20,000
Stock (31/12/2000)-30,000
Commission received – 6,000
Gross profit – 80,000
Electricity – 3,000
Stock (11/1/2000) – 50,000
Salaries – 20,000

(a) ***Prepare***:- (i) Their profit & loss account

Chunga Traders
Profit & Loss A/C
For the Period Ending 31/12/2000

	Kshs		Kshs
Salary	20,000	Gross profit	80,000
Rent	12,000	Discount received	4,000
Electricity	3,000	Commission received	6,000
Net Profit	55,000		
	90,000		90,000

Chunga Traders
Balance Sheet
As At 31/12/2000

	Kshs.		Kshs.
		Capital -	395,000
Fixed Assts	350,000	+ Net Profit	55,000
		- Drawings	50,000
Cash	60,000	Closing Stock	400,000

Debtors	20,000	Bank overdraft	10,000
Stock	30,000	Creditors	50,000
	460,000		460,000

(i) Working Capital = CA - CL

= 110,000 – 60,000 = 50,000

(ii) C. Employed = FA + WC

= 350,000 + 94,000 = 444,000

43. The following balances were extracted from the books of **Nyamaiya Traders** on 31st May 2009:-

	shs.
Gross profit	400,000
Equipment	900,000
Furniture	500,000
Provision for depreciation on furniture	65,000
Power & lighting	24,000
Commission received	170,000
Stock (31.05.09)	35,000
General expenses	240,00
Debtors	350,000
Provision for bad debts	3,000
Creditors	550,000
Discounts allowed	29,000
Discounts received	40,000
Cash in hand	150,000

Additional information

(i) Depreciation to be provided as follows: – Equipment 20% on cost
– Furniture 10% on book value

(ii) Adjust provision for bad debts to shs.3500

(iii) Commission received in advance amounted to shs.10,000

Required: Prepare:- (i) Profit and loss account for the year ended 31st May 2009

(ii) Balance sheet as at 31st May 2009

Nyamaiya Traders Profit & Loss Account for the year ended 31st May 2009				
Depreciation: Equipment 180,000		Gross profit		400,000
Furniture	43,500	Commission received 170,000		
Power & lightning	24,000	Less: Advance	10,000	160,000
General expenses	240,000	Discounts received		40,000

Increase in provision for bad debts 500			
Discounts allowed	29,000		
Net profit c/f	83,000		
	600,000		600,000

Nyamaiya Traders Balance sheet as at 31st May 2009			
Fixed assets		Capital	1,000,000
Equipment	900,000	ADD: net profit	83,000 1,083,000
LESS: Depreciation	180,000		
720,000		Current liabilities	
		Advance commission received	10,000
Furniture	500,000	Creditors	550,000
LESS: Depreciation	108,500		
391,500			
Current Assets			
Stock			
35,000			
Debtors	350,000		
LESS: Provision	3,500		
346,500			
Cash in hand			
150,000			
			1,643,000
1,643,000			

44. The following trial balance was extracted from the books of Fula Traders on Dec. 31, 2005

FULA TRADERS
TRIAL BALANCE
AS AT DEC. 31, 2005

	Dr.	Cr.
	Shs.	Shs.
Sales		600,000
General expenses	60,000	
Rent expenses	10,000	
Commission received		20,000
Motor vehicle	600,000	
Furniture	240,000	

Cash	50,000	
Creditors		180,000
Debtors	120,000	
Purchase	400,000	
Sales returns	20,000	
capital		700,000
	1,500,00 0	1500,000

Additional information

I. Stock at Dec. 31, 2005 was valued at shs.60,000

II. Depreciation to be provided as follows:

(a) Motor vehicle 20% per annum on cost

(b) Furniture 10% per annum on cost

Required:-

(i) Trading profit and loss account for the year ended Dec. 31, 2005

(ii) Balance sheet as at Dec. 31, 2005

45. The following information relates to Joy Traders for the year ended Dec. 31, 2006

Turnover	270,000
Margin	40,000
Rate of stock turnover	6times
Expense	40,000

Calculate: (i) Gross profit

(ii) Cost of sales

(iii) Net profit

(iv) Average stock

(v) Mark –up

46. The following information relates to Kipgaa traders for the year 2006:-

	Kshs.
Turnover	270,000
Margin	40%
Rate of turnover	6 times
Expenses	40,000

From the information given above,

Calculate: (i) Gross profit

(ii) Cost of goods sold

47. The following information relates to Ladopharma Chemist as at 30th November 2008

	Dr (shs)	**Cr (shs)**
Stock (30th Nov 2007)	23 910	
Capital		30 955
Drawings	8 420	
Bank	3 115	

