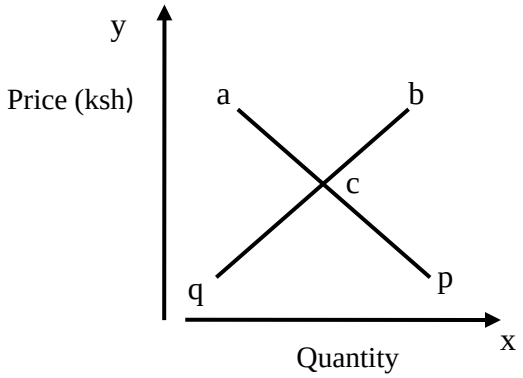
MACHAKOS COUNTY KCSE TRIAL AND PRACTICE EXAM 2015

Kenya Certificate of Secondary Education (K.C.S.E.)

BUSINESS STUDIES

PAPER 1

1. Outline **FOUR** features that constitute a market. (4 Marks)
2. The following diagram represents demand and supply of a product.



   (a) State what is represented by curves
   ap _____
   bq _____
   letter c _____
   (b) On the diagram, indicate equilibrium price (PE) and equilibrium quantity (QE) (4 Marks)
3. Outline **FOUR** advantages of after sales services as a method of sales promotion to a customer. (4 Marks)
4. Give **FOUR** reasons why a consumer should satisfy basic wants before secondary wants. (4 Marks)
5. Outline **FOUR** reasons why a multinational company may prefer setting up a production unit in developing country instead of exporting finished goods to the country. (4 Marks)
6. State the factor of production that each of the following resources relate to:- (5 Marks)

Resource	Factor of production
(a) Manager	
(b) Quarry	
(c) Vehicle	
(d) Water	
(e) Owner	

7. In the spaces provided below, indicate with a tick (✓) whether each of the following statements relates to preference or ordinary shares. (3 Marks)

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

8. Outline **FOUR** features of trade credit as a source of finance for business units. (4 Marks)
9. State the term that best fit each of the following description. (4 Marks)
   (a) Money brought into the business by owner
   (b) Goods bought for resale
   (c) Money withdrawn by owner of business for personal use
   (d) Money borrowed from outsiders by owner of the business for business use

10. The following balances were obtained from the books of Jomba Traders as at 30th July 2014

	Shs.
Opening stock	50,000
Sales	360,000
Gross profit	25% of sales
Closing stock	70,000

Calculate

(a) Cost of goods sold (2Marks)

(b) Rate of stock turnover (2 Marks)

11. Enter each of the following transactions in the relevant ledger accounts
    (a) Started business in June 15th 2014 with Ksh. 500,000 in bank.
    (b) Bought a motor vehicle in June 16th 2014 for KSh. 250,000, payment made by a cheque.
    (c) Withdrew Ksh. 50,000 in June 20th 2014 from the business bank a/c to be used in the office.
    (d) June 24th, 2014, paid salaries Ksh. 18,000 cash.
12. On June 1st 2015, Kelly had KSh. 6000 cash in hand and a bank overdraft of Sh. 2000; during the month the following transactions took.
    (a) Received cheques from debtors totaling to KSh. 80,000 on June 2nd
    (b) June 5th, paid telephone bills Sh. 1200 cash
    (c) June 8th, withdrew Sh. 16000 from bank for office use.

    Enter the above information in the two – column cash book given below and balance it off (4 Marks)

    Kelly Traders
    Two – Column Cashbook
    for the month of June 2015

Date	Particulars	Bank	Cash	Date	Particulars	Cash	Bank

13. Outline **FOUR** ways of curbing cost push inflation. (4 Marks)
14. Outline **FOUR** circumstances under which the per capita income statistics would be a good indicator of the welfare of the citizens of country. (4 Marks)
15. Outline **FOUR** challenges associated with a high ageing population in a country. (4 Marks)
16. Outline **FOUR** purposes of taxation. (4 Marks)
17. State **FOUR** basis of international trade (4 Marks)
18. Outline **FOUR** methods that a country may use to restrict international trade. (4 Marks)
19. State **FOUR** reasons why an invoice received is important in accounting. (4 Marks)
20. Outline **FOUR** items that are included when computing national income using the expenditure approach. (4 Marks)
21. Outline **FOUR** features of insurable risks
22. State **FOUR** features of chain stores. (4 Marks)
23. Outline **FOUR** factors that constitute an efficient transport system. (4 Marks)
24. State FOUR goals of development. (4 Marks)
25. Outline **FOUR** disadvantages of use of Automatic Teller Machines (ATMs) in banking. (4 Marks)

MACHAKOS COUNTY KCSE TRIAL AND PRACTICE EXAM 2015

Kenya Certificate of Secondary Education (K.C.S.E)

BUSINESS STUDIES

Paper 2

1. (a) Explain **FIVE** methods of payments offered by commercial banks in Kenya. (10 marks)
   (b) Highlight **FIVE** reasons as to why a high national income may not necessarily mean better welfare for the citizens of a country. (10 marks)
2. (a) Kapa Oil manufacturers have decided to eliminate wholesalers in their chain of distribution. Outline **FIVE** possible effects that would result if wholesalers were eliminated. (10 marks)
   (b) Differentiate between a perfect competition from a monopolistic competition. (10 marks)
3. (a) Explain **FIVE** causes of inflation in an economy. (10 marks)
   (a) Outline **FIVE** challenges that Kenya faces when trying to implement her development plans. (10 marks)
4. (a) Explain **FIVE** reasons why a public limited company may prefer to raise finance through issue of ordinary shares instead of debentures. (10 marks)
   (b) The following balances were extracted from books of Masaku Traders for the year ended 31/12/2004

Rent	48,000
Lighting	7,200
Water	9,220
Salaries	75,000
Commission received	12,370
Discount allowed	4,600
Discount received	8,500
Gross profit	320,000
General expenses	98,000
Stock	25,250
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
   (i) Profit and loss a/c for the year ended 31/12/2004 (5 ½ marks)
   (ii) Balance sheet as at 31/12/2004 (4 ½ marks)
5. (a) Explain **SIX** measures that the Government of Kenya may take to control her persistent Balance of payment deficit. (12 marks)
   (b) Outline **FOUR** differences between endowment policy and whole life policy. (8 marks)
6. (a) Explain **FIVE** factors that limit the usage of Railway as a means of transport. (10 marks)
   (b) The accounts of Hakuna Matata Traders showed the following balances on 1st January 2014.

	Sh.
Cash	250,000
Debtors	60,000
Creditors	42,000
Stock	30,000
Bank loan	120,000
Motor vehicle	310,000

   The following transactions took place during the month of January 2014.

Jan 2:	Bought stock worth Sh. 50,000 on credit.
Jan 3:	Cash sales Sh. 80,000
Jan 5:	Received Sh. 20,000 cash from debtors
Jan 10:	Paid part of loan Sh. 70,000 cash
Jan 12:	Paid creditors Sh. 52,000
Jan 16:	Bought office furniture Sh. 45,000 cash
Jan 20:	Paid salaries Sh. 40,000 cash
Jan 25:	Deposited Sh. 100,000 into the bank

   Required:

Record the above transactions in the relevant ledger accounts and balance the accounts on 31st January 2014. (10marks)

CENTRAL KENYA NATIONAL SCHOOLS JOINT MOCK - 2015

Kenya Certificate of Secondary Education

565/1

BUSINESS STUDIES

PAPER 1

JULY/AUGUST, 2015

1. State whether each of the following activities would satisfy basic or secondary wants. (4 marks)

	Activities	Basic	Secondary
(a)	Buying clothes for the family.		
(b)	Transporting milk.		
(c)	Providing food for school children.		
(d)	Entertaining the President.		

2. Outline **four** reasons why a new business may fail. (4 marks)
3. Outline **four** advantages a consumer enjoys when he/she buys directly from a manufacturer. (4 marks)
4. Highlight **four** reasons that make a current account popular among the business people (4 marks)
5. Boda boda/motorcycles have become popular in Kenya today. Outline **four** demerits of this mode of transport. (4 marks)
6. Highlight **four** circumstances under which deferred payment is acceptable to a trader. (4 marks)
7. Give **four** reasons why the government should impose taxes upon its citizens apart from raising revenue. (4 marks)
8. State the best type of machine one would use to perform the following tasks. (4 marks)

	Function	Type of machine
(a)	To trim papers to the required sizes.	
(b)	To fold documents, put them in envelopes and seal team.	
(c)	To make exact copies of a certain original document.	
(d)	To arrange papers in a required order.	

9. Outline **four** factors that may cause the supply curve to shift to the left. (4 marks)
10. Kiganjo Traders had the following balances as at 31st December, 2014.

	Sh.
Capital (1st December, 2014)	350,000
Additional investments	100,000
Drawings each month	48,000
Capital (31st Dec' 2014)	470,000

Determine the profit for the year. (4 marks)

11. Outline **four** features of direct production. (4 marks)
12. State **four** ways in which, the government of Kenya may reduce the level of unemployment. (4 marks)
13. State **four** benefits of registering a company with the stock exchange market. (4 marks)
14. The following balances relates to the retail business of Omondi for the month of July 2012.
    Sales 50,000
    Expenses 10% of sales
    Cost of goods sold 40,000

    Calculate:

    (i) Mark up. (1 mark)
    (ii) Margin. (1 mark)

(iii) Total expenses. (1 mark)
(iv) Net profit. (1 mark)

15. State **four** uses of a bill of lading in international trade. (4 marks)
16. Outline **four** circumstances under which insurance companies in Kenya may reinsure. (4 marks)
17. For each of the following transactions, state the account to be debited and account to be credited. (4 marks)

	Transactions	A/c debited	A/c credited
(i)	The owner brought in cash from private sources.		
(ii)	Bought goods and paid by cheque.		
(iii)	Withdrew cash for personal use.		
(iv)	Paid a creditor by cheque.		

18. State **four** ways in which the utility of a commodity can be increased. (4 marks)
19. Identify **four** benefits that may accrue from political stability in a country. (4 marks)
20. List **four** ways in which the government creates an enabling business environment. (4 marks)
21. State four features of an oligopoly market structure. (4 marks)
22. Give **four** disadvantages of public warehouses to traders. (4 marks)
23. Put down **four** functions of the Kenya Bureau of Standards. (4 marks)
24. Outline **four** external factors that may influence the operations of a business negatively. (4 marks)
25. Highlight **four** limitations of using after-sale services as a method of promoting products. (4 marks)

CENTRAL KENYA NATIONAL SCHOOLS JOINT MOCK - 2015
Kenya Certificate of Secondary Education
565/2
BUSINESS STUDIES
PAPER 2
JULY/AUGUST, 2015

1. (a) Explain **five** features that differentiate a public corporation from a private limited company form of business unit. (10 marks)

   (b) Explain **five** factors that one needs to consider when selecting an office layout. (10 marks)

2. (a) Explain **five** benefits that a country derives from transporting oil through pipeline. (10 marks)

   (b) Explain **five** reasons why citizens may experience low standards of living despite improvement in the per capita income. (10 marks)

3. (a) Explain **five** methods of price determination other than price mechanism in a market. (10 marks)

   (b) Explain the following types of unemployment.
   (i) Cyclical unemployment.
   (ii) Structural unemployment.
   (iii) Frictional unemployment.
   (iv) Seasonal unemployment.
   (v) Involuntary unemployment. (10 marks)
   (vi)

4. The following trial balance was extracted from the books of Okumu traders as at 31/12/2012.

	Dr. (Shs.)	Cr. (Shs.)
Opening stock	30,000	
Purchases/sales	275,000	390,000
Debtors	47,000	
Commission received		36,000
Returns	10,000	6,000
Carriage inwards	16,000	
Bad debts	3,000	
Wages	20,000	
Rates	12,000	
Buildings	450,000	
Furniture	180,000	
Bank overdraft		210,000
Insurance	19,000	
Discounts	5,000	7,000
Drawings	25,000	
Creditors		52,000
Cash at bank	250,000	
Cash at hand	40,000	
Capital		689,000
	1,390,000	1,390,000

Additional information:
1. Closing stock Sh.50,000
2. Carriage outwards Sh. 8,000

Required:
(i) Prepare Okumu traders trading, profit and loss account for the period ended 31/12/2012.
(ii) Balance sheet as at 31/12/2012. (10 marks)

(b) Explain **five** monetary policies that the Kenyan government uses to control the supply of money in an economy. (10 marks)

5. (a) Kenya is a member of EAC. Explain **five** problems the member countries are likely to encounter that may hinder them from achieving their objectives. (10 marks)

(b) The following were the balances of Kiboko Traders as at 1st January 2009. Cash Sh.40,000, bank overdraft Sh.17,000. During the month the following transactions took place.

January 2nd : Mutiso a debtor settled his account of Sh.32,000 by cheque of Sh.30,000
4th : Paid salaries amounting to Sh.16,000 by cash.
10th: Deposited Sh.12,000 into the business bank account from the cash till.
14th: Settled Wayua's account of Sh.40,000 and she was allowed a discount of 1% through a cheque.
16th: Deposited Sh.56,000 in the bank from private resources.
17th: Sold goods for cash Sh.24,000.
20th: Mutua, a debtor, settled his account by a cheque of Sh.16,000 having been allowed a discount of 2%.
24th: Purchased furniture Sh.10,400 paying by cheque.
26th: Received Sh.7,200 cash from Odhiambo.
30th: Banked all the available cash except Sh.3200.

Required: Prepare a three column cash for Kubuka Traders. (10 marks)

6. (a) Explain **five** factors that have led to the survival of small scale retailers despite competition from supermarkets. (10 marks)

(b) Kenya is looking forward to the realization of vision 2030. Explain the obstacles that may hinder the efforts made towards this dream. (10 marks)

SUNSHINE
Kenya Certificate of Secondary Education
565/1
BUSINESS STUDIES
Paper 1

1. Highlight **four** reasons why people engage in Business activities. (4 mks)
2. Outline **four** types of resources that are important in Business. (4mks)
3. State **four** functions of an entrepreneur in the production of goods and services. (4mks)
4. Identify the machine used to perform the following tasks. (4mks)

Statements	The machine
a) To count coins and notes	
b) To trim paper into required sizes and shapes	
c) To fold documents, place them in envelope and seal the envelope	
d) To print postage impression on envelopes	

5. Outline **four** differences between chain stores and departmental stores. (4mks)
6. State **four** statistics that are associated with the measurement of National income. (4mks)
7. Prepare Sunshine Traders Balance sheet from the following list of balances extracted from his books as at31 December 2013. (4mks)

Capital	357,000
Stock	40,000
Machines	150,000
Furniture	7,000
Motor vehicles	200,000
Bank	20,000
Creditors	25,000
Cash	5,000
Debtors	60,000
Loan from KCB	100,000

8. Outline **four** characteristics of a good filing system (4mks)
9. Highlight **four** methods that Government uses to protect consumers. (4mks)
10. State **four** factors that a manager should bear in mind to ensure that he/she effectively communicates with the employees. (4mks)
11. State the meaning of the following principles of insurance. (4mks)
    a) Subrogation----------
    b) Contribution----------
    c) Insurable interest----------
    d) Indemnity----------
12. Highlight four characteristics of underdevelopment. (4mks)
13.

Price

Quantity supplied

State **four** factors that may have caused the change shown in the diagram above.

14. Highlight **four** causes of unemployment in Kenya. (4mks)
15. Outline **four** circumstances under which MrOndieki (a farmer) may distribute his products directly to his customers. (4mks)
16. Tripple SSS wholesalers had the following information as at 31 December 2013 (4mks)

Closing capital	70,000
Total expenses	5,000
Drawings of goods	6,000
Total incomes	3,000

Calculate the capital at the beginning of the year.

17. Highlight **four** advantages of localization of firms. (4mks)
18. State **four** characteristics of good money. (4mks)
19. Identify the day book associated with the following source documents given below. (4mks)

Source documents	**Day books**
Invoice received	
Credit note received	
Receipt issued	
Debit note received	

20. Highlight **four** purposes of public finance. (4mks)
21. The following balances were extracted from the books of Okinda wholesalers on 31st December 2006. (4mks)

	Sh
Capital	800,000
Sales	250,000
Debtors	70,000
Purchases	160,000
Creditors	45,000
Opening stock (1.1.2006)	40,000
Closing stock (31.12.2006)	20,000
General expenses	50,000
5 year bank loan	200,000
Insurance expenses	20,000
Salaries and wages	80,000

Required, calculate

i) Mark up (1mk)
ii) Current ratio (1mk)
iii) Rate of stock turnover (1mk)
iv) Rate on return on capital (1mk)

22. Highlight **four** uses of a proforma invoice. (4mks)
23. State **four** factors that affect the productivity of an office worker. (4mks)
24. In each of the following cases, state the type of inflation described (4mks)

a) The unrest in Libya has resulted to an increase in the price of oil	
b)The price of bread has gone upto sh.60 due to increase in the price of wheat	
c) A lot of money in circulation has led to the general increase of price	
d) Arise in price due to uneven growth in some sectors of the economy.	

SUNSHINE
Kenya Certificate of Secondary Education
565/2
BUSINESS STUDIES
Paper 2

1. a) Explain five benefits that would accrue to Country as a result of delocalization. (10mks)
   b) Explain five features of a perfect competition market structure (10mks)
2. a) The following transactions relate to Vivylex wholesalers for the month of December 1998.
   1998Dec.1 Bought goods on credit from Weka Distributors sh.46,200, Micko sh15,600 and Limo shs38,360.
   3 Sold goods on credit to Lwanda Retailers shs.39,200, Motor Grocers sh.25,560 and Mawe shs.12,650.
   7 Returned goods to Micko sh4,200 and Limo shs6,140.
   11 Bought goods on credit from Tuktuk sh34,830.
   12 Goods returned by motor Grocers hs4,550 and Lwanda Retailers sh1,280.
   15 Sold goods on credit to Motor Grocers shs6,800, Marion traders shs12,800.
   18 Goods returned by Marion Traders shs2,060.
   22 Bought goods on credit from Fatuma shs22,100, Temo shs38,350.
   28 Credit sales to Ngula shs16,060, Oyunga shs12,960 and Mawe shs15,260.
   Enter the above transaction in the respective books of original entry (10mks)
   b) Discuss five factors that enhances efficient running of a warehouse. (10mks)
3. a) Explain five negative effects of inflation to a country's economic development. (10mks)
   b) Highlight five importance of entrepreneurship to the economy of a country. (10mks)
4. a) Explain five factors that can lead to unfavourable balance of payment. (10mks)
   b) Explain five factors to be considered when choosing a method of product promotion (10mks)
5. a) Describe fiveprocedure to be followed when taking an insurance policy. (10mks)
   b) Explain five limitations of containerization in transport sector. (10mks)
6. a) Highlight five benefits that a country will enjoy as a result of indirect production (10mks)
   b) The following trial balance was extracted from the books of Mugoya Traders as at 30th June, 2014

Mugoya Traders
Trial balance
As at 30th June 2014

Details	Dr (shs)	Cr (shs)
Premises	1,500,000	
Debtors and creditors	20,000	30,000
Cash at bank	90,000	
Cash in hand	10,000	
Purchases and sales	140,000	320,000
Stock of good on 1st July 2013	45,000	
Discounts	6,000	2,000
Salaries and wages	50,000	
Commissions		8,000
Power and lighting	12,000	
Returns	15,000	19,000
Carriage outwards	2,300	
Carriage inwards	5,400	
Capital		1,543,700
Furniture	27,000	
	1,922,700	1,922,700

Additional information
Stock of goods on 30th June, 2014 was worth sh22, 000.
Required: prepare trading, profit and loss account for the period ended 30th June, 2014. (10mks)

MOKASA JOINT EXAMINATION

Kenya Certificate of Secondary Education

565/1

BUSINESS STUDIES

Paper 1

1. Highlight **four** reasons why public relations are a popular way of product promotion among banks. (4mks)
2. Mention **four** non-tax internal sources of revenue to the government. (4mks)
3. Outline **four** measures that an employer can put in place to improve the performance of her human resource. (4mks)
4. State whether each of the following transactions will increase, decrease or have no effect on the Balance Sheet totals (4mks)

Transaction	Effect on Balance sheet totals
a) Sold a private car and deposited the money in business bank account	
b) Withdrew money from bank for office use	
c) Paid Mr. Kimeli, a creditor in cash	
d) Purchased a Motor car by cheque	

5. Highlight **four** conditions that must be met in order for an insurance contract to be valid. (4mks)
6. Enter the following transactions in the relevant book of original entry (4mks)

   2014 June 1. Made cash purchases worth sh. 25,000

   ,, 5. Paid sh.38,000 by cheques in full settlement of a debt owed to Kibogong after deductinga 5% cash discount.