Cash	295	
Debtors	12 300	
Creditors		9 370
Motor vehicles	4 100	
Equipment	6 250	
Sales		130 900
Purchases	92 100	
Returns inwards	550	
Carriage inwards	215	
Return outwards		307
Carriage outwards	309	
Motor expenses	1 630	
Rent	2 970	
Telephone charges	405	
Wages	12 810	
Insurance	492	
Office expenses	1 377	
Sundry expenses	284	
	171 532	171,532

Stock as at 30th November 2008 was shs 27 475

Required: prepare

i) The trading, profit and loss account

ii) A balance sheet as at 30th November 2008

LADOPHARMA CHEMIST
TRADING RPOFIT AND LOSS A/C
For the year ended 30th June 2008

	Shs.		Shs.
Opening stock		Sales	130,900
23,910		Return inwards	550
Purchase			
92,100			130,350
Returns outwards	307	Gross profit b/d	41,907
91,973			
Carriage inwards			
215			
	115,918		
Slowing stock			
27,475			
Cost of sales			
88,443			
Gross profit c/d			
41,907			
	130,350		

Carriage outwards 309			
Moor expenses 1,630			41,907
Rent	2,970		
Telephone charge 405			
Wages	12,810		
Insurance	492		
Office expenses 1,377			
Sundry expenses 284			
Net profit c/d 21,630			
	41,907		

		/ODAPHARMA CHEMIST BALANCE SHEET As at 30th June 2008			
Capital	30,955		Fixed assets		
Net profit	21,630	52,630	Equipment	6,250	
Drawings		8,420	Motor vehicle	4,100	10,350
		44,165			
Current liabilities			Current assets		
Creditors		9,370	Stock	27,475	
			Debtors	12,300	
			Bank	3,115	
			Cash	295	
					43,185
		53,535			53,535

48. The following is a trial balance of JAO traders as at 31/12/2009

	Dr (Shs)	Cr (Shs)
Capital		170000
Opening stock	60000	
Equipment at cost	125000	
Purchases	161000	

Sales	208000	
Discounts	2000	8000
Returns	27000	25000
Salaries	20000	
Telephone charges	5000	
Water bills	2100	
Creditors		15100
Debtors	21000	
Electricity expenses	2000	
Insurance paid	1000	
	426000	426000

Additional information

(i) Closing stock was valued at Shs.72000

(ii) Telephone charges prepaid was Shs.1000 and outstanding water bills was Shs.1300

(iii) Depreciation on equipment is 10% p.a on cost

(iv) Carriage inwards was Shs.11000 and carriage outwards Shs.10000

Prepare trading and profit loss account for the year ending 31/12/2009

JAO TRADERS

TRADING AND PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDING 31/12/2008

DR				CR
Opening stock		60000	Sales	208000
Add purchases	161000		Less returns in	27000
Add carriage	11000			181,000
	172000			
Less returns out	(25000)			
147000				
G.A.F.S		207000		
LESS closing stock				
(72000)				
Cost of sales				
135000			181000	
Gross profit c/d				
46000				
		181000	Gross profit	46000
			Discount rec	8000
Expenses			Net loss c/d	800
Discount allowed				
2000				
Salaries				
20000				
Tel charges	5000			
Less prepaid	1000			
4000				
Water bills	2100			54800

Add accrued 1300 3300 Electricity expenses 2000 Carriage out 10000 Insurance paid 1000 Dep on equil ($^{10}/_{100}$ x 125000) 12500 54800 Net loss b/d 800	

49. The following trial balance relates to Jakobura Stores

	DR	CR
Gross profit		85,000
Debtors	95,500	
Motor vehicle	150,000	
Furniture	30,000	
Bank	62,000	
Stock	52,500	
Provision for depreciation on Motor vehicle		16,000
Provision of depreciation on Furniture		2,620
Salaries	64,000	
Building	180, 000	
General expenses	45,200	
Creditors		75,000
Commission received		42,800
Equipment	55,200	
Electricity	15,420	
Capital	_____	528,400
	749,820	749,820

Additional information

(i) Profit margin was 20%

(ii) Stock as at 1st January was valued at Ksh. 48,000

(iii) Depreciation was provided as follows:

(a) Motor vehicle 25% p.a on cost

(b) Furniture 7% p.a on cost

(iv) On 31st Dec 2006, equipment was valued at Ksh. 48,576 and general

expenses

outstanding were Ksh. 1,200

(v) A bill of Khs.340 which was paid for a private residence was included in the electricity

account .

Required:-. Prepare a trading profit and loss account for the year ended 31st Dec 2006

JAKOBURA TRADERS

PROFIT AND LOSS A/C FOR THE YEAR ENDED 31/12/006

	SHS	SHS		SHS	SHS
Opening stock		48 000	sales		425 000
purchases		344 500			
Cost of goods available for sales		392 500			
Less closing stock		52 500			
Costs of goods sold		340 000			
Gross profit c/d		85 000			
		425 000			425 000
salaries	45200		Gross profit b/d	85 000	
Add general expanses accrued	1200	46 400	commission	42 800	
electricity	15240				
Less drawing	340	15 080			
depreciation					
Motor vehicles 150000x25/100		37 500			
Furniture 30000x7/100		2 100			
Equipment(55200-48576)		6624			
Net profit c/d		20096			
		127 800		127800	

50. The following information relates to Odongo Traders for the year ended 31.Dec. 2008.

Land	shs.50,000
Capital	shs.94,000
Machinery	shs.20,000
Motor vehicles	shs.30,000

10 year bank loan shs.20,000
5 year AFC loan shs.10,000
Stock shs.10,000
Debtors shs.6,000
Creditors shs.6,000
Accrued expenses shs.2,000
Cash at bank shs.10,000
Cash in hand shs.2,000
Drawings shs.4,000

Required:

i) A balance sheet as at 31st Dec. 2008
ii) Calculate -borrowed capital
-current ratio
-capital owned

Odongo traders

Balance sheet as at 31st Dec 2008

F.A			
Land	50,000	Capital	94,000
Machinery	20,000	Less drawings	4000
M/vehicles	30,000		90,000
100000		Long term liabilities	
Current assets		10yrs loan	20,000
Stock	10,000	5yrs AFC loan	10,000
Debtors	6,000		30,000
Cash at bank	10,000	Short term loan	
Cash at hand	2,000	Creditors	6000
28,000		Expense occurred	2,000√
		8,000	
			128,000
128,000			

ii) calculate-Borrowed capital = long term liabilities

= 20,000+10,000
= 30,000 -current ratio

Current assets : current liabilities

28,000:8000
28:8
7:2 *-capital owned*

C =A-L

= 128,000-38,000 = 90,000

Or

Capital-drawings

94,000-4000=90,000

51. The following Trial balance was prepared from the books of Paka Traders as at 31st December 1995.

Trial balance December 31st 1995

	Dr. Kshs	Cr. Kshs
Sales		900,000
Purchases	600,000	
Returns inwards	80,000	
Returns outwards		20,000
Carriage in		40,000
Carriage out	3,000	
Stock (Jan)	100,000	
Rent	60,000	
Creditors	170,000	
Debtors	120,000	
Interest expenses	18,000	
General expenses	7,000	
Capital	178,000	
	1,268,000	
Creditors		240,000
	6 226 000	6 226 000

Additional information

Stock as at 31st December was 100,000

i. Prepare Trading, profit and Loss account for the period ended 31 December 1999

ii. Calculate return on capital, current ratio and debtor's ratio (10 marks)

Paka Traders
Trading Profit and Loss Account
As at 31 December 1995

	Dr	**Kshs**	**Cr.**	**Kshs**
Opening Stock	100,000	Sales		900,000
Purchases	600,000			
Purchases returns	20,000			
		Sales Returns		80,000
Transportation in	40,000			
				820,000
Closing Stock (135,000)				
G.P.c/d	235,000			
		920,000		
Expenses				
Carriage out	3,000			
Rent	60,000			