   ,, 12. Bought stationery and paid by cash sh.19,000.

   ,, 19. Settled a debt of sh.90,000owed to Yatich stores by cheque after deducting a 3% cashdiscount.

   ,, 28. Paid the month's salaries of sh 80,000, by cash, sh. 30,000 and the balance by cheques.
7. Outline **four** ways which the government can use to influence the supply of maize in Kenya. (4mks)
8. Outline **four** negative effects of inflation to an economy. (4mks)
9. Highlight **four** benefits enjoyed by a holder of a credit card (4mks)
10. The following balances relate to the business of Roba Traders during the period ended 31st March 2014.

	Shs.
Cash at bank	680,000
Premises	500,000
Machinery	175,000
Creditors	190,000
Furniture	85,000
Motor van	200,000
Cash in hand	50,000

    Extract the trial balance of Roba Traders as at 31st March 2014. (4mks)
11. Highlight **four** circumstances under which air transport can be preferred to transport goods from one place to another. (4mks)

12. Study the following document used in home trade.

SIRO TRANSPORTERS CO. LTD SIRO BUILDING, OLOO STREET, NANDI ROAD P.O BOX 100, ELDORET
SUPPLIER'S NAME & ADDRESS BUYER'S NAME & ADDRESS
HANDLING INFORMATION QUANTITY DESCRIPTION WEIGHT(KGS) COMMODITY /ITEM NUMBER TOTAL
TRANSPORT CHARGES PAID …… SIGNATURE OF TRANSPORT CO. SIGNATURE OF SELLER …… ……. DATE …….. DATE ……..

i) Name the document shown above (1mk)
ii) Name two uses of the document (2mks)

13. List **four** costs incurred by intermediaries in the chain of distribution (4mks)
14. Prepare ledger accounts from the following transactions relating to Tito Traders for the month of January 2015 (4mks)

January 5th sold goods for Shs 20,000 cash
10th bought furniture for Shs 50,000 on credit from Jamwal Traders
21st Paid Shs 10,000 cash to Jamwal traders
21st Returned furniture worth Shs 6,000 found damaged to Jamwal Traders

15. Highlight any **four** features of time deposit account (4mks)
16. Name **four** commercial services that facilitate trade. (4mks)
17. The following balances were extracted from the books of Njoro Traders for the period ended 31st December 2013

	Ksh.
Gross profit	10,000
Salaries	2,000
Commission income	4,000
Rent received	3,000
Electricity	2,000
Carriage outwards	4,000

Prepare a profit and loss account (4mks)

18. Highlight **four** factors that determine the National income of a country. (4mks)
19. Highlight **four** causes of demand pull inflation (4mks)
20. Outline **four** ways in which the problem of scarce resources can be addressed by a consumer. (4mks)
21. Highlight **four** ways in which local resources can be managed to alleviate unemployment problems in Kenya. (4mks)
22. Outline **four** factors that comprise a negative internal environment in a business. (4mks)
23. The following information relates to Waruhio Traders as at 31st December 2011.
Waruhio Traders

Balance Sheet
As at 31st December 2011

Fixed Assets:	Shs.		Sh.
Furniture	203,000	Capital	359,000
		Plus Net profit	114,000
Current Assets:			473,000
Stock	174,000	Less Drawings	73,000
Debtors	113,000		400,000
Cash at Bank	53,000	Short term liabilities:	
		1 year Loan	79,000
		Creditors	64,000
	543,000		543,000

a) Calculate the total current assets. (1mk)
b) Determine the capital owned. (2mks)
c) Calculate the working capital (1mk)

24. Given below are functions of office equipment. Identify the name of the equipment against the rightful use (4mks)

Functions of the Machine	**Office Equipment**
a) Used in posting information to ledgers and preparing payrolls	
b) To transmit printed messages such as photographs, letters, and maps	
c) Usually fire proof where important documents in an organization are stored	
d) Used to carry out many functions such as storing information, typing and performing complex calculations	

25. Outline **four** factors that may give rise to monopoly power in an economy. (4mks)

MOKASA JOINT EXAMINATION

Kenya Certificate of Secondary Education

565/2

BUSINESS STUDIES

Paper 2

1. (a) Explain **five** measures put in place by the government to bring order in road transport sector in Kenya today. (10 marks)
   (b) Explain five reasons why per capita income is not a good indicator of standards of living. (10 marks)
2. (a) On 1st November 2013:Tabagon Co. Ltd. had a balance of shs. 12,000 at the bank and shs. 2500 in hand. During the month, the following transaction took place;
   Nov. 1 Cash sales Shs. 2500, cash purchase Shs. 1750
   Nov. 3 Paid the following accounts by cheque.
   KiropShs. 1500 less 5% cash discount
   KiruiShs. 2000 less 5% cash discount
   Nasimiyushs. 2100 less 3 % cash discount
   Nov. 5 Received the following amounts from debtors,
   Ondiekshs.1200, Jane shs.3850 and Mueni by chequeshs.2050 after allowing her shs. 300 cash discount.
   Nov. 14Paid office cash to the bank shs. 2000
   Nov. 17 Cash sales 8500
   Nov. 22 Mueni paid her account of shs. 5000 by cheque less 10% cash discount
   Nov. 28 Withdrew all the money from the bank for office use except shs. 1000
   Nov. 29 Paid salary cash shs. 8000
   Nov. 30 A cheque received from Mueni on Nov. 5th was dishonoured.
   Prepare Tabagon Co. Ltd. three column cash book. (10 marks)
   (b) Describe the procedure of obtaining an insurance claim. (10 marks)
3. (a) Explain the meaning of the following terms as used in business ownership. (10 marks)
   (i) Franchising
   (ii) Merger
   (iii) Holding company
   (iv) Front Office Savings Account (FOSA)
   (v) Globalization
   (b) Explain **five** features of a hypermarket. (10 marks)
4. (a) Explain **five** emerging issues in office practice today. (10 marks)
   (b) Explain **five** reasons that account for the existence of small firms in an economy. (10 marks)
5. (a) Explain **five** ways in which communication enhances trading activities. (10 marks)
   (b) Highlight **five** factors that facilitate entrepreneurial development in an economy. (10 marks)
6. (a) The following trial balance was extracted from the ledgers of Gathioro's mobile phones business for the year ended 31st Oct 2013.

Gathioro's mobile phones
Trial Balance
As at Gathiro's 31st Oct 2013

Details	**Dr.(Shs)**	**Cr.(Shs)**
Sales		855,000
Purchase	420000	
Sales returns	12000	
Purchase returns		20000
Creditors		165000
Debtors	63000	
Motor vehicle	480000	
Cash in hand	65000	
Furniture	190000	
Carriage inwards	14000	
Stock	280000	
Capital		626250
Drawing	88000	
Telephone	6400	
Insurance	8200	
Postage	3850	
Rent	19600	
Discounts received		4000
Advertising	12900	
Discount allowed	7300	
	1670250	**1670250**

On 31st Oct. 2013, the business had closing stock valued at Shs. 60,000
Required
(i) The trading, profit and loss a/c for the year ended 31st Oct 2013. (8 marks)
(ii) A balance sheet as at that date. (4 marks)

(b) Explain **five** services rendered by the Central Bank to the government. (10 marks)

KASSU JOINT EXAMINATION TEST

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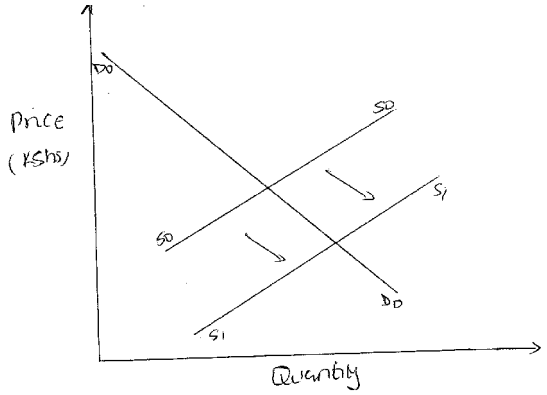
BUSINESS STUDIES

Paper 1

1. Define the following terms as used in Business Studies. (4 mks)
   (i) Economics
   (ii) Entrepreneurship
   (iii) Opportunity cost
   (iv) Scale of preference
2. Highlight four reasons why food is an important basic need. (4 mks)
3. Outline four importance of a warehouse to a consumer. (4 mks)
4. Outline four requirements for one to start a limited liability company as one of the forms of business units. (4 mks)
5. Highlight four factors a firm must take into account when deciding on the product(s) to produce.
6. Highlight four ways in which entrepreneurs can observe ethics in the management of their business. (4 mks)
7. The following information was extracted from the books of Dawida business enterprise for the year ended 30th June 2000.

Capital as at 30th June, 2000	640,000
Capital as at 1st July 1999	420,000
Drawing for the year	180,000
Net profit for the year	140,000

   Determine the additional capital during the year. (4 mks)
8. Highlight four ways through which one can convey verbal communication. (4 mks)
9. Below is a demand and supply curve.



   Highlight the factors that may have led to the above behavior. (4 mks)
10. Outline four circumstances under which a trader can issue a credit note to a customer. (4 mks)
11. Give the difference between: (4 mks)
    (a) Double and co-insurance
    (b) Premiums and surrender value
12. Highlight four advantages of indirect tax. (4 mks)
13. Highlight four ways in which a legal-political environment can impact negatively on entrepreneurs. (4 mks)
14. Highlight four duties of commercial attaches in trade promotion. (4 mks)
15. Identify the book of original entry in which the following transactions can be recorded. (4 mks)

Transaction	**Book of Original Entry**
Paid salaries by cheque	
returned goods to a supplier	
Sold goods on credit	
Bought delivery van on credit	

16. Outline three leakages in a circular flow of income. (3 mks)
17. Outline four advantages of using celebrities in product promotion. (4 mks)

18. Distinguish between the following terms of sale as used in international trade. (4 mks)
    (a) Free on rail (FOR)
    (b) Free on board (FOB)
    (c) In Bond
    (d) On nearest offer (ONO)
19. Kenya is planning to extend her pipeline transport. State four advantages of pipeline transport to the country. (4 mks)
20. Outline four emerging issues in office management. (4 mks)
21. Kiburu carried out the following transactions during the month of February 2015.
    February 1: Started business by depositing sh 220,000 in business bank account
    7: Bought goods on credit from MiyogoSh 72,000
    8: Paid rent by chequeSh 20,000
    16: Sold goods to Kamula on credit Sh 50,000.
    Required: Post the above transaction in the relevant ledge accounts.
22. Highlight four features of perfect competition market. (4 mks)
23. Mention whether the following transactions have an increase, decrease or no effect on the assts, capital and liabilities of a business. (4 mks)

	Transaction	Assets	Capital	Liabilities
(a)	Bought premises on credit			
(b)	Took stock of goods and donated to a local dispensary			
(c)	Withdrew money from bank for office use			
(d)	Sold furniture receiving cash			

24. The following information relates to Liston traders for the period ended 31st March 2012.
    Opening stock Sh 40,000
    Sales Sh 100,000
    Closing stock 25% on cost of sales
    Mark-up 25%
    By clearly calculating gross profit and purchases, prepare a trading account
    (i) Gross profit (1 mk)
    (ii) Purchases for the year (2 mks)

KASSU JOINT EXAMINATION TEST

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BUSINESS STUDIES

Paper 2

1. a) Explain **five** benefits of direct production.
(10marks)
b) Explain **five** differences between private limited company and partnership forms of Business units.
(10marks)
2. a) Discuss **five** factors that Nakuru county government may consider before spending county Funds.
(10marks)
b) The following information relates to Maralal Traders for the month of May 2014.

May 1: Balance brought forward:
Cash Shs. 180,000
Bank Shs. 450,000 (Cr)
3: Received a cheque of 1,500,000 from Mpasha, a debtor
7: Cash sales Shs. 280,000
11: Jolloimat, a creditor of Shs.600, 000 was paid by cheque of sh 400,000 and the balance by cash.
14: Received commission in cash sh. 150,000
17: A debtor, Leteipa, paid his account of 185,000 by cheque less 2% cash discount.
19: Paid the following expenses by cheque:
Rent Shs. 75,000, Electricity Shs. 32,000, Water Shs. 25,000
21: Withdrew Shs. 100,000 from bank for personal use
24: Paid cash Shs 133,280 to Kinai after deducting a cash discount of 2%
25: Received a cheque of sh. 200,000 from Kiyapi, a debtor
28: Paid Salaries Shs. 120,000 by cheque.
31: Banked all cash except sh. 50,000.

Required:
Record the above transactions in a three column cash book.
(10marks)
3. a) Describe **five** types of unemployment.
(10marks)
b) Explain **five** problems a country may encounter when measuring national income using the output approach
4. a) Explain **five** factors that encourage entrepreneurial development in Kenya.
(10marks)
b) By use of diagrams, show the effects on the equilibrium price and output due to increase in demand and supply respectively.
(10marks)
5. a) Explain **five** benefits that Kenya as a country may achieve by adopting 2030 Millennium development goals.
(10marks)
b). Discuss **five** reasons why a manufacturer may sell directly to consumers.
(10marks)
6. a) The following trial balance has extracted from the books of Bishar Retailers on 30th April, 2006.

	Dr shs	Cr shs
Sales		186,000
Purchases	115,560	
Stock 1.5.2005	37,760	
Carriage outwards	3,260	
Carriage inwards	2,340	
Returns outwards		3,550
Returns inwards	4,400	
Motor expenses	6,640	
Rent	4,560	
Salaries and wages	24,490	
General expenses	12,000	
Rates	1,200	
Equipment	60,000	
Machinery	31,960	
Trade debtors	45,770	

Trade creditors		30,450
Bank	38,760	
Cash	12,000	
Drawings	20,500	
Capital	____	128,440
	348,440	348,440

Stock at 30th April, 2006 was shs 49,980.

Required; i) Prepare Trading, profit and loss Account for the year ended 30th April 2006. (7marks)
ii) Balance as at 30th April 2006.
(5marks)

b) Explain **four** forms of economic integration. (8marks)

NANDI NORTH SUB-COUNTY JOINT EXAMINATIONS 2015

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BUSINESS STUDIES

PAPER 1

1. Name the internal environment whose effects are described by the following statements: (3mks)

		EFFECT	Internal Environment
(a)		Allows duties to be allocated to the right people thus resulting in higher productivity.	
(b)		Helps the business achieve its objectives e.g. higher production level of goods and services.	
(c)		Makes employees to acquire norms and code of conduct that is acceptable to all.	

2. State **four** reasons why choice should be made in satisfying human wants. (4mks)
3. State any **four** characteristics of secondary wants. (4mks)
4. A surgeon set up a clinic in a distance rural centre. The business opened two other branches after six months. Identify **four** possible causes for the success. (4mks)
5. Mwita has introduced computers in his business operations. Outline **four** benefits that he may experience. (4mks)
6. State **four** functions of a statement of account for Kaptich Secondary School Bursar. (4mks)
7. In the spaces provided below, state the business document, to which each of the following statements relates.

		STATEMENT	DOCUMENT
(a)		Gives a description of the goods and the prices at which the seller can supply the goods to the buyer.	
(b)		Accompanies the goods and it contains the list of goods delivered.	
(c)		To inform the buyer that goods have been dispatched.	
(d)		To correct an under-charge.	

8. In the spaces provided below, write the type of partner described by each of the following statements: (4mks)

   STATEMENT PARTNER

   (i) One who is below 18 years of age:
   (ii) One who has unlimited liability:
   (iii) One who gets involved in the daily running of the business
   (iv) One who allows his / her name to be used in the business
9. 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. (4mks)
10. Local leaders would like to see more business enterprises established within Nandi. Outline **four** measures the government can take to encourage investments in this region. (4mks)
11. Bucket Ltd is an international pharmaceutical company. Under what circumstances can the firm send its products to customers by air transport? (4mks)
12. The following are special delivery services provided by the Post Office: (4mks)

    Post Rest Ante, Speed Post, Business Reply Service, Express Delivery.

    Match each description with item.
    (i) The arrangements to deliver the mail starts at the sender's post office…….....
    (ii) The arrangement to deliver the mail starts at the addressee's post office…….
    (iii) Service offered to travelers who wish to receive correspondence while away from home…….
    (iv) Service that relieves customer of postage expenses……..…….
13. State **four** reasons why it is necessary to locate a bonded warehouse at the point of entry of a country. (4mks)
14. Kazi Moto insured a motor vehicle against fire with Moto Motocompany by paying Kshs. 300,000. Later the car was destroyed at a garage and a compensation of Kshs. 400,000 were paid. Using insurance terms, state what each of the following stand for: (4mks)
    (i) Kazi Moto……
    (ii) Fire:……..
    (iii) Kshs. 300,000 …….....
    (iv) Moto Moto company:……
15. Below are terms used in sales promotions.
    - Competitive advertising.
    - Product advertising.
    - Informative advertising.
    - Institutional advertising.

- Primary demand advertising.

Identify the most appropriate term descried in each of the following case. (4mks)

(i) Aims at increasing the sales volume of the company's entire range of products
(ii) Provides relevant information about producers products
(iii) Seeks to popularize the business enterprise offering goods for sale.
(iv) Seeks to promote the sale of a new variety of a company's product..

16. Outline the procedures of taking an insurance policy on property. (4mks)
17. Kenya Cooperative Creamers (KCC) sell its dairy products directly to retailers. Highlight **four** factors that were considered in the choice of this channel of distribution. (4mks)
18. Identify **four** factors that may be contributing to income disparity between the rich and poor citizens in Kenya. (4mks)
19. The following information relates to Ogello Traders as at 31st December 2009.

Capital (1-1-2009)	Kshs. 100,000
Loss during the year	Kshs. 40,000
Investment	Kshs. 35,000

If the trader took goods worth Kshs. 15,000 during the year for private use, calculate the capital of the business as at 31.12.2009. (4mks)

20. Prepare Betty's trial balance from the following information. (4mks)

Items	**Kshs.**
Purchase	130,000
Capital	150,000
Sales	165,000
Debtors	45,000
Creditors	40,000
Motor vehicles	120,000
Stock	50,000
Cash at Bank	10,000

21. Ondiko Traders had Kshs. 100,000 cash in had, Kshs. 243,000 cash at bank during the month of March 2008. The following transactions took place in that month.

March 3 – Paid insurance Kshs. 5,000 cash.
March 11 – Cash sales Kshs. 14,000
March 14 – Purchased equipment worth Kshs. 37,000 paying by cheque.
March 20 – Deposited Kshs. 30,000 into Bank from cash till.
March 31 – Took Kshs. 10,000 cash for personal use.

Prepare Ondiko Trader's Two-column Cash Book for March 2008. (5mks)

22. State the journal that deals with each of the following types of transactions. (4mks)

	Type of transaction	**Journal**
(i)	Credit sales	
(ii)	Return of goods by customers.	
(iii)	Return of goods to suppliers.	
(iv)	Cash cheques received.	
(v)	Credit purchases	
(vi)	Sale of fixed assets	
(vii)	Purchase of motor van on credit from General Motors	
(viii)	Correction of errors.	

23. Differentiate between progressive and regressive taxation giving an example of each. (4mks)
24. 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 public limited company. (4mks)
25. Write in full the following abbreviations: (4mks)

(i) LPO:
(ii) IPO:
(iii) C.W.O

(iv) I.O.U

NANDI NORTH SUB-COUNTY JOINT EXAMINATIONS 2015

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BUSINESS STUDIES

PAPER 2

1. (a) Explain any **five** benefits that a business which adopts an enclosed office layout enjoys. (10mks)
   (b) Discuss **five** emerging trends in Banking. (10mks)
2. (a) Explain **five** advantages of warehousing to the consumers. (10mks)
   (b) The following information relates to Bahari retailers for the month of January 2013.