Interest Expenses	18,000		
General Expenses	7,000		
N.P.C/d	147,000		
	235,000		235,000
b)		N.P.B b/d	147,000

52. The following trial balance was extracted from the books of Maringo traders on 31st December 2001

Maringo traders Trial Balance as at 31st December 2001

Gross Profit		380,000
Closing stock	274,000	
Capital		259,000
Drawings	83,000	
Creditors		93,000
Premises	103,000	
Debtors	123,000	
Cash at bank	33,000	
Bank loan (1 yr)		50,000
General expenses	54,000	
Commission received		20,000
Wages and salaries	132,000	
	802,000	802,000

Prepare

a) Profit and loss Account for the year ended 31st December 2001

b) Balance sheet

Maringo Traders

Profit and loss account as at 31 December 2001

Dr	**Kshs**	**Cr.**	**Kshs**
Salaries expense	132,000	Gross profit	380,000
General expense	54,000	Comm. Received	20,000
N.P.c/d	214,000		
	400,000		400,000

N.P. c/f 214, 000

Maringo Traders

Balance Sheet As at 31 December 2001

Dr	Kshs	Cr.	Kshs
Premises	103,000	Capital	259,000
		Net profit	214,000
		Drawings	(83,000)

C. Assets		C. Liabilities	
Stock	274,000	Creditors	93,000
Debtors	123,000	B loan	50,000
Cash at bank	33,000		
	533,000		533,000

53. The following information was extracted from the books of Sarai Traders for the year ended 30 April 2003

Sales	480,000
Opening stock (1.5.02)	80,000

Gross profit is calculated at 25%

i) Prepare a trading account for the period ended 30 April 2003
ii) Calculate the rate of stock turn over (10 marks)

Sarai Traders

Trading Account As at 30th April 2003

Dr	Kshs	Cr.	Kshs
Opening stock	80,000	Sales	480,000
Purchases	400,000		
	480,000		
Closing stock	(120,000)		
	360,000		
N.P c/d	120,000		
	480,000		480,000

(ii) Rate of stock turnover = $\frac{\text{C.O.S}}{\text{Average stock}}$

Average stock = $\frac{80,000 = 120, 0000}{2}$ = 100,000

C.O.S = 360,000

Rate of Stock turnover = $\frac{360,000}{100,000}$ = 3.55

54. The following information refers to tea traders for the year ended 31/12/04

Sales	800,000
Expenses	10,000
Commission received	15,000
Purchases	700,000
Opening stock	250,000
Margin	20%

Prepare trading, profit & loss a/c for the year ended 31/12/04

Tea Traders

Trading, Profit & Loss Account

For the year ending 31/12/04

	Kshs		Kshs
Opening Stock	25,000	Sales	800,000
Add purchases	700,000		
Goods Available	725,000		
Closing stock	85,000		
Cost of sales (20/100 x 800,000	640,000		
Gross Profit	160,000		
	800,000		800,000

55. The following balances were extracted from books of Motop Traders for the year ended 31/12/2004

Rent	48,000	
Lighting		7,200
Water	9,220	
Salaries		75,000
Commission received	8,500	
Discount allowed	4,600	
Discount received	8,500	
Gross profit	320,000	
General Expenses	98,000	
Stock	5,250	
Motor Vehicle	2,300,000	
Furniture & equipment		650,000
Debtors		270,000
Creditors		396,400
Bank	200,000	
Cash	50,000	
Capital		3,000,000

Prepare:

Profit and loss a/c for the year ended 31/12/2004

Balance sheet as at 31/12/2003 (12marks)

Molop Traders

Profit and loss Account for the year ending 31/12/04

Expenses	48,000	Gross Profit	320,000
Lighting	7,200	Commission received	9,870
Water	9,220	Discount received	8,500
Salaries	72,500		
Discount Allowed	4,600		
General expenses	98,000		

Net Profit	338,370		338,370

Molop Traders

Balance sheet as at 31/12/04

Fixed assets	Kshs	Kshs	Kshs
Furniture	650,000	Capital	3,000,000
Motor vehicle	2,300,000	Add profit	98,890
			3, 098,850
		Current liabilities	
Current assets			
Stock	25,250		
Debtors	270,000	Creditors	396,400
Bank	200,000		
Cash	50,000		
	3,495, 250		3,495, 290

56. The following balances were extracted from the books of Chombo Wholesalers for the year ended 31 Dec 2005.

	Shs.
Sales	500,000
Purchases	320,000
Opening stock(1.1.2005)	80,000
Closing 31.12.2005	40,000
Debtors	140,000
Creditors	90,000

Calculate

a) margin
b) Current ratio
c) Rate of stock turnover (4 marks)

(a) Margin =G.P X100 = 500,000-(320,000-80,000-40,00)
Sales 500,000

= 140,000 x 100=28% 0r 28
500,000

(b) Current ratio = CA = 180,000 =2:1
CL 90,000

(c) Rate of stock turnover = Cost of sales = 360,000
Average stock 80,000+40,000

= 3 times (4 marks)

57. Malamu Traders had the following balance as at 31st December 2008

	Sh
Building	540,000
Bank loan	472,500
Debtors	116,900
Creditors	227,000
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
Repair on buildings	60,000
Repair on furniture	72,030
Repair on motor vehicles	300,000
General expense	102,100
Capital	1,400,000

Prepare:

(a) Profit and loss account for the year ended 31st December 2008

(b) Balance sheet as at 31 December 2008

Malamu Traders

For the year ended 3lst Dec, 2005

Expenses	Sh		Sh
Discount allowed	142,000	Gross Profit	520,000
Lighting	25,200	Rent received	120,000
Interest or loan	1,200	Net loss c/d	61,930
General expenses	102,100		
Repairs on building	60,000		
Repairsorr furniture	72,030		
Repairs on motor vehicle	300,000		
	702,530		702,530

MALAMU TRADERS
BALANCE SHEET
AS AT 31st DEC 2008

	Sh	Sh		Sh	Sh
Fixed Assets			Capital		1,400,000
Building	540,000		Less loss		6,930

				1,338,070
Furniture	408,170		loan	472,500
Motor Vehicle	900,000	948,170		
Current Assets				
Stock	72,500		Current Liabilities	
Debtors	116,900	189,400	Creditors	227,000
		2037,570		2,037,510

150x 100

(b) On 1st January 2017, Majengo traders had ksh. 240,000 cash in and Bank credit balance of kshs 270,000. During the month, the following transactions took place.

(10marks)

Jan 2 : Cash sale of kshs 200,000
5 : Debtor settled his account of ksh 1,000,000 by cheque less 5% cash discount.
15 : Paid salaries kshs 50,000 in cash
20 : Settled creditors accounts of Kshs 100,000 by cheque less 2% cash discount.
21 : Received a cheque for kshs 84,000 from charity traders after deducting 6% cash discount.
24: Deposited Kshs 100,000 from office cash
25 : Cash sale Kshs 200,000 banked directly.
26 : A cheque received on January 5th from a debtor was dishonoured.
27 : Purchased goods worth kshs 20,000 on credit.
31 : Banked all the cash except Kshs 80,000
Required: Prepare a three column cash book duly balanced.

MAJENGO TRADERS
THREE COLUMN CASH BOOK
FOR THE MONTH OF JANUARY 2017

DR (Receipts)						(Payments) CR				
Date	Particulars	Disc all	Cash	Bank		Date	Particulars	Disc Rec	Cash	Bank

2017 JAN 1ST 2ND 5TH 21ST 24TH 25TH 31ST	BAL. B/D SALES DEBTORS CHARITY TRADERS CASH (C) SALES CASH	50,000 5,400 55,400	240,000 200,000 84,600 440,000	950,000 100,000 200,000 210,000 1,544,600		2017 JAN1st 15th 20th 24th 26th 31st	BALANCE B/D salaries creditors bank dishonored cheques bank c Balance c/d	2,000 2,000	50,000 210,000 80,000 440,000	270,000 98,000 100,000 9,500 226,600 1,55,600
Balance b/d		**80,000**	**266,600**							

Describe the procedure of balancing the ledger accounts.

(i) Identify the account title and calculate the totals on each side of the ledger account i.e. the debit totals and credit totals.