	Invoices received			
Jan	6	Mandela Ltd	shs.	70,000
	12	Othiambo Traders	shs.	150,000
	18	Jua Kali Enterprises	shs.	50,000
	Invoices			
Jan	5	Jambini Traders	shs.	10,000
	10	Fedha Ltd	shs.	100,000
	15	Kalu Works Ltd	shs.	120,000
	Credit Note issued			
Jan	5	Jambini Traders	shs.	12,000
	13	Fadhili Ltd	shs.	6,000
	Credit Note received			
Jan	7	Mandela Ltd	shs.	5,000
	14	Othiambo Traders	shs.	1,000
	Additional Information:			
Jan	8	Sold machinery on credit to Kwetu retailers shs. 50,000		
	9	Bought electronic equipment on credit from lowland retailersshs. 8,000		
	10	Brought shs. 5,000 cash into the business from own sources.		

   Required: Record the above transactions in the appropriate diary books. (10mks)
3. (a) Describe any **five** types of unemployment experienced in Kenya. (10mks)
   (b) Under what circumstances would a producer use wholesaler in distributing farm produce. (10mks)
4. (a) Discuss **five**factors that influence the level of National Income of a country. (10mks)
   (b) Outline any **five** differences between Partnerships and Cooperative societies. (10mks)
5. (a) Explain **five** factors that an insurance company will consider before determining the premium to charge an applicant for an assurance policy. (10mks)
   (b) The following information relates to the books of Mwalimu Traders as a 31st December 2014.

Sale	670,000
Purchases	380,000
Opening stock	60,000
Closing stock	40,000
Return inwards	70,000
Carriage on purchases	10,000
Commission received	15,000
Rent paid	18,000
Salaries and wages	33,000
Postage	2,000
Discount received	7,000
Travelling	12,000
Repair and maintenance	4,000

   Required:
   Prepare Mwalimu Traders Trading Profit & Loss Account for the year ended 31st December 2014. (10mks)
6. (a) With the aid of a diagram, explain the effects of increase in consumer's level of income on the equilibrium point. (10mks)
   (b) Explain **five** ways in which the government may promote local trade. (10mks)

MWINGI CENTRAL SUB-COUNTY FORM FOUR JOINT EXAMINATIONS

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BUSINESS STUDIES

Paper 1

Answer all questions in the spaces provided

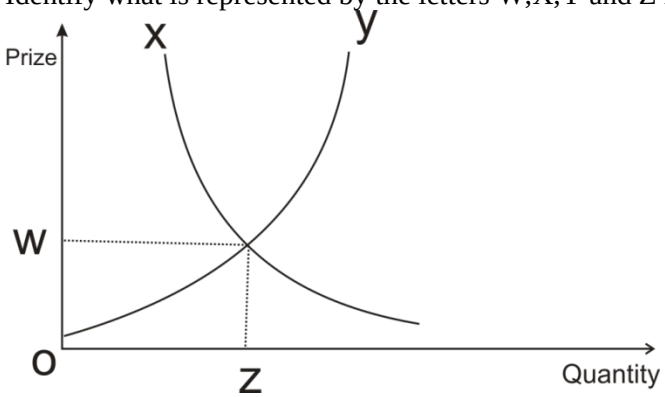
1. The table below describes some terminologies used in business Studies. Identify the term given to each statement (4mks)

		Statement	Term
a)		Activities carried out with a view to making profit	
b)		Increasing the usefulness of a good or service	
c)		Movement of goods from producers to consumers	
d)		A person who uses a good or service	

2. State **four** factors that an entrepreneur would consider before investing in a business opportunity (4mks)
3. Outline **four** measures that may be taken by an office to safeguard the property of the organization (4mks)
4. Highlight **four** features of a departmental store (4 mks)
5. Among the documents required by the Registrar of companies is the Articles of Association. Highlight **four contents** of the Articles of Association (4 mks)
6. State four reasons why consumers need protection from unscrupulous traders (4 mks)
7. 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 (4mks)
8. Highlight **four** limitations of a siren as a means of communication (4 mks)
9. State **four** merits of a bonded warehouse to the Government (4 mks)
10. Give any Four contents of a cover note (4 mks)
11. The descriptions stated below refer to various methods advertisement. For each description give the method that best matches it. (4 mks)

Description	**Method of advertisement**
a) Any mention of a person/firm or product in the mass media	
b) Presentation of a commodity to prospective buyers, face to face by a sales person with an aim of making sales	
c) Process of information with a view of creating, promoting or maintaining good will and favourable image of the organization to the Public	
d) Any paid form of impersonal presentation of a product made through mass communication Media	

12. Identify what is represented by the letters W,X,Y and Z in the diagram below (4 mks)



13. The table below shows the growth rate of Gross Domestic product (GDP) of a certain Country for two years (4mks)

14. Year	15. G.D.P
16. 2003	17. 6.5%
18. 2005	19. 2.0%

Highlight four circumstances under which the standards of living of the citizens of the country referred to above may not necessarily have been lower in 2005 than 2003. (4mks)

14. Outline four features of a Monopoly market structure (4mks)
15. Highlight four reasons why many governments discourage localization of firms (4 mks)
16. Giving an example in each case, define the following terms:
    a. Long term liability (2marks)
    b. Current Assets (2marks)
17. A resource is something that is used by a business to achieve an objective. Identify four resources available in a business. (4mks)
18. The following balances were extracted from the books of Mwenge Traders on 30th June2010.

	Shs.
Debtors	120 000
Creditors	240 000
Ten-year loan Loan	400 000
Closing Stock	25 000
Cash in hand	50 000
Drawings	30 000
Furniture	700 000

Required: Prepare a Balance Sheet as at 30th June 2010 (4mks)

19. Highlight four merits of current account to the account holder (4 mks)
20. Outline four reasons why the government may impose trade restrictions on her trading activities (4 mks)
21. The following transactions were carried out by Ushirika Stores during the month of July2012.
    July 1 : Started a business with sh. 10 000 in cash
    July 2 : Opened a bank account for the business by depositing Sh. 20 000 from Personal savings
    July 10 : Bought goods worth Sh.10 000 and paid by cheque
    July 20 : sold goods worth Sh. 20 000 which were paid in cash

    Required: Record the above transactions in the relevant ledger accounts (4 mks)
22. Outline four causes of cost –push inflation in any country (4mk)
23. Highlight fourreasons why the Kenyan government imposes tax (4 mks)
24. The following information was extracted from the books of Ngikwa Stores for thefollowing years

	2014	2013
	Shs.	Shs.
Stock	120 000	224 000
Bank	20 000	60 000
Debtors	268 000	120 000
Creditors	272 000	200 000

    a) Determine the current Ratio for 2014 and 2013 (3mks)
    b) Comment on the significance of the change in current Ratio (1mk)
25. Identify four goals development (4 mks)

MWINGI CENTRAL SUB-COUNTY FORM FOUR JOINT EXAMINATIONS

Kenya Certificate of Secondary Education

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BUSINESS STUDIES

Paper 2

1. (a) Kenya has been relying on Coffee as a key driver of her economy. Explain **FIVE** benefits that may accrue to her due to this specialisation (10 mks)

(b) Explain **FIV**E ways in which a Country's labour force can be improved to promote economic growth. (10 mks)

2. (a) Explain **FIVE** factors that determine the amount of money held for precautionary purposes (10 mks)

(b) Kitinga Enterprises runs a general Merchandise business. The transactions during the month of June 2014 were as follows:

2014

June 1 - Bought on credit from Orina Ltd. goods worth shs. 100 000, received a 20% trade discount.
June 4 - Sold goods on credit to Rono Ltd. shs. 30 000 and allowed them a 10% trade discount.
June 8 - Sent Rono Ltd. a credit note for goods returned, which had a value ofshs. 30 000.
June 10 - Sold goods on credit to Akinyishs. 60 000
June 12 - Purchased goods from Wamalwa ltd for shs. 100 000 and he allowed a 30% trade discount.
June 15 - Purchased goods on credit from Nyamburashs. 45 000
June 16 - Sent Akinyi a credit note for goods returned worth shs. 10 000
June 18 - Wamalwa Ltd. sent us a credit note for sh.30 000 for goods returned.
June 19 - Received a credit note for goods returned to Orina worth sh.25 000
June 25 - Sold goods to Wairimu on credit sh. 25 000
June 27 - Sent Wairimu a credit note for sh.5 000 to rectify an overcharge on their invoice.
June 28 - Sold goods on credit to Rono for sh. 56 000
June 29 - Purchased a Motor Van on credit from Awori Ltd. worth shs. 80 000
June 30 - Sold on credit Old machinery to Nairobi Trading Company for sh.35 000 (prior to this owned machines worth shs. 100 000

Required: Make the necessary entries in the relevant books of original entry (10 mks)

(NB. Posting to the ledger Accounts is not necessary)

3. (a) Outline **FIVE** causes of Balance of payments disequilibrium (10 mks)

(b) Describe **FIVE** channels of distribution that may be followed by imported manufactured goods (10 mks)

4. (a) Explain **FIVE** types of unemployment (10 mks)

(b) The following trial balance was extracted from the books of Mwelu Traders on 30th April 2015

Account name	**Dr**	**Cr**
Sales		186 000
Purchases	115 560	
Stock on 1/5/2014	37 760	
Carriage outwards	3 260	
Carriage inwards	2 340	
Returns inwards	4 400	
Return outwards		3 550
Salaries	24 470	
Electricity	6 640	
Rent	5 760	
Sundry Expenses	12 020	
Equipment	24 000	
Furniture	6 000	
Debtors	45 770	
Creditors		30 450
Bank	38 760	
Cash	1200	
Drawings	20 500	
Capital		**128 440**
	348 440	**348 440**

Stock as at 30th April 2015 was Shs. 49 980

Required: Prepare Trading profit and Loss Account for the period ending 30th April 2015. (10 mks)

5. (a) Highlight **FIVE** differences between Insurance and gambling (10 mks)

(b) Explain **FIVE** principles of a good tax system (10 mks)

6. (a) Explain **FIVE** factors that influence the level of National income of a Country (10 mks)

(b) Explain **FIVE** Money transfer facilities provided by Commercial Banks (10 mks)

KAMDARA JET 2015

Kenya Certificate of Secondary Education

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BUSINESS STUDIES

Paper 1

1. Name four features that differentiate a bill of exchange from a cheque (4marks)
2. State the books of original entry in which each of the following transactions would be recorded (4marks)

Transactions	Books of original entry
a) Bought a machinery on credit	
b) Received sh. 40,000 from Mweni a debtor	
c) Sold goods worth sh. 20,000 on credit to Salama	
d) Returned goods previously bought on credit to Wainaina	

3. Outline four factors that may account for predominant direct production in a country (4marks)
4. Highlight four reasons why a business firm would prefer to operate a current account from a commercial Bank. (4marks)
5. Outline four factors to consider when introducing a new product in the market (4marks)
6. State four benefits that a company would get by raising capital through sales of ordinary shares (4marks)
7. State four factors that determine the period for which documents should be stored (4marks)
8. The following balances of assets and liabilities were provided by mawazo Traders as at 31st/12/2014. (4marks)

Item	shs
Bank overdraft	80,000
Land	200,000
Accrued electricity bill	50,000
Stock	10,000
Debtors	20,000

The business had drawings amounting to sh. 20,000 during the year.
Prepare a balance sheet to determine the net worth of the year

9. The following information relates to commodity 'X'.

Year	Price (shs)
2010	450
2014	675

(i) Calculate the consumer price index
(ii) Comment on your answer. (4marks)

10. Outline any four limitations of social responsibility to a business (4marks)
11. A business enterprise had the following transactions on 3rd June 2008.
    (i) Returned goods worth sh. 15,000 to Kombo traders.
    (ii) Awino, a customer returned goods worth 3,500 to the business.
    Required: Record the above transactions in the relevant ledger accounts (4marks)
12. State four benefits that consumers get from warehousing (4marks)
13. Highlight any four factors that a government should consider when deciding on a good tax system (4marks)
14. Highlight four measures that can be taken to control the volume of imports. (4marks)
15. The following information relates to Kitui Traders for the year 2013.

Turn over shs	270,000
Margin	40%
Rate of turnover	6 times
Expenses sh	40,000

From the information given above, Calculate:-
(a) Gross profit
(b) Cost of goods sold
(c) Net profit
(d) Average stock (4marks)

16. List four factors that may discourage the use of pipeline as a means of transporting petroleum products in a country (4marks)

17. Outline four circumstances under which one may use signs in communication. (4 marks)
18. Yvonne has just completed her studies at University and would like to start a business. Highlight four factors that would influence her to locate her business near the market. (4mks)
19. Outline four differences between perfect competition and monopoly (4mks)
20. Identify the types of utility created in the following circumstances. (4 mks)

		Circumstance	Type of Utility
a)		Processing and packing Tea leaves in a factory	
b)		Transporting Tea from Kiambu to Nairobi	
c)		Selling Tea leaves in a shop	
d)		Where the retailers stores tea leaves packets in his warehouse	

21. State the effect of the following transaction on the balance sheet totals indicating either "increase, decrease or No effect" (4marks)

22.

		Transaction	Effect on Balance sheet total
a)		Dec 14 Received a cheque for sh 150,000 being amount borrowed from a lending institution.	
b)		December 15 – paid creditors sh 10,000 in cash	
c)		Dec 26- owner took cash sh 10,000 from business for own personal use	
d)		Dec 3 – Deposited cash sh 15,000 in to the business bank account.	

Highlight four factors that may influence supply positively. (4marks)

23. Highlight four limitations of using consumer initiated methods in consumer protection (4marks)
24. Outline any four features of an economic union level of economic integration (4marks)
25. State for disadvantages of Automatic Teller Machines (ATM) (4marks)

KAMDARA JET

Kenya Certificate of Secondary Education

565/2

BUSINESS STUDIES

Paper 2

1. a) Explain five reasons that may account for the continued use of hand carts as a mode of transport (10marks)
   b) Shah and Patel are importers of vehicles in Kenya from Japan. Explain five terms of sale that may be quoted by the seller of the vehicles. (10 marks)
2. a) By the use of diagram, explain the effects of excess supply over demand on quantity demanded and supplied (10marks)
   b) The following balances relate to Brian traders as at 31st December 2013

	Shs.
Salaries	70,000
Stock (1/1/2013)	30,000
Creditors	35,000
Capital	700,000
Purchases	150,000
Insurance	10,000
Electricity	40,000
Debtors	60,000
Sales	350,000
Stock (31/12/2013)	20,000
2 year bank loan	200,000
Returns inwards	15,000

Required:

(i) Prepare a trading, profit and loss account for the year ending 31st December 2013 (5 Marks)

(ii) Calculate the following ratios
   (a) Margin (1 mark)
   (b) Rate of stock turn over (2 marks)
   (c) Rate of return on capital (2 marks)

3. a) The per capita income in country A is considerably higher than that in country B. Discuss Five reasons why the citizens of country A may not necessarily enjoy higher standards of living than citizens of country B. (10 Marks)
   b) Explain five circumstances under which the nature of goods may influence the choice of appropriate means of transport (10 marks)
4. a) Highlight five ways in which the Central Bank acts as a banker to the government (10 marks)
   b) Explain five characteristics of under development (10 marks)
5. a) Highlight five reasons why Kenyan government encourages the development of small business enterprises (10Marks)
   b) Explain five circumstances under which personal selling is appropriate (10 marks)
6. a) Explain four services rendered by retailers to consumers (8 marks)
   b) On 1st July 2014 moshi traders had cash in hand Ksh.560,000 and a bank overdraft of Ksh. 175,000.
   The following transactions took place during the month:

July 9:	Paid the following creditors by cheque after deducting 10% cash discount: Betty Ksh. 140,000 Mary Ksh. 98,000
July 12:	Settled kithekas account Ksh.70, 000 by cheque after deducting 10% cash discount
July 16:	Received cheques from the following debtors after deducting 10% discount in each case: Ali Ksh. 350,000 Hassan Ksh.105,000
July 23:	Received the following cheques from debtors after having deducted cash discount of 2% In each case: Joseph Ksh. 411,600 Daniel Ksh. 123,480
July 29:	Received the following amounts in cash from debtors having deducted cash discount of 2% Josephine Ksh.82, 320 Fatuma Ksh.246, 960

Required:

Record the above transactions in a three column cash book and balance it off at the end of the month (10 marks)

MERU FORM 4 JOINT EVALUATION TEST

Kenya Certificate of Secondary Education

565/1

BUSINESS STUDIES

Paper 1

1. State four benefits of public corporations in Kenya. (4 marks)
2. State four advantages of entrepreneurship in an economy. (4 marks)
3. Highlight four factors that can make a company to re-insure. (4 marks)
4. State four economicfactors that determine a consumer's buying ability. (4 marks)
5. State four ways in which a good filling system may facilitate the operations on office. (4 marks)
6. Highlight four benefits of a free warehouse. (4 marks)
7. State four circumstances where a firm would be located near a source of raw materials. (4 marks)
8. Show the accounts to be debited or credited for the following transactions. (4 marks)

	Transactions	**Account to Debit**	**Account to Credit**
A	Paid wages in cash		
B	Took business cash for private use		
C	Purchased office furniture on credit from Ritho Ltd		
D	Paid electricity bill by cheque		

9. Highlight four factors that determine precautionary motive for holding money. (4 marks)
10. State four functions of an entrepreneur as a factor of production. (4 marks)
11. The following information was extracted from the books of Juma Traders as at 31st December 2009,

	Shs
Opening stock	2,500
Purchases	46,000
Closing stock	1,500
Mark-up	20%

Required:

Prepare Juma Trader's Trading Account (4 marks)

12. Outline four changes in the economy associated with economic development. (4 marks)
13. The diagram below shows a population pyramid for a certain country.



Give four challenges facing this country. (4 marks)

14. Highlight four ways in which individuals consumers can protect themselves. (4 marks)

15. State the source documents for each of the following subsidiary day Books (4 marks)

	Subsidiary Books	Source Documents
A	Sales Journal	
B	Purchase Sales Journal	
C	Returns Inwards Journal	
D	Returns Outward Journal	

16. State four problems that are experienced by consumers when firms become monopolies. (4 marks)
17. State four causes of demand pull inflation. (4 marks)
18. Highlight four reasons why the use of rail transport is not well developed in Kenya. (4 marks)
19. Outline four things a business need to know about their competitors. (4 marks)
20. The following balances of assets and liabilities were provided by Pati Traders as at 31st December 2012

Items	Shs
Bank overdraft	80,000
Land	200,000
Accrued electricity	50,000
Stock	10,000
Debtors	20,000

The business had drawings amounting to sh 20,000, during the year.