(ii) Calculate the differences between the debit and the credit totals

(iii) Record the differences on the side with the smaller totals as balance carried down (balance c/d)

(iv) Obtain the totals of each side after entering the balance c/d. If the recording and calculations are correct, the debit total should equal to the credit totals. Write the totals at the same and double underscore.

(v) Finally record the balance on the opposite side of the balance c/d below the totals as balance brought down. (Balance b/d)

The following balances were extracted from the books of Juma Traders as at 31st December, 2016. (10marks)

	SHS
Land and buildings	200,000
Capital	370,000
Prepaid rent	50,000
Motor Vehicle	150,000
10 year bank loan	100,000
3 years ICDE loan	50,000

Stock (31/12/15)		50,000
Debtors		30,000
Creditors		30,000
Accrued expenses		10,000
Cash at bank	50,000	
Cash in hand	10,000	
Drawings		20,000

Prepare:

i. A balance sheet as at 31st December 2016.

ii. Determine:

- Working capital
- Capital employed
- Borrowed capitaL

Juma traders

Balance sheet

As at 31st December 2016

Assets	shsshs	Capital and liabilities	shsshs	
Fixed assets		Opening capital	370,000	
Land and building	200,000	Less drawings	20,000	
Plant and machinery	50,000	Closing capital		350,000
Motor vehicles	150,000			
400,000				
		Long term liabilities		
Current assets		10year bank loan	100,000	
Debtors	30,000	3year ICDE loan	50,000	50,000
Stock	50,000	Short term liabilities		
Prepaid rent	10,000	Creditors	30,000	
Cash at bank	50,000	Accrued expenses	10,000	
140,000		40,000		
				540,000
	540,000			

Working capital.

Current assets – current liabilities

140,000 – 40,000 = 1000,000

Borrowed capital

Long term liabilities = 150,000

Capital employed

Working capital + fixed assets i.e 100,000 + 400,000 = 500,000

The following trial balance was extracted from the books of Carson Traders on 31 December

2005 after preparing the trading account.

	Dr	**Cr**
Capital		130,000
Drawings	27,000	
Debtors and creditors	25,350	22, 500
Stock 31 Dec. 2005	25,000	
Wages and salaries	31,650	
Gross Profit		58,920
Discount	3,540	3,300
Advertising	3,130	
Bad debts	1,100	
General expenses	5,100	
Rates	2,750	
Cash in land	800	

Cash at bank	3,300	
Motor vehicles at cost	11,000	
Premises.	75, 000	
	214,720	214720

The following additional information is provided.

(a) Wages due shs. 5,400

(b) Rates paid in advance shs 650

(c) Motor vehicles to be depreciated 20% on cost.

You are required to prepare

(i) Profit and loss account for the year ended 31 Dec. 2005
(6mks)(ii) Balance sheets as at 31st Dec. 2005
(4mks)

Carson Traders.

Profit and Loss A/C for the year ended 31st Dec. 2005.

Expenses	sh.	Sh.	
Wages and salaries		31,650√	Gross profit 58920√
Add: Accrued wages	5,400√		
	37,050		Discount received 3300√
Rates	2750√		
Less: Prepaid rates	650√		
	2100		
Depreciation net veh.	2200√		
Discount allowed	3540√		
Advertising	3130√		
Balance debts	1100√		
General expensed	5100√		
Net profit	8000√		
62220			

	62220

ii) Carson Traders

Balance sheet as at 31st Dec. 2005.

Fixed Assets	sh.	Sh.		Sh.	Sh.
Premises		75000√	Capita		130
Motor vehicles	11000		000		
Less: depreciation	2200	8,800	Add: Net profit		
		83,800	8000√		
Current Assets			138000		
Stock	25000√		Less: Drawings		
Debtors	25350√		27000√		
Prepaid rates	650√		111,000		
Cash at bank	3300√		Current Liabilities		
Cash at hand	800√	55100	Creditors	22500√	
138,900			Accrued wages	5400√	
				27900	
			138900		

b) The following transactions relates to Konate Traders for the month of December 2010.

Dec 1st Started a business with sh. 200,000 in the Bank account.