Required:

Prepare balance sheet for Pati Traders. (4 marks)

21. List four factors that may limit the growth of a country's national income. (4 marks)
22. State four current trends in sales promotion. (4 marks)
23. Outline four factors to be considered when choosing a channel of distribution. (4 marks)
24. State whether the tax described below is direct or indirect (4 marks)
    a) Stamp duty
    b) Wealth tax
    c) Excise duty
    d) Value Added tax
25. A business enterprise had a cash balance of 50,000 and overdraft of sh 15,000 on 1st June 2007.
    The following transactions were conducted.
    June 2, A debtor paid sh 40,000 by cheques
    June 10, The business bought stock sh 10,000 in cash
    June 15, Sold goods sh 30,000 cash.
    Required:
    Prepare a two column cash book. (4 marks)

MERU FORM 4 JOINT EVALUATION TEST

Kenya Certificate of Secondary Education

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BUSINESS STUDIES

Paper 2

1. a) Outline five ways in which a computer can improve efficiency of an organization. (10 marks)
   b) Intermediaries play a key role in the chain of distribution. Explain any five such roles. (10 marks)
2. a) Explain five ways in which the government may create an enabling environment for business. (10 marks)
   b) The following trial balance was extracted from the books of Tausi Traders as at 30th June 2014

Details	**Dr**	**Cr**
Stock on 1st July 2013	180,000	
Debtors and creditors	195,000	120,000
Discounts	75,000	96,000
Sales and purchases	1,200,000	1,740,000
Premises	1,630,000	
Carriage outwards	24,000	
Returns	60,000	150,000
Fixtures and fittings	300,000	
Carriage in wards	100,000	
Machinery	600,000	
Commissions	48,000	42,000
Capital		2,454,000
Wages and salaries	90,000	
Cash in bank	420,000	
Rent income		110,000
	4,712,000	**4,712,000**

Closing stock 210,000

Required:Prepare a trading, profit and loss account for the year ended 30th June 2014. (8 marks)

Prepare tausi's balance sheet as at 31st June 2014 (4 marks)

3. a) Explain five remote external factors that influence business operations. (10 marks)
   b) Expalin five reasons why government may impose trade restrictions. (10 marks)
4. a) Record the following information relating to the traders in the relevant books of original entry for the month of June 2013 and post them to the relevant ledger Accounts. (10 marks)

   June 2: Credit sales to Wako retailers worth sh 8,000 issued invoice No. 0111.
   June 5: Credit purchases from Jamu suppliers worth sh 30,000 received invoice No. 20
   June 8: Credit sales to Mwenda worth sh 12,000 issued invoice No.12
   June 16: Credit purchases from Sam Traders and Mwiti traders worth sh 5,300 and sh 6,200 and issued with an invoice No.13 and 14 respectively.
   June 18: Credit sales Wako retailers and Mwiti traders worth sh 5,300 and 6,200 and issued with an invoice No. 13 and 14 respectively.
   June 24: Credit purchases from Sam and Wangu traders sh 1000 and 2,800, invoice No.451 and 722 respectively.

   b) In the last few months, the supply of mangoes in Chuka Town was on increase. Explain any five factors that may have attributed to this. (10 marks)
5. a) Most of the African countries are suffering from rapid unemployment rates. Explain five causes of this situation.
   b) Public finance refers to activities carried out by the government in raising and spending of finances. Explain five purposes of public finance.
6. a) Outline five advantages of pipeline transport over the road transport. (10 marks)
   b) The following transaction took place in the business of JohanaMakembo in the month of May 2013.

   2013
   May 1: started business with sh 100,000 in bank and sh 20,000 in cash
   May 3: Purchased goods values at sh 24,000 from Kanyua on credit
   May 6: Paid rent sh 1200 by cheques.
   May 10: Purchased a delivery van valued at sh 720,000 from Mwema Motors and paid by cheques.
   May 12: Sold goods in cash sh 45,000.
   May 15: Paid Kanyuash 10,000 by cheques.
   Required: Use the above information to:

   Prepare the relevant ledger accounts and balance them off as at 15th May 2013 (7 marks)

   Extract a trial balance. (3 marks)

KURIA EAST SUB-COUNTY JOINT EXAMINATION COUNCIL 2015

Kenya Certificate of Secondary Education

565/1

BUSINESS STUDIES

PAPER 1

JULY/AUGUST 2015

1. State whether each of the following factors fall under micro-environment or macro-environment (4 mks)

Factor	**Environment**
i) Legal political environment	
ii) Business structure	
iii) Economic environment	
iv) Human resources	

2. State **four** ways in which consumers may protect themselves against exploitation. (4 mks)
3. Give **two** differences between goods and services. (4 mks)
4. Outline **four** circumstances under which cash with order (C.W.O) is appropriate (4 mks)
5. Using a well labeled diagram explain the movement along a demand curve. (4 mks)
6. Highlight **four** factors that may limit the exploitation of natural resources. (4 mks)
7. Identify the term of insurance described in each of the following statements. (4 mks)
   i) A risk which when it occurs it may result to a loss or a profit
   ii) A specified amount of money paid at regular intervals by the insured to the insurer.
   iii) The insurance company that undertakes to compensate the insured in event of a loss arising from occurrence of the insured risk.
   iv) A document containing the terms and conditions of the contract between the insurer and the insured.
8. Outline **four** sources of monopoly power. (4 mks)
9. Highlight **four** effects of eliminaing wholesalers from a distribution channel. (4 mks)
10. State **four** advantages of publicity as a method of product promotion. (4 mks)
11. Highlight **four** disadvantages of free trade. (4 mks)
12. State **four** accounts used to record the movement of stock. (4 mks)
13. Outline **four** barriers to effective communication. (4 mks)
14. Highlight **four** money transfer facilities offered by commercial banks to its customers. (4 mks)
15. State **four** positive effects of inflation (4 mks)
16. Outline **four** merits of indirect tax. (4 mks)
17. State **four** demerits of underpopulation to a country. (4 mks)
18. The following balance sheet was extracted from the books of Tumaini Investment as at 31st December 2014.

Tumaini Investments

Balance sheet

As at 31st December 2014

Assets		shs	**Capial & liabilities**		shs
Fixed assets			capital		1,200,000
Land & buildings		1,000,000			
Motorvehicle		500,000	**Long term liabilities**		
Furniture		100,000	Loan from KIE	300,000	
		1,600,000	Loan from ICDC	110,000	410,000
Current assets					
Stock	50,000		**Short term liabilities**		
Debtors	30,000		Creditors	70,000	
Cash at bank	20,000		Salaries owing	30,000	100,000
Cash at hand	10,000	110,000			
		1,710,000			**1,710,000**

Calculate:-

i) Borrowed capital (1 mk)
ii) Capital employed (2 mk)
iii) Working capital (2 mk)

19. From the transactions given below name the account to be debited (Dr.) and the account to be credited (CR) (4 mks)

TRANSACTION	DEBIT (DR)	CREDITED (CR)
i) Deposited shs. 2000 into the bank from the cash box		
ii) Sold goods on credit worth shs 5,000		
iii) Purchased goods in cash worth shs 4,000		
iv) Withdrew goods worth shs 2,500 for own consumption.		

20. The following balances were extracted from the books of Rioba Agencies for the period ended 30th June 2013.

	shs
Stock (1/7/12)	14,700
Sales	86,400
Purchases	65,000
Returns outwards	4,700
Carriage inwards	2,200
Commission received	8,100
Salaries	2,500
Stock on 30th June 2013	20,000

Required:

Prepare the trading account for Rioba Agencies for the year ended 30th June 2013. (4 mks)

21. Outline **four** current trends in the road transport in Kenya today. (4 mks)
22. State **four** structural changes that may take place when a country is experiencing economic development. (4 mks)
23. Highlight **four** features of a bounded warehouse. (4 mks)
24. State **four** negative implications of production activities on the community. (4 mks)
25. The following cash transactions took place in he business of Ochieng during the first week of June 2013.

2013 June

2013 June 1. Balance brought down was cash shs 20,000, bank shs 45,000
2013 June 2. Sold goods worth shs 10,000 by cash
2013 June 3. Sold a piece of furniture for shs 8,000 and the amount was directly paid to the bank.
2013 June 4. Bought goods worth shs 16,000 paying partly by cheque worth shs 9,000 and the balance was paid in cash.
2013 June 5. Banked all the cash except shs 5,000

Required

Prepare a two column cash book.

KURIA EAST SUB-COUNTY JOINT EXAMINATION COUNCIL 2015

Kenya Certificate of Secondary Education

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BUSINESS STUDIES

PAPER 2

JULY/AUGUST 2015

1. a) Explain **five** measures the government may take to curb cost-push inflation. (10 mks)
   b) Explain **five** principles under which co-operative societies should be managed. (10 mks)
2. a) Explain **five** advantages of a declining population. (10 mks)
   b) The following information was obtained from the books of Nyota Njema Traders

Invoices Received

Jan 2,2015	Shari Traders for sh. 80,000 invoice No. 41
Jan 18,2015	Chacha traders for sh. 120,000 invoice no. 72.
Jan 25,2015	Nala traders for sh. 200,000 invoice no 31

Invoices issued

Jan 5,2015	Song traders for sh. 50,000 invoice no.1
Jan 6,2015	Mali traders for sh. 6,800 invoice no. 2
Jan 10,2015	Mamba traders for sh. 22,000 invoice no. 3

Credit Notes received

Jan 10,2015	Shari traders sh. 4,000 Credit Note number 16
Jan 28,2015	Malo traders for sh. 3,500 Credit Note no. 23

Credit notes issued

Jan 8,2015	Song traders for sh. 3,000 credit note No. 1
Jan 26,2015	Mali traders for sh. 7,200 credit note no. 2

Required: Journalize the information above in the relevant subsidiary books (10 mks)

3. a) Explain **five** disadvantages of long chain of distribution of goods to a buyer. (10 mks)
   b) Explain **five** qualities of an office messenger. (10 mks)
4. a) Explain **five** measures taken by the central bank of Kenya (CBK) to control credit. (10 mks)
   b) Discuss **five** economic importance of natural resources. (10 mks)
5. a) Explain **five** benefits of economic integration to member states. (10 mks)
   b) Despite the advantages of railway transport. It has not been competitive as other means of transport in Kenya. Explain five reasons that have hindered its competitiveness. (10 mks)
6. a) The following transactions relate to Leo traders for the Month of Feb 2015
   Feb 1 started a business with sh. 180,000 in bank
   6 Bought goods on credit from Mato sh. 80,000 and King sh. 50,000
   10 Sold goods for credit to Edna sh. 141,500
   12 Paid Mato sh. 25,000 and King sh. 31,000 by cheque
   15 Recieved a cheque worth sh. 24,000 from Edna
   28 Returned goods to Mato sh. 1,000
   28 Withdrew sh. 5,000 from bank for personal use.
   Required: Enter the transaction above in the relevant ledger accounts and balance them off. (13 mks)
   b) Outline **Seven** benefits of pooling of risks. (7 mks)

MURANGA SOUTH SUB-COUNTY MULTILATERAL EXAMINATIONS

Kenya Certificate of Secondary Education

565/1

BUSINESS STUDIES

PAPER 1

JULY/AUGUST 2015

1. Outline **four** reasons why one may want to start a business (4mks)
2. The following are human wants that people have. Indicate whether each is a basic want, comfort or a luxury .
   (a) Entertainment
   (b) Bread for street boy
   (c) University education
   (d) A Gold watch (4mks)
3. Office equipment include all necessary office machines and furniture. Explain **four** roles played by equipment in an office (4mks)
4. State **four** advantages of pipeline transport (4mks)
5. State **four** challenges that may be faced by a consumer who buys goods from intermediaries (4mks)
6. Outline **four** characterisitcs of monopoly
7. The following information relates to Karima Kogi stores for the year ending 31st Dec 2014

	Sh
Stock	50,000
Cash at Bank	15,000
Machinery	240,000
Creditors	75,000
Debtors	55,000

   Required: Draw Karima Kogi stores Balance Sheet as at 31st December 2014 (3mks)
8. Classify the following account as real, nominal or personal
   (a) Purchases
   (b) Stock
   (c) XYZ Company Ltd
9. Outline **four** factors that determine the location of a firm (4mks)
10. Mention **four** features of capital as a factor of production (4mks)
11. Give **four reasons** which make buyers to shy off from buying goods through hire purchase (4mks)
12. Identify any **four** goals of Economic Development (4mks)
13. List down **four** errors that are not revealed by a trial balance (4mks)
14. Outline **four** factors that might cause demand pull inflation (4mks)
15. Wanjiku operates a business on her own. State **four** disadvantages she is likely to suffer for operating the business on her own (4mks)
16. State **four** factors that a business person will consider when determining the mose viable business opportunity (4mks)
17. Record the following transactions in a 2 - column cash book of Waigwa Traders and balance it off (5mks)

2012			
Jan 1	Balance b/d	Cash	Sh. 10000
		Bank	Sh .25000
Jan 2	Bought stock in cash		Sh. 6000
Jan 7	Cash sales		Sh. 2500
Jan 12	Withdrew cash from bank for office use		Sh. 4000
Jan 15	Paid wages in cash		Sh. 3000
Jan 21	Received sh 4500 from Karanja by cheque		

WAIGWA'S 2-COLUMN CASH BOOK

DATE	DETAILS	CASH sh.	BANK sh.	DATE	DETAILS	CASH sh.	BANK sh.

18. Explain the following terms of sale as used in international trade (4mks)

(i) LOCO Price.
(ii) Cost, Insurance and Freight
(iii) In Bond
(iv) Franco

19. Highlight **four** reasons why the government trains business people (4mks)
20. State **four** characteristics of a life assurance policy (4mks)
21. Highlight **four** advantages of publicity to a firm (4mks)
22. Apart from demand and supply. Mention other **four** methods of determining the price of a product (4mks)
23 Outline **four** functions of money. (4mks)
24. Highlight **four** purposes of public finance (4mks)
25. Indicate whether the transactions given below will increase, decrease or have no effect on the capital of a business (4mks)

(a) Bought stock on credit
(b) Losses incurred by the firm
(c) Received cash from a debtor
(d) Additional cash invested by the owner

MURANGA SOUTH SUB-COUNTY MULTILATERAL EXAMINATIONS

Kenya Certificate of Secondary Education

565/2

BUSINESS STUDIES

PAPER 2

JULY/AUGUST 2015

1 a) The Kenya government has been supporting the Co-operative movement. Discuss five features of a co-operative Society

b) Due to unemployment many youths are involving themselves in crimes hence posing a threat to National security Explain five causes of unemployment in the country (10mks)

2 a) Susan has a choice of either buying goods from kiosk or a supermarket. Explain to her five reasons why she may prefer to buy goods from the Supermarket instead of the kiosk (10mks)

b) Discuss five roles played by commercial banks in developing the Kenyan economy (10mks)

3 a) Mention and explain four office etiquettes expected of an office worker (8mks)

b) The following Trial balance was extracted from books of Maragwa Traders as at 31st December 2014

Maragua Traders
Trial Balance
As at 31st Dec 2014

Details	Dr. (sh)	Cr. (sh)
Purchases	300,000	
Sales		450,000
Returns inwards	40,000	
Returns outwards		10,000
Capital		89,000
Machinery	90,000	
Bank	30,000	
Carriage inwards	20,000	
Carriage outwards	1,500	
Stock (Jan 1.2014)	50,000	
Creditors		85,000
Debtors	60,000	
Salaries	9,000	
General expenses	3,500	
Rent	30,000	
	634,000	634,000

Stock on 31 Dec 2014 was valued at sh. 67,500

Required

(i) Prepare a Trading and profit and loss account for the year ended 31st December 2014

(ii) Prepare a Balance sheet as at 31st Dec 2014 (12mks)

4 (a) Discuss five factors that may influence the choice of a means of communication (10mks)

(b) Graphically, explain the effect of a decrease in demand on equilibrium price and quantity of a commodity (10mks)

5 (a) Onyango does not know that national income statistics are of any importance. Explain to him five uses of national income statistics (10mks)

(b) Kenya has been suffering from Balance of payment deficit . Explain five measures that it can adopt to correct the balance of payment deficit (10mks)

6 (a) Explain five roles played by warehousing in the development of Kenya's economy (10mks)

(b) Mega Traders had the following transactions that took place in the month of April 2014

Invoices received

April	1	K.K. Suppliers	Sh. 40,000
	2	Onchoke	Sh. 8,000
	6	K.K. Supplier	Sh. 15,000

Invoices issued

April	3	Onyango	Sh. 50,000
	4	Moturi	Sh. 30,000

Credit notes issued

April	5	Moturi	Sh. 3000

Credit notes received

April	7	K.K. Suppliers	Sh. 1000
	7	Onchoke	Sh. 1500

Required : Record the above transactions in the relevant subsidiary books and relevant post to the ledger accounts (10mks)

GATUNDU SOUTH FORM FOUR 2015 EVALUATION EXAM

Kenya Certificate of Secondary Education

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BUSINESS STUDIES

PAPER 1

JULY/AUGUST 2015

1. Identify the terms given to each of the following statements. (4 marks)

	Statement	Term
a.	Transport goods from producers to consumers	
b.	Activities carried out with a view of making profit.	
c.	A person who uses a good or service.	
d.	Increasing the usefulness of a good or services	

2. Outline four business resources that business can use to enhance its operation. (4 marks)
3. Outline four characteristics of basic wants. (4 marks)
4. Outline four gaps in the market that may give rise to a business opportunity. (4 marks)
5. Indicate in the table below the office machine used to perform the following functions. (4 marks)

		Function	Machine
a.		Folding documents, placing them in envelopes and sealing the envelopes.	
b.		Making short hand dictations and recording information on tapes.	
c.		Posting information to ledgers and preparation of pay rolls.	
d.		For trimming documents into required shapes and sizes.	

6. Highlight four features of subsistence production. (4 marks)
7. Highlight four circumstances under which deffered payment may be appropriate. (4 marks)
8. Outline four advantages of consumer co-operatives. (4 marks)
9. Outline four disadvantages of using a train as a means of transport. (4 marks)
10. Highlight four functions of advertising agencies. (4 marks)
11. The figure below shows a shift in supply curve from SS to S_1S_1.



State four possible causes that might have led to this situation. (4 marks)

12. The following balance sheet relates to Uzuri traders

UZURI TRADERS
Balance Sheet
As at 31st May 2015

	sh.	Sh.			
Fixed Assets			Capital and Liabilities		
Land	1,800,000		Capital		2,172,000
Motor vehicle	1,000,000		Long term liabilities		
Furniture	30,000	2,830,000	Loan from KCB	400,000	
Current assets			Loan from K.I.E	300,000	700,000
Stock	80,000		Short term liabilities		
Debtors	50,000		Creditors	100,000	
Cash at bank	32,000		Salary owing	40,000	140,000
Cash in hand	20,000	182,000			
		3,012,000			3,012,000
		======			=======

Required:

Calculate (i) Capital owned (1 mark)
(ii) Borrowed capital (1 mark)
(iii) Working capital (1 mark)
(iv) Capital employed (1 mark)

13. Record the following transaction in a two column cash book.

2012
Jan 1 : Started business with capital of sh20,000 cash and sh 50,000 at bank.
2 : Bought stock in cash sh 120,000
3 : Cash sales sh 5,000
7 : Bought stock worth sh 10,000 on credit.
12 : Withdrew cash from bank for office use sh.8,000.
15 : Paid rent by cheque shs 6000.
20 : Received shs 4000 by cheque from a debtor.

14. Highlight four problems that Kenyan government may experience in implementing a development plan. (4 marks)
15. Outline four ways in which the government creates an enabling environment for business operations. (4 marks)
16. Highlight four advantages to the government of Kenya for setting up Export Processing Zones (EPZs) (4 marks)
17. Enter the following transactions in the relevant ledger accounts. (4 marks)

2011
July 1: Opening balances cash ksh 24,000, bank kshs 8000 (cr)
3: Paid rent kshs 4,000 in cash
4: Bought goods worth ksh 8,000 and paid by cheque
5: Deposited ksh. 5,000 from the business into the bank.