2nd Bought furniture for sh, 50,000 and paid by cheque

3rd Sold goods on credit to Tilashs, 20,000; Katu 10,000

4th Bought goods on credit from Kahamash 30,000; Kanga shs. 40,000

5th Returned faulty goods to Kahamash 5,000

6th Paid Kahama on account by cheque less 10% cash discount.

7th Received faulty goods from Katushs. 2000

8th Received payment due from Tila and Katu by cheque less 5% cash discount.

9th Cash sales shs. 100,000

10th Paid for wagesshs. 20,000 by cash and electricity shs.10,000 by cheque.

11th Deposited all the cash in hand into the bank account.

Required:

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

Konate Traders

Three column cash book

As at 31st Dec 2010

Date	Details	L.F	D.A	Cash	Bank		Date	Details	LF	DR	Cash	Bank
1st /12	Capital				200000		1st /12	Furniture				50000
3/12							2/12	Purchases				40000
8/12	Tila		1000		19000		6/12	Kahama		2500	20000	22500
	Katu		400		7600		10/12	Wages				
9/12	Sales			100000			11/12	Electricity			80000	10000
31/12	Cash	c			80000		31/12	Bank	c			
									c/			184100
							31/12	Balance	d		100000	306600
			1400	100000	306600					2500		

Kaptagat traders had the following assets and liabilities on 31st December, 2017

	Sh.
Creditors	280,000
Equipment's	1,920,000
Furniture	103,550
Stock	800,000
Debtors	240,500
Bank overdraft	401,950
Cash in hand	291,000
Capital	?

During the first week of January 2018, the following transactions took place.

2018

Jan 1. Bought more goods from NCPB on credit for sh. 330,800

2. Purchased a computer and accessories by cheque sh.50,000

4. Paid creditors by cheque sh.200,000

5. Received sh140,500 by cheque from debtors.

6. Kaptagat traders put in an extra sh.500,000 into the business, sh.300,000 by

cheque and sh.200,000 in cash.

7. Kaptagat traders paid the outstanding bank overdraft using the cash from the cash till

Required.

a). Ascertain Kaptagat traders capital as at 1st January, 2018 (4marks)

Capital = Assets – liabilities

= (1,920,000✓+103,550✓+800,000✓+240,500✓+291,000✓) - (280,000✓+401,950✓)

= 2,673,100✓

8✓*½=4marks

b). Draw up Kaptagat traders Balance sheet as at 7th January 2018 after the above transactions have been completed. (6marks)

Kaptagat traders

Balance sheet

As at 7th January 2018.✓

	Sh.		Sh.
F.Assets		*Capital*	*2,673,100✓*
Equipment's	*1,920,000✓*	*Add. Investments*	*500,000✓*
Furniture	*103,550✓*		*3,173,100*
Computer	*50,000✓*		
	2,073,550		
C. Assets		***C. Liabilities***	
Stock	*1,130,800✓*	*Creditors*	*410,800✓✓*
Debtors	*100,000✓*		
Cash	*279,550* ✓✓	*1,510,350*	
	3,583,900		***3,583,900***

The following balances were extracted from the books of Mutei traders on 31st December, 2017.

	Shs
Gross profit	800,000
General expenses	180,000
Buildings	1,250,000
Equipment	380,000

Capital	1,400,000
Furniture	117,000
Insurance	48,000
Stock	25,000
Commission income	125,800
Discount allowed	55,000
Discount received	56,200
Bank Overdraft	79,000
Salaries and wages	320,000
Creditors	90,000
Carriage outwards	60,000
Debtors	65,500
Carriage inwards	34,500
Cash	51,000

Prepare:

a). Profit and loss account for the period ended 31st December, 2017.

b). Balance sheet as as at 31st December, 2017.

(10marks)

Mutei traders
Profit and Loss account
For the year ended 31/12/2017✓

	Shs			***Shs***
General expenses	*180,000*	✓	*Gross profit b/d*	*800,000✓*
Insurance	*48,000*	✓	*Commission income*	*125,800 ✓*
Discount allowed	*55,000*	✓	*Discount received*	*56,200✓*
Salaries and wages	*320,000✓*			
Carriage outwards	*60,000✓*			
Net Profit	*319,000✓*			
	982,000			***982,000***