18. Give four reasons why firms choose to remain small in an economy dominated by large firms. (4 marks)
19. Outline four features of a perfect competition market. (4 marks)
20. Highlight four factors that may determine the amount of revenue to be collected through taxation. (4 marks)
21. Peterson started a handware business on 1st Janaury 2010. The following is a summary of his transaction during the month

Invoices issued
2010 Jan 2: Mwiti Traders kshs 50,000
Jan 5: Mutahi Traders ksh 150,000
Invoices received
2010 Jan 3: Solomon Traders kshs 80,000
4: Kanake Enterprises kshs 160,000

Required:
Record the above details in the appropriate subsidiary books. (4 marks)

22. State four errors that do not affect the agreement of a trial balance. (4 marks)
23. With the advancement of information technology (I.T), there has been a lot of revolution in communication; identify four current trends in communication. (4 marks)
24. Draw four differences between whole life policy and endowment policy. (4 marks)

Whole life	Endowment policy

25. Outline four factors that affect the circular flow of income. (4 marks)

GATUNDU SOUTH FORM FOUR 2015 EVALUATION EXAM
Kenya Certificate of Secondary Education
565/2
BUSINESS STUDIES
PAPER 2
JULY/AUGUST 2015

1. a) Explain five factors that may hinder effective communication. (10 marks)
   b) Explain five causes of unemployment in Kenya today. (10 marks)
2. a) Describe five features of good money. (10 marks)
   b) Explain five measures that the government may use to curb undesirable levels of inflation. (10 marks)
3. a) Describe five methods a country can apply to correct her deficit balance of payments disequilibrium. (10 marks)
   b) Explain five ways in which warehousing promotes trade in Kenya. (10 marks)
4. a) Explain five factors which may influence choice of a distribution channel. (10 marks)
   b) State and explain five macro environments and the positive effect of each on the performance of a business (10 marks)
5. a) Describe five uses of national income statistics to a country.
   b) Gatundu wholesalers have been buying sugar directly from Mumias Sugar Company. Explain five services offered by Gatundu wholesalers to Mumias Sugar Company.
6. a) Explain five roles that the insurance industry plays in an economy. (10 marks)
   b) The following trial balance was extracted from the books of Kigumo Enterprises for the year ended 31/12/2014.

KIGUMO ENTERPRISES
TRIAL BALANCE
AS AT 31ST DEC. 2014

	DR (shs)	CR(shs)
Capital		250,000
Drawings	33,000	
Opening stock	47,000	
Purchases	300,000	
Sales		420,000
Returns inward	4,000	
Returns outward		7,000
Carriage outward	10,000	
Carriage inward	28,000	
Discount allowed	4,000	
Furniture	25,000	
Motor vehicle	145,000	
Creditors		55,000
Discount received		14,000
Premises	100,000	
debtors	50,000	
	746,000	746,000

Closing stock was valued at shs 55,000 while depreciation on motor vehicles was shs 15,000
Required:
(i) Trading and profit and loss account for the year ended 31st Dec. 2014.
(ii) Balance sheet as at 31st Dec. 2014 (10 marks)

GATUNDU NORTH SUB - COUNTY JOINT EXAMINATION -YEAR 2015
Kenya Certificate of Secondary Education
565/1
BUSINESS STUDIES
PAPER 1
JULY/AUGUST 2015

1. Identify any **four** characteristics of Human - wants (4mks)
2. In the table below, show the distinction between Direct and Indrect production (4mks)

DIRECT PRODUCTION	INDIRECT PRODUCTION

3. Highlight **four** reasons why people choose to be enterpreneurs (4mks)
4. List **four** ways in which filling of documents may facilitate smooth running of an office (4mks)
5. State **four** functions of an invoice in commercial transactions (4mks)
6. List **four** circumstances under which a trader may issue a debit note (4mks)
7. Outline **four** benefits that accrue to a business person who uses the latest technology in record -keeping
8. State **four** circumstances under which a business person may prefer to transport goods by boda boda (4mks)
9. Highlight **four** problems facing savings and credit co-operative societies (Saccos) (4mks)
10. Outline circumstance under which verbal communication would be preferred to written communication (4mks
11. The following descriptions relate to insurance . State the term used for each description (4mks)
    (a) Temporary certificate of contract between the Insurer and the Insured
    (b) Periodic payments made by a policy holder
    (c) Insurance experts who appropriate the actual premiums to be paid
    (d) Life assurance lasting for a specified period
12. Highlight **four** features of a bonded warehouse (4mks)
13. State **four** benefits a trader may get by advertising products in a radio (4mks)
14. Outline **four** reasons why the government may use regulatory measures to protect consumers against exploitation
15. On 2nd November 2010, Kamu received an Invoice for sh. 24,000. Terms of payment were trade discounts 10% and cash discount 20% , if payment is made within 30 days . Determine the amount paid if payment was made on 28th November 2010 (4mks)
16. In the spaces below indicate the source documents that correspond to the books of original entry (4mks)

Source Document	Books of original entry
(a)	Sales journal
(b)	Purchase Journal
(c)	Return Inwards Journal
(d)	Purchase Returns Journal.

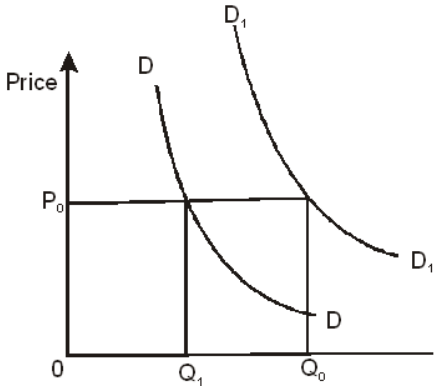
17. The following information relates to Maguna - Andu Traders

	Sh .
Stock 31/12/06	60000
Average stock	55000
Rate of stock turnover	6 times
Mark up	25%

Required
Prepare a trading account (4mks)

18. Outline **four** advantages of M- Banking (4mks)
19. State the term that is used for each of the following statements (4mks)
    (a) A situation where the government has borrowed internally at high interest rates leaving little space for locals to borrow from
    (b) Debts Incurred by the government to finance activities that do not generate revenue at all at any time
    (c) Government expenditure which is incurred all the time on a regular basis
    (d) Type of tax paid by companies based on profits

20. Highlight **four** measures that may be taken by a country to correct balance of payment deficit (4mks)
21. The figure below shows an increase in demand for a commodity from DD to D_1 D_1



State **four** possible causes that have led to this situation (4mks)

22 Differentiate between a perfect competition and an oligopoly (4mks)

23. The cash book below was incorrectly prepared (4mks)

DR CR

Date	Details	Cash	Bank	Date	Details	Cash	Bank
2006				2006			
Jan 1	Bal b/d	1400		Jan 1	Bal b/d		2500
3	Purchases		3500	4	Sales	800	
5	Salary	1000		10	Electricity		700
9	Debtor		500	12	Creditors	200	
				19	Rent		
					Received	1300	
				31	Bal c/d	100	800
		2400	400			2400	400

Identify **four** transactions that were wrongly entered in the cash book (4mks)

24. The government has risen the retirement age of civil servants from 55 years to 60 years. Highlight **four** economic effects of such a move (4mks)
25. The following transactions were extracted from the books of Rehema traders on 1st January 2009

	Shs
Capital	600,000
Creditors	180,000
Motor van	200,000
Furniture	200,00
Stock	60,000
Debtors	80,000
Cash	240,000

The following transactions took place during the year ended 31st Dec 2007

(i) Sold furniture worth sh. 60,000 for which sh. 40,000 cash was received and the balance was due at the end of the year
(ii) Purchased goods worth sh. 100,000 for which cash of sh. 70,000 was paid and the balance was still outstanding at the end of the year .
(iii) Cash of sh. 10,000 was taken from the business by the proprietor for personal use

Required :

Prepare Rehema's balance sheet as at 31:12:07

GATUNDU NORTH SUB - COUNTY JOINT EXAMINATION -YEAR 2015

Kenya Certificate of Secondary Education

565/2

BUSINESS STUDIES

PAPER 2

JULY/AUGUST 2015

1 (a) Other than the instruments used by Central Bank to control credit creation, explain other five methods that are used to control inflation (10mks)

(b) Explain five principles which governs the insurance contract (10mks)

2 (a) Explain five internal business environment factors that may result to the success of a business (10mks)

(b) Explain five setbacks that may be brought about by over-population (10mks)

3 (a) Explain five reasons that may necessitate international trade restrictions by a country (10mks)

(b) Explain five merits of bonded warehouses to the importers (10mks)

4. (a) Describe five types of wholesalers (10mks)

(b) Explain five ways in which the national income statistics may benefit a country (10mks)

5. (a) The following information was extracted from the books of KADU as on 31st Dec 2014

	Shs
Premises	180,000
Furniture	50,000
Debtors	61,540
Cash in hand	60,000
Capital	165,000
additional investment	20,000
Cash in bank	2,000
5 yrs bank loan	80,000
Creditors	77,040
Rent	16,540
Electricity	1,500
Commission received	3,000
Gross profit	45,000
Discount allowed	2,000
Carriage outward	5,000
Salaries	11,460

(b) Explain five factors that could increase the quantities of beans supplied in a market (10mks)

6 (a) Explain five roles of stock exchange market (10mks)

(b) Explain five ways in which the Non-bank financial institutions contributes to economic development in Kenya (10mks)

KIRINYAGA WEST SUB-COUNTY EFFECTIVE '40' EXAMINATION. FORM 4 EXAM -2015

Kenya Certificate of Secondary Education

565/1

BUSINESS STUDIES

PAPER 1

JULY/AUGUST 2015

1. Highlight four ways of increasing the effeciency of land as a factor of production (4 mks)
2. State four types of expenditure that are included in measuring national income using expenditure approach (4 mks)
3. Name four characteristics of human wants (4 mks)
4. The following balances were extracted from the books of Tahidi high as at 31st Dec 2011

	Shs.
Furniture	20,000
Carriage outwards	5,000
Discount received	3,000
Gross profit	12,000
Rent income	2,500
Salaries	5,000
Insurance	1,000
Creditors	7, 000
Elecriticity	2,000

Required to prepare Tahidi high profit and loss account for the period ended 31st Dec 2011

5. State five reasons why communication may not be effective (4 mks)
6. Outline four differences between cormmercial banks and non-banking financial institutions (4 mks)
7. Business studies is a wide subject that covers several disciplines. Outline four such disciplines (4 mks)
8. State four importances of entrepreneurship (4 mks)
9. Give the uses of the following office equipment

(i) Equipment	Use
a) Stapler	
b) Paper shredder	
c) Computer	
d) Franking machine	(4mks)

10. State the meaning of the following terms as used in transport
    a) Charter party
    b) Full container load
    c) Voyage charter
11. Highlight four different types of advertisement (4 mks)
12. State whether each of the following resource is renewable or non-renewable

Resource	**Classification**
a) Hydro-electric power	
b) Iron	
c) Rubber	
d) Coal	(4 mks)

13. Give four clauses of memorandum of association (4 mks)
14. Outline the four likely channels of distributing agricultural products (4 mks)
15. Classify the following taxes as either direct or indirect
    a) Personal income
    b) Custom income
    c) Capital gain
    d) Sales tax (4 mks)
16. Identify four trends in international trade (4 mks)
17. List four features of co-operative societies (4 mks)

18. Outline five macro-environment factors that affects operations of a business (4 mks)
19. State five circumstances under which credit sale may be appropriate to a trader (4 mks)
20. Highlight four ways in which inflation may be of benefit to a trader and the growth of the economy (4 mks)
21. Kenya vision 2030 is currently in the implementation stage. Give four challenges that are likely to be experienced (4 mks)
22. Given the following transactions, state the account to be debited and credited

Transaction	Account to be debited	Account to be credited
a) Sale of stock on credit		
b. The owner converted in a private motor van into business use		
c) Returned goods to the creditor		
d) The proprietor withdrew cash for personal use		

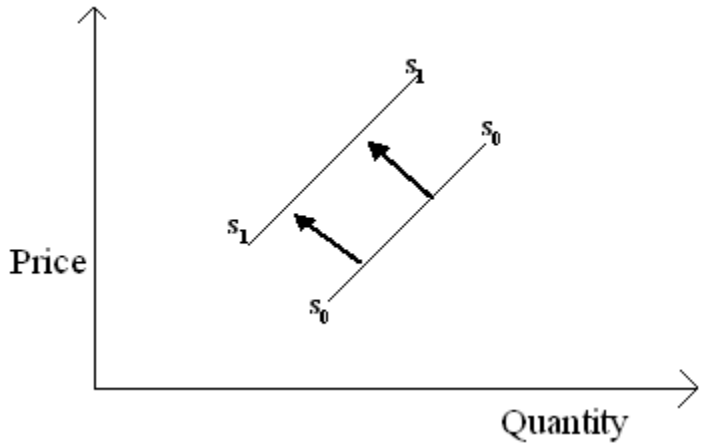
(4 mks)

23. List the source documents that relate to the following statements

Statement	**Source document**
a) The seller received sh. 10,000 cash from the buyer in settlement of a debt	
b) The supplier demanded for payment of sh. 20, 000 for goods delivered	
c) The buyer returned damaged goods worth shs. 5000 to the seller	
d) The petty cashier paid shs. 200 for travelling expenses	

(4 mks)

24



The diagram above shows shift in supply curve from $S_0 S_0$ to $S_1 S_1$. Outline four factors that could have caused the shift shown above (4 mks)

25. Highlight five items contained in the partnership Act of 1963 (Kenya) (4 mks)

KIRINYAGA WEST SUB-COUNTY EFFECTIVE '40' EXAMINATION. FORM 4 EXAM -2015

Kenya Certificate of Secondary Education

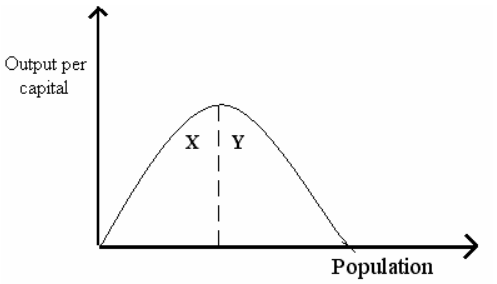
565/2

BUSINESS STUDIES

PAPER 2

JULY/AUGUST 2015

1. a) State and explain five principles of insurance (10mks)
   b) One of the reason of government involvement in business activities is to regulate demand and supply of commodities. Explain five ways through which the government may cause a decrease in the supply of a commodity (10 mks)
2. a) The diagram below shows the population and output per capita of China.



   Explain five advantages China would get if her total population is found in the part marked Y (10 mks)
   b) Explain five assumptions associated with perfect competition (10 mks)
3. a) Study the balance sheet and answer the following questions below

MAVOKO TRADERS
BALANCE SHEET
As at 31st Dec 2000

Fixed Assests			**Capital**	422, 930	
Premises	300,000		Add Net profit	220, 500	
Furniture	51,500		Less drawings	(175,000)	468, 450
Machinery	140,000				
Motorcar	190,000	(681,500)	**LTL**		
Current Assests			Mortage loan	300000	
Stock	124,500		Bank loan	100000	400, 000
Debtors	103, 650		**Current liabilities**		
Cash at bank	54850		Creditors		99, 720
Cash at hand	3650	(286, 650)			
		968, 150			**968, 150**

Calculate:

   i) Working capital (WC) (2 mks)
   ii) Return on capital (ROC) (2 mks)
   iii) Borrowed capital (2mks)
   iv) Current ratio (2 mks)
   v) Quick ratio (2 mks)

   b) The new devolved government of Kenya aims at decentralising government and business activities. Discuss any five advantages associated with this type of government (10 mks)
4. a) Explain five benefits of warehousing to a business (10 mks)
   b) Enter the following transactions in the cashbook and balance it at the end of the month (10 mks)
   - Soko Huru traders had the following balances on 1st Jan 2000
     Cash in hand 4,000
     Cash at bank 10,000

- Jan 2: Paid salaries in cash 2000
- Jan 3: Received a cheque from a debtor ksh 12,000
- Jan 4: Withdrew kshs. 7000 from bank for office use
- Jan 5: Paid water bill by cheque ksh. 2000
- Jan 20: Purchased furniture worth ksh. 30,000, paid ksh. 10,000 in cash and the rest by cheque

5. a) Discuss five factors that have limited the practise of barter trade in Kenya (10 mks)
   b) The following information relates to Ndonga Traders for the month of Jan 2015
      Jan 1: Sold goods on credit worth ksh. 100,000 to Maina, invoice no. 101
      Jan 2: Sold goods to Wema traders on credit worth ksh. 50,000, invoice no. 102
      Jan 3: Maina returned goods of ksh. 20000, credit note no. 206
      Jan 4: Wema Traders returned goods worth ksh. 5000, credit note no. 207

   Required:

   Prepare relevant journey entries, record the above transactions and then post to the relevant ledger accounts (10 mks)
6. a) As a business expands, it experiences economies of scale such division of labour and specialization. Explain five benefits of the economy of scale mentioned (10 mks)
   b) Discuss five features of a supermarket (10 mks)

KIRINYAGA CENTRAL SUB-COUNTY JOINT EXAMINATION – 2015
Kenya Certificate of Secondary Education
565/1
BUSINESS STUDIES
PAPER 1
JULY/AUGUST, 2015

1. Outline **four** services offered by wholesalers to retailers. (4 marks)
2. State **four** benefits enjoyed by a trader who does not sell on credit. (4 marks)
3. Highlight **four** features of a good filing system. (4 marks)
4. State **four** roles of an entrepreneur in production. (4 marks)
5. Outline **four** reasons why a trader may prefer to transport his goods by train. (4 marks)
6. Outline **four** sources of monopoly power. (4 marks)
7. Give **four** problems experienced by a trader who stores goods in a public warehouse. (4 marks)
8. State whether the following items represent injection into or leakages from the circular flow of income (3 marks)

	Item	**Injection/Leakage**
(a)	Savings	
(b)	Taxes	
(c)	Government expenditure	
(d)	Investments	
(e)	Exports earning	
(f)	Expenditure on imports	

9. The following balances were extracted from the books of Tumaini traders on 31st December 2011:

Item	**Shs.**
Equipment	400,000
Cash	60,000
Debtors	250,000
5 year bank loan	350,000
Stock	220,000
Motor vehicle	600,000
Creditors	150,000
Bank overdraft	70,000

Prepare Tumaini Traders balance sheet as at 31st December, 2011. (5 marks)

10. The following transactions were extracted from the books of John traders for the month of January 2010.
    January 15: Purchased furniture on credit worth Ksh.100,000 from Rashid traders.
    January 20: Sold goods on credit worth Ksh.320,000 from Kanji Traders.
    Record the above transactions in the relevant ledger accounts. (4 marks)
11. State the type of inflation relating to each of the following descriptions. (4 marks)

	Description	**Type of inflation**
(a)	A rise in prices due to an increase in money supply.	
(b)	An increase in prices due to an increase in the prices of factors of production.	
(c)	A rise in prices as a result of buying expensive goods from foreign countries.	
(d)	A rise in prices due to uneven growth in some sectors of the economy.	

12. State **four** causes of unemployment in Kenya. (4 marks)
13. Highlight **four** diseconomies of scale that a firm may face when it expands its operations. (4 marks)
14. Highlight **four** functions of the commercial banks. (4 marks)
15. State **four** benefits of running a sole proprietorship business. (4 marks)

16. Highlight **four** factors that a trader may consider when determining the appropriate means of transport. (4 marks)
17. State **four** changes that may take place in a country to indicate that it is experiencing economic development. (4 marks)
18. Outline **four** circumstances when the government may borrow from internal sources. (4 marks)
19. Indicate the book of original entry in which each of the following transactions would be recorded. (4 marks)

	Transaction	**Book of original entry**
(a)	Bought a computer on credit	
(b)	Sold goods on credit	
(c)	Returned goods previously bought on credit	
(d)	Goods sold on cash	

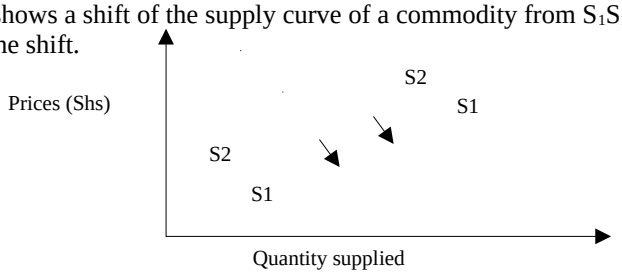
20. State **four** advantages of written communication. (4 marks)
21. List **four** ways the government may regulate business activities in a country. (4 marks)
22. Explain the meaning of the following terms as used in demand and supply.
    (a) Joint demand. (2 marks)
    (b) Excess supply. (2 marks)
23. Outline **four** circumstances in which a country may find it necessary to control imports. (4 marks)
24. Highlight **four** advantages of advertising to the producer. (4 marks)
25. The following information was extracted from the books of Pango Traders for the year ending 31st December 2012.

	Kshs.
Opening stock	60,000
Purchases	180,000
Return outwards	5,000
Sales	300,000
Profit margin	15%

Calculate:
(a) Cost of goods sold. (2 marks)
(b) Closing stock. (2 marks)

KIRINYAGA CENTRAL SUB-COUNTY JOINT EXAMINATION – 2015
Kenya Certificate of Secondary Education
565/2
BUSINESS STUDIES
PAPER 2
JULY/AUGUST, 2015

1. (a) Abednego runs a factory and has employed fifty workers. Explain **five** reasons why it would be beneficial to assign each worker a specific job in production. (10 marks)
   (b) Explain **five** factors that a trader may consider when determining the appropriate channel for distributing goods.
2. (a) The diagram below shows a shift of the supply curve of a commodity from S_1S_1 to S_2S_2. Explain **five** factors that would have caused the shift. (10 marks)



   (b) Explain any **five** challenges that an under populated country may experience. (10 marks)
3. (a) Explain **five** benefits that a wholesaler may get if he operates own warehouse. (10 marks)
   (b) A country in Africa has been experiencing unfavourable balance of payment. Explain **five** ways through which she can reverse this trend. (10 marks)
4. (a) Ramji operates a large hardware business in a town in Kenya. Apart from motor vehicle insurance policies, highlight giving reasons, **five** insurance policies that may be beneficial for this business. (10 marks)
   (b) Mchuuzi, civil servant has opened a bank account with a local bank. Explain to him any **five** benefits of activating his account for M-banking. (10 marks)
5. (a) Explain **five** negative effects of inflation in the country. (10 marks)
   (b) Ali had the following assets and liabilities as at 1.7.2009.

Cash at Bank	50,000
Debtors	30,000
Creditors	50,000
Stock	20,000
Furniture	35,000

Additional information:

July 2: Purchased stock worth Sh.16,000 on credit.
6: Sold some furniture for Sh.4,000 by cheque.
9: Received Sh.11,000 cash from debtors.
13: Sold stock Sh.10,000 paid by cheque.

Required: Prepare the relevant **ledger accounts**. (10 marks)

6. (a) Explain **five** internal factors that may encourage the achievement of business goals. (10 marks)
   (b) The following information was extracted from the books of Umeme Traders as at 31st December 2009.

	Shs.
Bank loan	567,000
Bank loan interest	1,440
Capital	1,680,000
Closing stock	87,000
Creditors	272,400
Debtors	140,280
Discount allowed	170,400
Electricity	30,240
Furniture	489,804
Furniture repairs	86,436
Gross profit	624,720
Maintenance on premise	72,000
Motor vehicle	1,080,000
Motor vehicle maintenance	360,000
Premise	648,000
Rent received	144,000
Sundry expenses	122,520

Prepare; i) Profit and loss account for the year ended 31st December 2009

ii) Balance sheet as at 31st December 2009. (10 marks)

KAHURO/KIHARU DISTRICT JOINT EXAMINATION – 2015

Kenya Certificate of Secondary Education

565/1

BUSINESS STUDIES

PAPER 1

JULY/AUGUST, 2015

1. Give **four** reasons why it is difficult to satisfy human wants. (4 marks)
2. Highlight **four** advantages of using pipeline as a means of transport. (4 marks)
3. Outline **four** factors that may influence an investor to locate his factory in a rural area. (4 marks)
4. Outline **four** factors that hinders economic integration. (4 marks)
5. In each of the following cases state the type of inflation described. (4 marks)

	Description	Type of inflation
(a)	A rise in prices due to an increase in money supply	
(b)	A rise in prices due to an increase in the prices of factors of production.	
(c)	A rise in price due to buying expensive goods from foreign countries.	
(d)	A rises from decision by firms to increase their profit margins by increasing prices of their products.	

6. State **four** ways in which consumers are likely to suffer in a situation where there are no warehouses. (4 marks)
7. Post the following transactions to the relevant "T" accounts. (4 marks)
   (a) Started a business by depositing in the bank a cheque of Shs.10,000 on 2nd January 2011.
   (b) Withdrew cash Shs.2000 from the bank for business use on 5th January 2011.
   (c) Ngithi a debtor paid Shs.4000 in cash on 10th January 2011.
   (d) Withdrew cash Sh.1,000 from the business for personal use on 16th January 2011.
8. Outline **four** differences between a debit note and a credit note as business documents.
9. Highlight **four** advantages of sending parcels by courier services. (4 marks)
10. Outline **four** means used by commercial banks to transfer money. (4 marks)
11. State **four** factors that limit the efficiency of co-operatives in delivering services to their members. (4 marks)
12. Give **four** malpractices against which consumers may need protection. (4 marks)
13. Nzundu and Theku bought a building for Kshs.12,000,000. Nzundu paid Kshs.8,000,000 while Theku paid Kshs.4,000,000. The building was insured for 8,000,000 against the risk of fire. Later the building was partially destroyed by fire to a tune of Kshs.6,000,000.
    (a) State the amount of compensation likely to be paid by the insurance company. (2 marks)
    (b) Calculate the amount of compensation that each one will receive based on their capital contributions. (2 marks)
14. Outline **four** factors that can accelerate economic development of a country. (4 marks)
15. Outline **four** circumstances under which gaps in the market may be identified. (4 marks)
16. Identify **four** reasons why most countries are getting rid of direct production. (4 marks)
17. Kamar, a manufacturer, exhibited his goods in a local trade show. However, his sales did not increase significantly. Outline **four** reasons that may have led to lack of significant sales increase. (4 marks)
18. The demand for commodity X doubled in six months even though the price of the commodity remained the same over the same period. State **four** factors that may account for the increase in demand. (4 marks)
19. Outline **four** reasons why it is important for the government to undertake taxation. (4 marks)
20. The following are daybooks used in recording business transactions. State the relevant source document used to record information in each of the daybooks. (4 marks)

	Daybook	Source document
(a)	Sales journal	
(b)	Cash receipt journal	
(c)	Purchases returns journal	
(d)	Cash payment journal	

21. Highlight **four** ways in which an office manager can ensure that the company's property is safeguarded.(4 marks)
22. The following information relates to Benja Retail Shop as at 31st December, 2006.

	Shs.
Opening stock	80,000
Closing stock	100,000
Sales	325,000
Rate of stock turnover	3 times

Calculate:

(i) the cost of goods sold. (2 marks)

(ii) the gross profit. (2 marks)

23. The following is an extract of a cashbook.

Date	Particulars	Cash	Bank		Date	Particulars	Cash	Bank
May 2	Balance b/d	W			May 6	Balance b/d		60,000
May 12	Sales	20,000			May 19	Purchases		30,000
May 20	Were P.		50,000		May 22	Rent	6,000	
May 28	Sales		120,000		May 22	Balance c/d	Y	X
			170,000				60,000	Z

Determine the figures represented by **W**, **X**, **Y** and **Z**. (4 marks)

24. Highlight **four** circumstances that can lead to creation of a monopoly. (4 marks)
25. From the factors given in the table state whether the factor constitute internal or external environment to a business. (4 marks)

	Factor	Environment
(i)	Social beliefs	
(ii)	Shareholder's resolutions	
(iii)	Market interest rate	
(iv)	Firm's physical infrastructure	

KAHURO/KIHARU DISTRICT JOINT EXAMINATION – 2015

Kenya Certificate of Secondary Education

565/2

BUSINESS STUDIES

PAPER 2

JULY/AUGUST, 2015

1. (a) Describe any **five** channels that can be used to distribute locally manufactured goods. (10 marks)
   (b) Explain **five** challenges that may be experienced by a new entrepreneur who is intending to start a business in Kenya
2. (a) The table below shows the age distribution of a country.

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

Explain **four** negative economic implications of this age distribution to a country. (8 marks)

(b) The following trial balance was extracted from the books of Nyaituya on 31st December 2005.

	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 1/1/2005	60,000	
Insurance	30,000	
Drawings	40,000	
Furniture and Fittings	100,000	
Cash in hand	15,000	
Premises	400,000	
Capital		288,000
	1,099,000	1,099,000

Additional information.

		Sh.
(i)	Stock as at 31st December 2005	52,000
(ii)	Rent accrued	6,000
(iii)	Insurance paid in advance	4,000
(iv)	Commission due	5,000
(v)	Salaries owing	21,000

REQUIRED:

Prepare a trading, profit and loss account for the year ended 31st December 2005 and a balance sheet as at that date.(12 marks)

3. (a) Explain **five** circumstances that make it necessary for insurance companies to re-insure. (10 marks)
   (b) The following transactions relate to Pumua Wholesalers for the month of March 2011.

March 1: Bought goods on credit from Kawe distributors Shs.26,200, Kamakia Ss.15600, Mambo Shs.33,360.
March 2: Sold goods on credit to Fuma retailers Shs.37,200, Tito grocers Shs.25,500 and Wamba traders Shs.16,250.
March 6: Returned goods to Kamakia Shs.2,400 and Mambo Shs.4,160.
March 9: Sold goods on credit to Tamu Shs.5,500 and Patu Shs.18,200.
March 11: Bought goods on credit from Chuma Shs.33,840.
March 15: Goods returned by Tamu Shs.1,500 and Fuma retailers Shs.1,820 and Patu Sh.2,600.
March 18: Bought goods on credit from Jama Shs.21,210 and Sama Shs.53,850.
March 26: Credit sales to Kamanja Shs.16,600, Orengo Shs.19,260 and Wama traders Shs.15,200.

REQUIRED:

Enter the above transactions in the respective books of original entry. (10 marks)

4. (a) Explain **five** methods that can be used by a country to solve the problem of deficit balance of payment. (10 marks)
   (b) Outline **five** differences between land and labour as a factor of production. (10 marks)
5. (a) Explain the distinctions between each of the following sets of goods and services. (10 marks)
   (i) Free goods and economic goods.
   (ii) Producer goods and consumer goods.
   (iii) Perishable goods and durable goods.
   (iv) Public goods and private goods.
   (v) Intermediate goods and finished goods.
   (b) Explain **five** ways in which an efficient road transport system may promote trade within a country. (10 marks)
6. (a) Using a well labelled diagram explain the flow of income in a two sector economy. (10 marks)
   (b) Give **five** differences between a fixed deposit account and a savings account. (10 marks)

KAJIADO COUNTY JOINT EXAMINATION
KENYA CERTIFICATE OF SECONDARY EDUCATION
565/1
BUSINESS STUDIES
PAPER 1

1. Highlight four factors to consider when choosing a means of transport. (4 marks)
2. Outline four difficulties that consumers may face in the satisfaction of human wants. (4 marks)
3. From the list of activities given in the table below. State the level of production they relate to. (4 marks)

	Activity	Level of production
i)	Dress making	
ii)	Selling goods in the market	
iii)	Milking a cow	
iv)	Cutting down trees	

4. Highlight four unethical practices in product promotion. (4 marks)
5. State four uses of an advice note in business transactions. (4 marks)
6. Outline four advantages of a short distribution channel of goods to a buyer. (4 marks)
7. The information given below represents a demand schedule for bread in a week

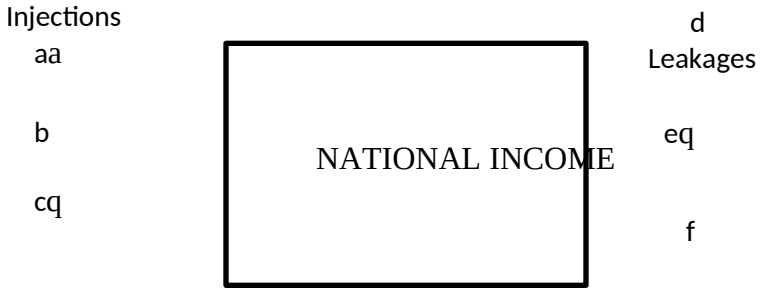
Price (sh)	Quantity demanded(loaves)
20	20
30	15
40	10
50	5

Required to plot the information on a graph. (4 marks)

8. Outline four challenges facing consumer associations in Kenya. (4 marks)
9. Highlight four external business environments that may lead to the success of a business. (4 marks)
10. The following information relates to the business of Nashipae
2011
Feb1st : Cash in hand sh. 23,500 and cash at bank sh. 11,500
Feb 2nd :Bought goods worth sh.8,000 in cash
Feb 4th : Cash sales amounting to sh. 6,900
Feb 5th : Deposited sh. 2,500 into bank from cash till.
Feb 7th :Withdrew sh. 3,000 from bank for family use
Feb 10th : Received a cheque of sh 6,000 from Siokino, a debtor
Required:
Prepare a two column cash book for Nashipae and balance it off. (5 marks)
11. Highlight four features of monopoly market structure. (4 marks)
12. Outline four factors to consider when evaluating a business opportunity. (4 marks)
13. Give four differences between a public warehouse and private warehouse. (4 marks)
14. Highlight four guidelines that govern the affairs of cooperative societies. (4 marks)
15. Identify the insurance terms described below.

Description	Term
i) To transfer ownership of life policy to another person	
ii) Insuring same subject for the same risk with more than one insurance company	
iii) Regular payments for insurance cover	
iv) Refund received on cancellation of life policy before maturity.	

16. The diagram below depicts injections into and leakages from the national income.



State what is represented by the following letters

17. The following information was extracted from the books of Esidai wholesalers on 31st December 2012

Opening stock sh.	640,000
Closing stock sh.	800,000
Rate of stock	turnover 3 times
Mark up	20%

Determine the gross profit. (4 marks)

18. Outline four characteristics of money. (4 marks)

19. State the type of unemployment relating to each of the following descriptions. (4 marks)

Description	**Type**
i) Arises when people are physically challenged	
ii) Arises out of mismatch between the skills possessed by potential employees and the job opportunities available	
iii) Caused by alternating trade patterns occurring at similar times over the years	
iv) Arises when there is change in methods of production	

20. Outline four circumstances under which a firm would locate near a pool of labour. (4 marks)

21. Identify the type of error described below. (4 marks)

Description	Type
i) Credit purchase of sh.78,000 was recorded as sh. 87,000 in both purchases and creditors accounts.	
ii) Sale of goods on credit to Ntari sh. 18,000 was debited in Ntati's account	
iii) Payment of salary sh.13,500 was debtited in the cash account and credited in the salary expense account.	
iv) Repair of motor vehicle sh. 5000 was recorded in the motor vehicle account.	

22. State four reasons why the government imposes taxes. (4 marks)

23. Highlight four causes of 'cost push' inflation. (4 marks)

24. Give four measures that an organization may put in place to improve office etiquette among its employees. (4 marks)

25. State four objectives that the government aims to achieve by carrying out development planning. (4 marks)

KAJIADO COUNTY JOINT EXAMINATION
KENYA CERTIFICATE OF SECONDARY EDUCATION
565/2
BUSINESS STUDIES
PAPER 2

1. a) Outline Differences between commercial banks and non-bank financial institutions (10 marks)
   b) State cirmustances under which cash terms may be used. (10 marks)
2. a) Explain the challenges encountered in the determination of consumer price index. (CPI) (8 marks)
   b) State and explain factors to consider when choosing a channel of distribution. (12 marks)
3. a) Explain factors influencing on what goods/services to produce (10 marks)
   b) Outline uses of general journal. (4 marks)
4. a) Explain the circumstances under which a country may restrict imports. (10 marks)
   b) Outline characteristics of a successful entrepreneurs. (10 marks)
5. a) Outline benefits of warehousing to consumer. (10 marks)
6. a) Explain the roles of insurance in the development of economy. (10 marks)
   b) Outline the reasons for compiling income statistics. (10 marks)

THARAKA SOUTH FORM 4 JOINT EVALUATION
KENYA CERTIFICATE OF SECONDARY EDUCATION
565/1
BUSINESS STUDIES
PAPER 1

1. State four external factors that may positively influence the operations of a business. (4 marks)
2. State four reasons why consumers have to make a choice between competing needs. (4 marks)
3. Give four reasons why a sole proprietor business may remain small size. (4 marks)
4. State four problems that a country may suffer when the government becomes a major investor in business activities. (4 marks)
5. State the meaning of the following terms as used in cash book. (4 marks)

(a) Contra entry
(b) Folio column

6. State four circumstances that may influence a firm to locate its operation near the source of raw materials. (4 marks)
7. For each of the following transactions,indicate the source documents from which the following transactions would be recorded. (4 marks)

Transaction	Source document
(a)Sales of goods on credit	
(b)Correction of an overchange	
(c)Goods returned by customer	
(d)Purchase on credit	

8. The following balances were extracted from the books of Neno Traders for the year ended 31 December 2014.

	Shs.
Opening stock	20,000
Capital	80,000
Gross profit	18,620
Discount allowed	740
Carriage outwards	1,350
Rent received	3,430
General expenses	1,960
Salaries and wages	5,700

Prepare profit and loss account. (4 marks)

9. Outline four advantages of division of labour. (4 marks)
10. Highlight four ways of generating business ideas. (4 marks)
11. State four problems that may interfere with the effectiveness of face to face communication. (4 marks)
12. State four reasons why it is suitable to locate bonded warehouse at the point of entry of goods in a country. (4 marks)
13. Outline four ways in which households contribute to national income. (4 marks)
14. Mention four roles played by intermediaries in the distribution channel. (4 marks)
15. Indicate whether the following taxes are Direct or Indirect. (4 marks)

Tax	Type of tax
(a)corporation tax	
(b)value added tax(VAT)	
(c)Capital gains tax	
(d)Excise	

17. Kamwenje a sole proprietor who operates a private school bought balnkets for sh.100, 000.The terms of sale were 20% trade discount and 5% cash discount if payment was made within two weeks. Calculate the net amount he paid after one week. (4 marks)
18. State four factors that could hasten the economic development of a country. (4 marks)

19. A businessman owned a motor vehicle valued sh.1, 000,000.He comprehensively insured it for sh.800, 000.It was involved in an accident and declared a write off. Calculate the amount he should get from the insurer. (4 marks)
20. State four reasons for which traders observe ethical practices in product promotion. (4 marks)
21. State four factors that determine the period for which documents should be filed. (4 marks)
22. On 1 December 2014,Rangi Traders had sh.13,200 in cash and bank balance of sh.56,000.The following transactions took place during the month

    December
    - " 2 cash sales sh.12, 000
    - " 15 paid a creditor sh.7200 by cheque
    - " 27 Received a cheque for sh.24, 500 from debtor
    - " 30 Paid rent sh.7, 500 in cash

    Record the above information in a two column cash book and balance it off. (4 marks)
23. State four factors that may lead to unfavourable terms of trade. (4 marks)
24. Highlight four features of business assets. (4 marks)
25. The cost of consumer goods for a representative of a household is given below.