Marking 10✓*½ = 5 marks

Mutei traders

Balance sheet
As at 31/12/2017

Fixed Assets		***Shs***		***Shs***	
Buildings		*1,250,000√*	*Capital*	*1,400,000√*	
Equipment		*380,000√*	*Add Net Profit*	*319,000√*	
Furniture		*117,000√*		*1,719,000*	
		1,747,000			
Current assets			***Current liabilities***		
Stock	*25,000√*		*Creditors*	*90,000√*	
Debtors	*65,000√*		*Bank Overdraft*	*79,000√*	
169,000					
Cash	*51,000√*	*141,000*			
		1,888,000		***1,888,000***	

Discuss five errors that may not be noticed in a trial balance. (10 marks)

(i) Error of omission

This is an error where a transaction is completely omitted from the books. No entries were made at all for the transaction. It is
as if the transaction has not existed.

(ii) Error of commission

In this case, double entry was observed but the transaction was posted to a wrong account of the same class. For example
goods sold to *John* was correctly credited to Revenue (Sales) account but debited to *Jane*'s account.

(iii) Error of principle

Double entry observed but an entry made in the wrong class of account. For example, payment by cheque for *vehicle repairs*
correctly credited to bank account but debited to *vehicle* account instead. In this case, not only the account is wrong
(vehicle instead of vehicle repairs) but also the class of account is different. Vehicle account is a real account (asset) whereas
vehicle repairs account is a nominal account (expense).

(iv) Error of original entry

The transaction was correctly recorded according to the double entry system but with the wrong amount. For example,
payment of telephone expenses in cash of shs560 was credited to cash account and debited to telephone expenses account but
by shs600 in both accounts.

(v) Complete reversal of entries

For a given transaction, the account to be debited was credited and the account to be credited was debited. For example,
goods sold to Nadia for shs500 was debited to Revenue (Sales) account and credited to Nadia‘s account, both by shs500.

(vi) Compensating errors

Errors on the debit side of the ledger have been set off by errors on the credit side of the

ledger. For example, vehicle account
(debit balance) and commission received account (credit balance) were both understated by shs200.

(vii) Error of duplication

A transaction was recorded twice in the ledger. Double entry was observed in each case.

Explain five types of the documents that makes Books of Accounts.

(i) Invoice – This is a document sent by the seller to the buyer demanding payment for goods supplied. It shows details of
goods sold / bough on credit / source document for sale.
(ii) Debit Note – A document sent by the seller to the buyer to correct undercharge. Used when the invoice shows a lesser
amount than what is actually owed / additional invoice / when empty containers have not been returned (and hence to be
charged).
(iii) Credit Note – A document sent by the seller to the buyer to correct an overcharge / It is used when goods are returned to
the seller / because they are defective / not the ones ordered / they were not required.
(iv) Receipt – This is a document issued by the seller to the buyer when payment is made for goods / services in cash.
(v) Consignment note – to support hire carriage services / shows transport charges.
(vi) Bank deposit slips – Evidence of paying money into bank / source document for cash receipt.
(vii)Bank statement – a summary / details of transaction between traders and bank.
(viii) Statement of account – This is a document sent by the seller to the buyer showing details of transactions for one month
with a running balance shown with each entry / closing / opening balance.
(ix) Payment voucher – A document used to validate payment for services / goods rendered. It is used by a cashier and
signed by the service provider / payee / recipient / documenting goods for petty cash book.
(x) Remittance evidence note – This is a document that accompanies a cheque issued for settlement of a debt. It provides
information on the payment.

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)

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)

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

LATEST HIGH SCHOOL NOTES

0714497530 (Mr Isaboke)

Maths form 1-4

English form 1-4

kiswahili form 1-4

chemistry form 1--4

Biology form 1-4

Physics form 1--4

Agriculture form 1--4

Business form 1--4

Cre form 1--4

History form 1--4

Computer form 1--4

Geography form 1--4

Homescience f1--4

I.R.E studies f1-4

French notes

Setbooks guides

Primary school notes

KCSE Topicals

CPA tuitioning

Updated *CPA,CIFA ATD* KASNEB notes

Updated *CPS,CICT,ATD* KASNEB Notes

Updated *ICT,IT,ACCA,CFA* notes

Forex trading guidance

CCTV installation &Networking services

Online services

*_All the materials are in soft copy and we'll updated

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