Year	Prices
2013	12,000
2014	16,000

    Determine the increase in consumer price index using 2013 as the base year. (4 marks)

THARAKA SOUTH FORM 4 JOINT EVALUATION
KENYA CERTIFICATE OF SECONDARY EDUCATION
565/2
BUSINESS STUDIES
PAPER 2

1. (a) Explain five problems encountered when calculating consumer price indices. (10 marks)
(b) Explain five principles under which cooperative societies should be managed. (10 marks)

2. The following is the trial balance for Pen Point Enterprises as at 31/12/2014

Pen Point Enterprises
Trial balance as at 31/12/2014

	Dr. shs.	Cr Shs.
Sales		1,000,000
Sales returns	10,000	
Premises	500,000	
Purchases	650,000	
Discount received		9,000
Motor vehicle	125,000	
Creditors		60,000
Capital		487,500
General expenses	120,000	
Drawings	20,000	
Cash at bank	30,000	
Debtors	75,000	
Rent expenses	23,500	
Cash in hand	3,000	
	1,556,500	**1,556,500**

Stock at 31/12/2014 was valued at sh.25, 000
Prepare:
i) Trading, profit and loss account. (6 marks)
ii) Balance sheet. (6 marks)
(b) Explain four features of monopoly as a form of product market. (8 marks)

3. (a) Explain five factors than an entrepreneur would consider when evaluating a business idea. (10 marks)
(b) Explain five factors that should be considered when choosing means of communication. (10 marks)

4. (a) Explain five circumstances under which a high population growth may be desirable to a country. (10 marks)
(b) Explain five circumstances under which a wholesaler becomes essential in the chain. (10 marks)

5. (a) Explain five advantages of buying goods from a departmental store. (10 marks)
(b) Explain five problems encountered in development planning in Kenya. (10 marks)

6. (a) On 1st September 2010,Hamisi Traders had sh.15,000 cash at hand and a bank overdraft of sh.40,000. During the month the following transactions took place:

September
4 Kabogo,a debtor settled his account of sh.10,000 by cheque of sh.8,000
7 Deposited sh.400 into the business bank account from the cash till
8 Paid rent by cash sh.4, 000
14 Cash sales sh.14, 000
17 Purchased furniture worth sh.3, 000 paying by cheque
18 Settled Kofi's account sh.10, 000 after being allowed a discount of 5%
20 Received sh.6000 cash from Njeri,a debtor
22 Kambu,a debtor settled his sh.4000 account by cheque, having been allowed 20% discount
25 Deposited sh.17, 000 into the bank from private sources
30 Banked the available cash except sh.1, 000

Required:
(a) Prepare a duly balanced three column cash book. (12 marks)
(b) Explain four reasons that make international trade more difficult to conduct than home trade. (8 marks)

GEM SUB – COUNTY JOINT EVALUATION EXAMS 2015
KENYA CERTIFICATE OF SECONDARY EDUCATION
565/1
BUSINESS STUDIES
PAPER 1

1. Mention four ways in which the government participate in training businessmen in the country. (4 marks)
2. State four factors that limit the satisfaction of human wants. (4 marks)
3. Give four reasons why the governments draw their development plans. (4 marks)
4. Highlight four ways in which a firm would acquire dominance of a market. (4 marks)
5. Identify any four barriers to international trade that imposed by government. (4 marks)
6. Land is one of the factors of production. Outline four circumstances under which it may discourage the location of firms. (4 marks)
7. Give four reasons why manufacturing firm may offer after sale service to its consumers. (4 marks)
8. Tigen trders had the following balance as at 31st December 2012

	shs
Opening stock	800,000
Closing stock	1,000,000
Sales	3,250,000
Rate of stock turnover	3 times

Calculate:
   a) Cost of goods sold (2 marks)
   b) Gross profit (2 marks)
9. Highlight four differences between bill of exchange and promissory note. (2 marks)
10. The government of a developing country intends to formulate an elaborate policy to address the widespread unemployment. Identify four areas of concern that the policy should look into. (4 marks)
11. Outline four monetary measures taken by the Central Bank to solve the problem of demand pull inflation. (4 marks)
12. Highlight four measures the state is putting in place to bring sanity in the matatu transport sector in Kenya. (4 marks)
13. Onyango intends to insure his motor vehicle with UAP insurance company. Outline the procedure he would follow to take the policy. (4 marks)
14. Indicate with a tick (✓) in the relevant column whether each of the following business transactions will increase or decrease the capital account balance.

	Transaction	Increase	Decrease
A	Cash donations of sh 80,000 deposited into the business bank account		
B	Withdraw sh 2000 from bank for personal use.		
C	Made profit of sh 3000		
D	The business made a loss of sh 4000 on sale of stock		

15. List any four business considerations taken into account when carrying out business opportunity evaluation.
16. Outline four canons of taxation. (4 marks)
17. Highlight circumstances under which the following chains of distribution are used.
   a) Manufacturer Consumer
   b) Manufacturer Retailer Consumer
   c) Producer Marketing Board Consumer
   d) Manufacturer Agent Consumer
18. State four reasons why an entrepreneur would prefer a landscape type of office. (4 marks)
19. Highlight four factors that may have led to the shift in the demand curve from D_0D_0 to D_1D_1
20. State four reasons why John would prefer to obtain a loan from his Sacco but not from a commercial bank. (4 marks)

21. Kilunya traders had thefollowing transactions during the month of March 2010:
    March 3: Sold goods to Waweru sh 800, Ken Sh 600 and Okwanya sh 700
    March 4: Bought goods from Uwezo sh 15,000, Openo sh 2000.
    March 6: Sold goods to Mayi sh 1200, Shiro sh 1500, paka sh 900
    March 9: Sold goods to Launda sh 400
    Required:
    Enter the above transaction in the sales journal. (4 marks)
22. Outline four circumstances under which a public warehouse would be ineffective. (4 marks)
23. The following information was provided by Kisumu traders for the year ended 31st December 2013.

	Shs
Stock	1500
Creditors	3000
Debtors	2000
Machinery	20,000
Bank overdraft	500
Cash	4000

    Required
    Prepare Kisumu Traders Balance Sheet in order of permanency. (4 marks)
24. Outline four factors that a citizen would consider while holding money for day to day expenses. (4 marks)
25. Identify the accounts to be debited and accounts to be credited from the following transactions.

	Transactions	A/C Debited	A/C credited
A	Bought stock on credit from Muthoni		
B	Paid insurance premium by cheques		
C	Bought a van by cash		
D	Returned goods to supplier, Owino		

GEM SUB – COUNTY JOINT EVALUATION EXAMS 2015
KENYA CERTIFICATE OF SECONDARY EDUCATION
565/2
BUSINESS STUDIES
PAPER 2

1. a) Explain five ways in which the Nairobi Stock exchange supports business and economic growth in a country. (10 marks)
   b) Horizon is an importer of assorted goods from different countries. Explain five advantages he may enjoy while his goods are stored in a bonded warehouse. (10 marks)
2. a) Explain five problems that can be encountered in an office as a result of computerization of operations. (10 marks)
   b) Describe five services rendered by retailers to consumers. (10 marks)
3. a) With the aid of a well labeled diagram, explain the effect on the equilibrium price and equilibrium quantity when the supply of vehicles increases. (10 marks)
   b) Outline five measures that the government of Kenya has put in place to protect consumers from unscrupulous business practice. (10 marks)
4. a) Explain five problems experienced when computing national income using the expenditure approach. (10 marks)
   b) Fahari traders had the following balances on 1st July 2014.

	Kshs
Equipment	5,600
Bank	35,000
Debtors	28,000
Creditors	66,600

   Later in the month, the following transactions took place.
   July 6th-Purchased goods worth sh 9500 and paid by cheques.
   July 7th –paid creditors, sh 10,600 by cheques.
   July 23rd –Received a cheques of sh. 22,000 for goods sold
   July 28th –Withdrew sh 5000 from the bank to pay salaries.
   Required:
   Open the relevant ledger accounts and extract a trial balance. (10 marks)
5. a) Explain five effects of production activities on the environment and community health. (10 marks)
   b) Explain any five roles played by commercial banks to the business community. (10 marks)
6. a) The economy of country X has been growing at a very low rate. Explain four possible reasons that could have led to this trend. (8 marks)
   b) The following information was extracted from the books of Ramogi Traders as at 31st December, 2012.

	Kshs
Sales	800,000
Purchases	500,000
Returns inwards	90,000
Returns outwards	26,000
Creditors	150,000
Rent	60,000
Delivery van	160,000
Carriage outwards	3,000
Debtors	120,000
Carriage inwards	40,000
Bank	60,000
Stock (Jan 2012)	100,000
Interest expenses	10,000
General expenses	7,000
Stock (31st Dec 2012)	120,000
Bank overdraft	4,000
Capital	170,000

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

KERICHO WEST FORM FOUR JOINT EVALUATION 2015
KENYA CERTIFICATE OF SECONDARY EDUCATION
565/1
BUSINESS STUDIES
PAPER 1

1. Outline four factors that may contribute to the ineffectiveness of a warehouse. 4marks
2. Name four types of marine insurance policies. 4marks
3. Outline four disadvantages of using showrooms in product promotion. 4marks
4. Using diagram, show how the equilibrium price and quantity are determined in a free market. 4marks
5. Identify four external economies of scale that a firm may enjoy as a result of growth of the industry. 4marks
6. Identify four items that are used to compute National income in the income approach. 4marks
7. State four factors that determine the fertility rate in a country. 4marks
18. The following information relates to Kapsoit Enterprises for the year ended 31/12/2014

Debtors	120,000
Creditors	60,000
Machinery	450,000
Cash in hand	70,000
Cash at bank	180,000
5 year loan	270,000
Stock	60,000

Prepare Kapsoit Enterprises balance sheet as at 31.12.2014

KERICHO WEST FORM FOUR JOINT EVALUATION 2015
KENYA CERTIFICATE OF SECONDARY EDUCATION
565/2
BUSINESS STUDIES
PAPER 2

1. a) Explain five ways in which the efficiency of a warehouse may be guaranteed. 10marks
   b) Explain five reasons why primary level of production is the major contributor of the Gross National product (GNP) in developing countries. 10marks
2. a) Highlight any five distinguishing characteristics between a public Ltd company and public corporation. 10marks
   b) Explain five ways in which the Central Bank controls then operations of commercial banks. 10marks
3. a) Discuss five conditions necessary for the existence of perfect competition type of market structure. 10marks
   b) Kericho booksellers started a hardware business on 1st Feb 2012; the following is a summary of transactions during the month.

Invoices Received

2012 feb	2	Kibet invoice 020 shs 60,000
"	13	Joram invoice no. 071 Kshs 130,000
"	16	Nj oroge invoice no. 002 Kshs 150,000

Invoices Received

2012 feb	3	Muhindi invoice no. 001 shs. 60,000
"	5	Mary invoice No. 002 shs. 125,000

Credit Notes

2012 Feb	6	Muhindi credit note no. 001 shs. 5,000
'	14	Mary credit note No.002 shs. 10,000

Required: Enter the above transactions in the appropriate books of original entry and post them to the relevant ledger accounts. 10marks

4. a) Explain any five types of unemployment in the Kenyan economy. 10marks
   b) Highlight any five measures that should be taken to ensure that office machines are in good working conditions at all times. 10marks
5. a) A new employee at Chemelil Sugar company was advised to take endowment policy rather than whole life policy. Explain five reasons that may have led to this piece of advice. 10marks
   b) Many developing countries are faced with balance of payment deficit. Explain five ways through which developing countries may deal with the problem. 10marks
6. a) Keino an accountant with the Mutai wholesalers discovered that despite making errors in his books of accounts his trial balance was still in agreement . Identify and explain five errors he may have committed in drawing the trial balance. 10marks
   b) The following trial balance was extracted from the books of Sigowet traders on 31st Dec 2007.

	Dr	Cr (shs)
Sales		720,000
Purchases	340,000	
Returns	20,000	
Rent	16,000	
Advertising	24,000	
Commission		9,000
Debtors/creditors	54,000	64,000
Stock 1/1/2007	60,000	
Insurance	30,000	
Drawings	40,000	
Furniture and fittings	100,000	
Cash in hand	15,000	
Premises	400,000	
Capital		288,000
	1,099,000	1,099,000

Addition information

i) Stock as at 31/12/2007 shs 52,000
ii) Rent accrued shs 6,000
iii) Insurance paid in advance sh. 4000
iv) Commission due sh. 5,000
v) Salaries owing sh 21,000

Required: prepare a trading and loss account for the year ended 31/12/07 and a balance sheet as that date. (10 marks)

LONDIANI SUB-COUNTY JOINT EXAMINATION-2015
KENYA CERTIFICATE OF SECONDARY SCHOOL
565/1
BUSINESS PAPER 1

1. Outline four benefits that accrue to a community that engages in commercial production. (4 marks)
2. Indicate the factors of production that each of the following refer to (4 marks)
   a) Waiter of a hotel
   b) Water harvested from the rain
   c) The hotel manager
   d) Cash register used by the cashier
3. Outline four problems that consumers may encounter as they try to satisfy their wants. (4 marks)
4. Outline four measures that a firm should take to improve the performance of its labour force. (4 marks)
5. Outline four possible problems that are encountered in the implementation of the undeveloped plans in developing countries. (4 marks)
6. Outline four measures that the government of Kenya may take so as to improve the efficiency of the road transport in the country. (4 marks)
7. Classify the following items personal, real, Nominal or private accounts.

Item	**Type of account**
i. Machinery	
ii. Drawings	
iii. Commissions	
iv. Juma-creditors	

8. Mr. Mwangi insured his car worth Sh. 1,000,000 for Sh.800,000. The car was involved in an accident. The value of the car destroyed was sh. 800,000.
   a) How much was Mr. Mwangi compensated? (3marks)
   b) Give reason(s) for your answer in (a) above. (1mark)
9. Outline four current trends in banking. (4 marks)
10. State four limitations of using billboards as a method of advertising products. (4marks)
11. Highlight four factors that may lead to business mergers. (4 marks)
12. This is Juma's demand schedule for bread in a week.

Price per loaf(Shs)	No. of loaves demanded.
30	1
20	2
15	4
12	6
10	8
5	12
1	20

Required:
Draw the demand curve of Juma's bread for a whole weak. (4marks)

13. Highlight four mailing services that are offered by organisations such as postal corporation of Kenya. (4 marks)
14. The following information was extracted from the books of mambo traders on 31st December 2007.

Capital on 1st Jan 2007	540,000
Capital on 31st Dec 2007	640,000
Drawings during the year	80,000
Additional capital	60,000

Calculate Mambo traders profit or loss account for the year ended 31st Dec 2007. (4 marks)

15. State the type of unemployment described by each of the following statements. (4 marks)
   a) A person has absolutely nothing to do
   b) The number of people exceeds those that are required
   c) A worker does not have specific skills and loses the job when the contract between him and the employer ends.
   d) Caused by seasonal variations.
16. Identify four channels of distribution for locally manufactured products. (4 marks)

17. State four methods that banks use in transferring funds. (4 marks)
18. Outline four factors that are likely to lead to demand pull inflation. (4 marks)
19. Using the following information prepare the trial balance for Macho traders as at 31st Dec 2010 (4 marks)

	Shs
Capital	100,000
Cash	75,000
Debtors	15,000
Stock	25,000
Sales	80,000
Returns inwards	4,000
Drawings	20,000
Transport	60,000
Bank overdraft	10,000
Purchases	45,000
Creditors	50,000
Return outwards	4,000

20. Highlight four factors that may limit the use of modern technology in business. (4 marks)
21. State any four advantages of using credit cards as a means of payments. (4 marks)
22. Give four ways in which Kenya benefit from its natural resources endowment. (4 marks)
23. The following are types of documents used in home trade-Invoice, Proforma invoice, Debit note and quotation. In the table below match each document with its appropriate statement.

Statements	**Documents**
Serves as quotation	
Serves as additional invoice	
Reply to a specific letter of inquiry	
Serves as a notice for payment.	

24. State four benefits that could be enjoyed by a person who decided to take out an endowment policy. (4 marks)
25. Enter the following transactions in two column cash book and balance it off., 2011

March 1st :	Opening balance Cash Shs. 24,000
	Bank Shs.8,000 (Cr)
March 3rd :	Paid rent Shs. 4,000
March 10th :	Bought goods worth Shs 8,000 by Cheque.
March 20th :	Deposited Shs. 5,000 from cash till to Bank.
March 25th :	Received rent Shs. 1,000 by cheques from Langat.
March 26th :	Sold goods worth Shs. 7,000 and was paid by cheques.

LONDIANI SUB-COUNTY JOINT EXAMINATION
KENYA CERTIFICATE OF SECONDARY SCHOOL
565/2
BUSINESS PAPER 2

1. a) Since the year 2005 many small business in Kenya have expanded and grown into large enterprises. Explain five causes of business success in Kenya. (10 marks)
   b) Explain any five factors that may cause a decrease in supply of a commodity in the market. (10 marks)
2. a) Kenya is in the process of developing a standard gauge railway line from Mombasa to Malaba. Explain five benefits that a trader in Malaba will enjoy from this modern railway line. (10 marks)
   c) Explain five disadvantages that a country may experience from imposing trade restrictions on trading parners. (10 marks)
3. a) Wambua wishes to advertise his new product that has just entered the market. Explain five factors that he should consider when choosing the medium through which to advertise. (10 marks)
   b) Explain five principles that should be considered when designing a good tax system. (10 marks)
4. a) Explain five roles of stock exchange market in economic development of a country. (10 marks)
   b) The following information was extracted from the books of Wanyama traders as at 31st December 2011

	Shs
Bank loan	567,000
Capital	1,680,000
Bank Loan Interest	1,400
Closing Stock	87,000
Creditors	272.000
Debtors	140,000
Discount allowed	10,000
Electricity	30,000
Furniture repairs	20,000
Gross profit	642,000
Maintenance costs	40,000
Motor Vehicles	680,000
Motor running expenses	20,000
Premises	800,000
Rent Received	200,000
Sundry expenses	12,000
Plant and Machinery	1,000,000
Furniture	503,000

Prepare
Profit and loss a/c for the year ended 31st December 2011.
Balance sheet as at 31st December 2011 (10 marks)

5. a) Explain five benefits of buying goods from a departmental store. (10 marks)
   b) Explain five features of perfect competition market structure. (10 marks)
6. a) Write the following information in the appropriate books of original entry and post the transactions to the ledger accounts.
   2010
   April 1: received an invoice from K.K suppliers for Kshs 40,000, Onchoke traders Kshs 8,000
   April 2: receive a credit note from K.K suppliers Kshs 1,000, Onchoke traders Kshs 1,500
   April 3: Issued invoice to Onyango trader worth Kshs 50,000, Moturi traders KShs 30,000
   April 4: Issued credit note to Moturi traders Kshs 3,000
   April 5: received an invoice from Omari enterprises Kshs 36,000 K.K supplier kshs 15,000
   b) Explain five roles of international Monetary Fund (IMF) in economic development. (10 marks)

WESTLANDS DISTRICT EVALUATION TEST 2015
KENYA CERTIFICATE OF SECONDARY EDUCATION
565/1
BUSINESS STUDIES
PAPER 1

1. Below are some of the factors that influence the operations of a business. Indicate whether the factor constitutes internal or external environment to a business. (4 marks)

Factor	Environment
a) Societal beliefs	
b) Firms physical property	
c) Political climate	
d) Pressure groups	

2. Highlight four roles that Nairobi securities market plays in promoting economic development of our country. (4 marks)

3. State four methods of determining prices of goods and services other than the price mechanism. (4 marks)

4. Identify four features of economic resources. (4 marks)

5. Outline four ways in which the process of creation of goods may negatively impact on the health of the community. (4 marks

6. The average consumer price for 1kg sugar for years 2006-2009 is shown below.

Year	Consumer price
2006	Shs.80
2007	Shs.100
2008	Shs.115
2009	Shs.140

From the above information, calculate consumer price index using year 2006 as the base year.
a) Year 2007
b) Year 2008
c) Year 2009

7. Identify four reasons that make consumer initiated methods ineffective in protecting consumers in Kenya. (4 marks)

8. Outline five ways in which filing benefit a business. (4 marks)

9. The following information was extracted from the books of Kamweru Traders Ltd for the year ended 31st December 2012.

	Shs.
Creditors	68,000
Debtors	67,000
Stock	30,000
Cash at bank	5,000

From the above information, calculate the current ratio. (3 marks)

10. Mention four challenges facing containerization as a means of transporting goods. (4 marks)

11. Mr. Rashid, the owner of a newly established hotel in Westlands is planning to hire employees. Highlight four benefits he would derive from applying the concept of division of labour in his hotel. (4 marks)

12. Outline four factors that have positively influenced entrepreneurial practices in Kenya in the recent past. (4 marks)

13. For each of the following transactions, indicate the account to be debited and account to be credited in the spaces provided. (4 marks)

Transaction	Debit	Credit
a) Ruth, a proprietor converted a private car into a business asset		
b) Bought furniture and paid by cheque		
c) Withdrew cash from the business bank account to pay for son's school fees		
d) Paid creditors by cash		

14. State four benefits of vision 2030 as a development plan to the Kenyan government. (4 marks)

15. Rachel started business in January 2012. The following transactions took place.

Jan 1: Deposited Ksh.20 000 in the bank from her own savings.
Jan 2: Borrowed Ksh.50 000 from Equity bank and deposited it into business bank account.
Jan 3: Withdrew Kshs.20 000 from bank for office use.
Jan 5: Bought stock worth sh.5 000 on credit.
Jan 6: Sold stock worth sh.4 000 for sh.6 000 cash.
Jan 7: Paid for goods previously bought on credit shs.3 000 by cheque.

Prepare Rachel's balance sheet as at 8th Jan. 2012. (4 marks)

16. List any four documents as the enquiry stage in home trade. (4 marks)

17. Outline four reasons why a manufacturer would prefer to build his own warehouse. (4 marks)

18. In the past, the Kenyan government has been considering privatizing Kenya ports Authority. Highlight four reasons for this decision. (4 marks)

19. Explain the meaning of the following terms as used in accounting. (3 marks)

a) Contra entry
b) Trading account
c) Purchases ledger

20. State four mailing services offered by the Post Office. (4 marks)

21. Identify the type of utility created in each of the following activities. (4 marks)

Activity	Type of utility
a) Roasting maize	
b) Delivering milk to school early in the morning	
c) Importing Mercedes Benz vehicles from Germany	
d) Keeping excess maize harvest in the store until summer	

22. The following information was extracted from the books of Wamalwa Traders.

Rate of stock turnover	3 times
Opening stock	Sh.40 000
Closing stock	Sh.100 000
Mark up	20%

Calculate:

a) Cost of goods sols (4 marks)
b) Gross profit (2 marks)

23. Give four ways in which an entrepreneur can uphold business ethics. (4 marks)

24. Identify four most current methods of product promotion by businesses. (4 marks)

25. Kimeto insured his house whose value was sh.2, 400,000 for sh.1, 800,000 against fire. Later, the house was destroyed by fire and loss amounting to sh.1, 000,000 was incurred. Calculate the appropriate amount of compensation he got. (4 marks)

WESTLANDS DISTRICT EVALUATION TEST 2015
KENYA CERTIFICATE OF SECONDARY EDUCATION
565/2
BUSINESS STUDIES
PAPER 2

1. a) Draw five features that differentiate a cooperative society from a partnership form of business. (10 marks)
b) Outline five problems which may be encountered when measuring national income. (10 marks)

2. a) Describe four channels of distribution that can be used to distribute locally produced cereals. **(8**marks)
b) ABZ Limited operates a wholesale business. During the month of March 2014, the company carried out the following transactions.

March 1 Credit sales to Ochupe and Njeri were shs.200,000 and shs.180,000 respectively.
March 2 Credit purchases from Chebet shs.150,000, Wambui shs.700,000, Alfred shs.185,000. They also paid advertisement expenses by cash sh.48,000.
March 5 Credit sales to Abdallah shs.175,000, Mwangi shs.320,000 and Ochupe shs.135,000.
March 8 Goods returned by Ochupe shs.2,800 and Njeri shs.3,100.
March 12 Goods returned by ABZ Limited to Chebet shs.30,000 and Alfred shs.25,000.
March 27 Paid Wambui her debt in cash after deducting a cash discount of 5%.
March 28 Received rent of shs.5,200.
March 29 Sold goods on credit to Njeri shs.220,000 and Njau shs.150,000.
March 30 Goods returned by Njau shs.2,300.

Required:
From the information given, prepare
i) Sales journal
ii) Sales returns journal (12 marks)

3. a) Explain five measures that the government may take to reduce the level of unemployment in Kenya. (10 marks)
b) Describe five documents that are used in international trade. (10 marks)

4. a) Explain five ways in which the insurance industry contributes to the development of Kenya's economy. (10 marks)
b) Explain five benefits that accrue to an economy from public finance. (10 marks)

5. a) Describe five features of a perfectly competitive market. (10 marks)
b) Highlight five factors that constitute a healthy external environment of a business. (10 marks)

6. a) Explain five factors that a firm may consider when choosing a method of communication. (10 marks)
b) The following information was extracted from the books of Meme Traders as at 31st December 2013.

	Shs.
Bank loan	567,000
Bank loan interest	1,400
Capital	1,680,000
Closing stock	87,000
Creditors	272,400
Debtors	140,280
Discount allowed	170,400
Electricity	30,240
Furniture	489,804
Furniture repairs	86,436
Gross profit	624,720
Maintenance on premise	72,000
Motor vehicle	1,080,000
Motor vehicle maintenance	3 60,000
Premise	648,000
Rent received	144,000
Sundry expenses	122,520

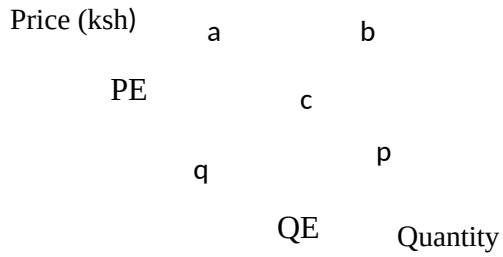
Required:
i) Profit and loss account for the year ended 31st Dec. 2013.
ii) Balance sheet as at 31st Dec. 2013. (10 marks)

MARKING SCHEMES

MACHAKOS COUNTY FORM 4 TRIAL AND PRACTICE EXAM 2015
565/1
BUSINESS STUDIES
PAPER 1

1. Four features of a market include. (4 marks)
- The product (a good or service offered for sale)
- Existence of buyers and sellers
- A place (a specific location)
- Interaction between buyers and sellers (exchange of goods or services for money)

2. (a) ap - Demand curve
bq – Supply curve
letter c – Equilibrium point
(b)



3. Four advantages of after sales services as a method of sales promotion to a customer. (4 marks)
- The consumer is assisted with technical advice on how to use the item.
- Consumer may be assisted in installation of the product at no cost.
- Consumer is usually given a guarantee on the item for a certain period of time.
- Consumer saves on servicing costs.
- Consumer saves on transportation cost.
- Where an item has a major technical breakdown it can easily be replaced at no extra cost.

4. FOUR reasons why a consumer should satisfy basic wants before secondary wants. (4 marks)
- They are essential for survival.
- The consumer has limited resources.
- They cannot be postponed.
- They are felt needs.

5. FOUR reasons why a multinational company may prefer setting up a production unit in developing country instead of exporting finished goods to the country. (4 marks)
- To take advantage of cheap labour available in the country.
- To avoid paying tax on the goods that would otherwise be imports.
- To take advantage on available raw materials in the country.
- To make products cheaper hence more sales.
- To make transport cheaper.

6. Factor of production that each of the following resources relate to:- (5 marks)

Resource	Factor of production
(a) Manager	Labour
(b) Quarry	Land
(c) Vehicle	Capital
(d) Water	Land
(e) Owner	Entrepreneurship

7. In the spaces provided below, indicate with a tick (✓) whether each of the following statements relates to preference or ordinary shares. (3marks)

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

8. FOURfeatures of trade credit as a source of finance for business units. (4 marks)

- It is a short term credit facility.
- Does not require a down payment.
- Buyer takes ownership of goods immediately.
- Usually paid at once.
- No interest payable if paid within agreed period.

9. The term that best fit each of the following descriptions (4 marks)
   (a) Capital
   (b) Stock
   (c) Drawings
   (d) Loan (Liabilities)

10. Gross profit $= \frac{25}{100}$ x 360,000 = KSh. 90,000

    (a) Gross profit = Sales – Cost of sales
    Cost of sales = 360,000 – 90,000 = 270,000

    (b) ROSTO $= \frac{\text{cos}}{AS}$ AS $= \frac{OS+CS}{2}$
    $= \frac{50{,}000+70{,}000}{2}$ = 60,000

    (c) Rate of stock turnover (2 marks)
    ROSTO $= \frac{270{,}000}{60{,}000}$ = 4.5 times

11.

Capital A/C		Bank A/C	
Bank 500,000	✓	Bank 500,000✓	MV 250,000✓
			Cash 50,000✓

Motor vehicle A/C	Cash A/C	
Bank 250,000✓	Bank 50,000✓	Salaries 18,000✓

Salaries A/C
Cash 18,000✓

8 x ½ = 4 marks

12.

Kelly Traders
Two – Column cash book
for the month of June 2015

Date	Particulars	Cash	Bank	Date	Particulars	Cash	Bank
2015 June 1	Balb/f	6000✓		2015 Jun 1	Balb/f		2000✓
2	Debtors		80,000✓	5	Telephone	1200✓	
8	Bank	16,000✓		8	Cash		16,000✓
				9	bal c/d	20,800✓	62,000✓
		22,000	80,000			22,000	80,000
9	bal b/d	20,800	62,000				

8 x ½ = 4 marks

13. **FOUR** ways of curbing cost push inflation. (4 Marks)
- Implementing a policy that maintains stable wages.
- Controlling costs of raw materials, capital and land.
- Control of government taxation of inputs and where possible subsidize the costs of production
- Control the prices of the final product to ensure the producer minimize the costs.

14. **FOUR** circumstances under which the per capita income statistics would be good indicator of the welfare of the citizens of country. (4 Marks)
- When the national income is evenly distributed among the citizens.
- When national income statistics are in real terms and allowances made to take care of price fluctuations.
- When the output per year is based on essential and final goods / services consumed by the masses.
- When real statistics on population figures is obtained and not projections used.

15. **FOUR** challenges associated with a high ageing population in a country. (4 Marks)
- High dependency ratio from many retirees.
- Low mobility of labour since older people are less mobile.
- Restricted patterns of consumption which lower demand.
- Less progress due to resistance of the older people to change.
- Low labour supply.

16. **FOUR** purposes of taxation. (4 Marks)
- To promote economic growth.
- Equity in distribution of income and wealth.
- To control the economy by influencing consumption of goods / services.
- To influence the balance of payments by imposing taxes on imports /exports.
- To protect social and cultural values by overtaxing goods that have negative impact on the society.
- To control inflation.
- To influence the price system and protect infant and strategies industries.

17. **FOUR** basis of international trade (4 Marks)
- Absolute advantage.
- Comparative advantage.
- Resource endowment.
- Historical ties/factors.
- International agreements.

18. **FOUR** methods that a country may use to restrict international trade. (4 Marks)
- Use of tariffs
- Use of subsidies
- Use of quotes
- Total ban
- Lengthy administrative procedures.
- Through legislation
- Product standard control
- Moral suasion

19. Importance of anincoming invoice in accounting. (4 Marks)

- It is a source document for purchases journal
- It provides documentary proof of goods purchased on credit
- It provides documentary proof of purchase of other assets.
- It is a source of entries made in the general journal for purchase of other assets on credit

20. **FOUR** items that are included when computing national income using expenditure approach. (4 Marks)

- Consumption by general public on consumer goods (personal expenditures – C)
- Expenditure by general public on capital goods (Investments – I)
- Government expenditure on goods and services (G)
- Net expenditure on foreign goods (x – m)

21. **FOUR** features of insurable risks

- Can be predicted in terms of probability of occurrence
- Resulting financial loss arising from their occurrence can be accurately determined
- Premiums payable to provide cover can be accurately determined
- The number of people likely to suffer loss from the occurrence within a given period of time can be predicted

22. **FOUR** features of chain stores. (4 Marks)

- Owned by the same business organization
- Managed and controlled by a central administration at the head office
- Each shop is managed by a branch manager accountable to the head office
- Goods are sold strictly on cash basis
- The prices are standard in shops
- Goods can be transferred from one shop to another
- Mainly deal in fast moving goods such as household goods

23. **FOUR** factors that constitute an efficient transport system. (4 Marks)

- The cost should be convenient to the user (fare or freight charges should be low and economical)
- The speed of the system should match the cost
- Should have reliability and regularity (dependable in keeping time)
- Should have flexibility and convenience (flexible to operate at the convenience of the user)
- Should provide comfort to users
- Should provide safety to both goods and passengers

24. FOUR goals of development. (4 Marks)

- Improving standards of living through adequate provision of essential goods and services
- Increasing productivity of all the factors of production in order to increase income and output
- Improving the quality of socio – economic institutions such as education and political institutions
- Reducing economic dependence through diversification
- Reducing unemployment through creation of employment opportunities
- Improving efficiency in production
- Providing a wide variety of goods and services

25. **FOUR** disadvantages of use of Automatic Teller Machines (ATMs) in banking. (4 Marks)

- May lead to overspending
- Thieves may trap
- The machines may breakdown
- Customers may forget PIN and lose access to the account
- Subject to fraudulent activities by relatives and bank staff

MACHAKOS COUNTY FORM 4 TRIAL AND PRACTICE EXAM 2015
565/2
BUSINESS STUDIES
PAPER 2

1.

(a) Explain five methods of payments offered by the commercial Banks in Kenya (10mks)

- Use of cheques –Instruction to the bank to make payment to the named person.
- Standing orders – Instruction to make a periodic payment of a specific amount to a named person until instructed otherwise.
- Credit transfer – Payment of several people by use of one cheque.
- Travelers cheques –Used majorly by businessmen who travel a lot to make payments outside.
- Bankerscheque – It's a cheque written by a bank to another bank to make payments to a named person /institution thus the payment is guaranteed. *(any five well explained points @2=10mks)*

b) Highlight five reasons as to why a high national income may not necessarily mean better welfare for the citizens of a country (10mks)

- Uneven income distribution – Where too much of it is in the hands of few citizens and too little for many citizens.
- Incorrect statistics (-incorrect statistics could have been used) thus getting a wrong and exaggerated value of national income.
- No leisure -High income might have been as a result of overworking labour force or even working under difficult circumstances / thus compromising employees health
- The income might have been realized through activities that might have been detrimental to the environment or health of the workers.
- Illegal activities – The income might have be rising from illegal activities.
- High inflation rate – The high income might have been consumed by high levels of inflation hence retarding the purchasing power of citizens. *(Any five well explained points @2=10mks)*

2.

(a) Kapa oil manufacturers have decided to eliminate wholesalers in their chain of distribution. Outlinefive possible effects that would result if wholesalers were eliminated. (10mks)

- Manufacturers would set up distribution centers /depots or warehouses which are additional costs to manufacturers.
- The cost of distribution may be increased and the subsequent increase passed on to consumers inform of higher prices.
- The retailers would have to go to manufacturers, which is an additional cost to retailers.
- The producers would have to break the bulk because retailers may not be able to buy in large quantities.
- Manufacturers may be required to extend credit facilities to retailers, which require additional financial capital.
- Due to additional functions to producers, it will reduce their specialization in production.
- Prices may fluctuate due to unsteady flow of goods. *(any five well explained points @ 2=10mks)*

(b).Differentiate between a perfect competition from a monopolistic competition. (10mks)

PERFECT COMPETITION	MONOPOLISTIC COMPETITION
a) Sellers deal in homogeneous products b) Are not involved in promotion of products. c) It's a price taker d) Large number of sellers e) Activities of one firm does not influence the activities of other firms	- Sellers deal in differentiated products - incur heavy expenses in promotion of products - it's a price setter /giver - Large number of sellers operating independently. - Activities of one firm are closely monitored by the rest in the industry.

3.

a) Explain five causes of inflation an economy (10mks)

- Increase in government expenditure making more money available to people which increase aggregatedemand leading to an upward pressure on prices.

- Excessive credit creation by commercial banks increase money supply and hence purchasing ability leading to inflation.
- Increase in money income which increase purchasing power causing an upward pressure on prices of goodsand services.
- Storage of goods and services leading to excessive demand hence pulling the prices of commodities upwards.
- Call for increase in wages and salaries, which will be reflected in the increased prices of commodities.
- Increase in indirect taxes (e.g VAT,) which makes firms to increase their prices.
- Increase in profit margins by management and shareholders leading to an increase in prices.
- Increase in cost of inputs (e.g raw materials) causes the prices of finished goods to be high.
- Reduction in subsidies leading to an increase in cost of production which will be reflected in an increase in the price of the commodities. *(Any five well explained points @ 2=10mks)*

b) Outline five challenges that Kenya face when trying to implement her development plans. (10mks)

- Inadequate skilled personnel/ machines etc to implement the plans.
- Continuous reliance on donor funding which at times fail to be remitted.
- Natural calamityie (the country may suffer from calamities like drought, flood etc) which draw funds that were not planned for.
- Lack of co-operation and coordination between executing parties i.e. ministry of finance and planning.
- Failure to involve local people hence making the plan to lack support from the local people as they view it to be imposed on them by few people at the top.
- Lack of political will i.e. where political crisis is an obstacle to the achievement of the vision.

(any five well explained points @ 2=10mks)

4.

(a) Explain five reasons why a public limited company may prefer to raise finances through issues of ordinary shares instead of debentures (10mks)

- Debentures are units of loans which must be paid by a public company unlike ordinary shares which is a unitof capital and companies are not obligated to pay.
- Debenture holders are paid in fixed rates of interest while ordinary shares interest is not fixed.
- Failure to pay debentures rates leads to a company being declared bankrupt unlike payment of share dividends.
- Debenture interest must be paid by a public company unlike ordinary shares.
- In the event of a company winding up, it is obliged to pay debentures first while shares may come last.
- Raising money through shares requires no security while debentures may require a security.
- Securing finance through debentures is more expensive than through ordinary shares.
- Debentures reduce the borrowing power of a company while shares enhance.
- Share dividends can be converted to bonus shares while it is not possible with debentures interest.

(Any five well explained points @2=10mks)

b) (i)

Profit and loss account for the year ending 31/12/2004 5½mks

Masaku Traders

Profit and loss account for the year ending 31/12/2004

Expenses: Rent	48,000 ✓	Gross Profit b/d	320,000✓
Lighting	7,200✓	Commission received	12,320✓
Water	9,220✓	Discount received	8,500✓
Salaries	75,000✓		
Discount allowed	4,600✓		
General expenses	98,000✓		
Net profit	98,850 ✓		
	340,870		340,870✓

11 ticks @ ½ =5 ½ mks

(iii) Balance sheet as at 31/12/2004 4½mks

Masaku Traders

Balance sheet as at 31/12/2004

Fixed assets	Kshs		Kshs
Furniture	650,000✓	Capital	3,000,000✓
Motor vehicle	2,300,000✓	add:Net profit	98,850✓
			3,098,850
Current assets		Current liabilities	
Stock	25,250✓	Creditors	396,400✓
Debtors	270,000✓		
Bank	200,000✓		
Cash	50,000✓		
	3,495,250		3,495,250

9 ticks @ ½ =4 ½ mks

5.

a) Explain six measures that the government of Kenya may take to control her persistent Balance of payment deficit (12mks)

- Increase the volume of export i.e. by giving incentives to traders so that they can produce more output.
- Reduce the level of imports i.e. by using restrictive measures such as import total ban etc.
- By diversifying the rate of export 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 export cheaper and hence more competitivein the market.
- By negotiating for foreign debt reduction- which will off load the debt burden.
- By adding value to the export e.g processing of primary products so as to fetch better prices when exported.

Any six well explained points @2 =12mks

b) Outline four differences between endowment policy and whole life policy. (8mks)

Endowment policy		Whole life policy
i) Benefits go to the insured unless death occurs		Benefits goes to the beneficiaries.
ii) Focuses on financial security of insured and beneficiaries. ii)		Aims at financial stability of beneficiaries
iii) premiums paid only for the agreed period iii)		Premium paid throughout one's life time
iv) Compensation paid after the risk or expiry of period iv)		Compensation paid only after death of insured
v) Can be used as collateral for loan v)		Cannot be used as collateral for loans

Any four clear differences @2=8mks

6.

a) Explain five factors that limit the usage of Railway as a means of transport. (10mks)

- High costs: Railway construction is an expensive venture, requiring huge investments. These are not affordable.
- Existence of road network: There exists relatively wide network /competition from other modes of transport.
- Poor management: the railway transport sub-sector has been poorly run, hence stagnation.
- Lack of modern technology: modern technology required for efficient railway system is absent in Kenya/canonly be imported.
- Little government commitment: the government has committed its resources on other forms of transport.
- Lack of flexibility: in ability to render door to door services.
- Speed: its relatively low speed renders it in appropriate for carrying certain goods.
- Lack of competition: Railway enjoys protected position making it impossible tom operate.
- Low industrial base: this has led to low demand for railway services.

(Any five well explained points @2=10mks)

b) The accounts Hakuna Matata Traders showed the following balances on 1st January 2014.10mks

DR	PURCHASES A/C		CR
2010	sh	2010	
Jan 2 creditors	50,000 ✓	Jan 31st Bal c/d	50,000✓
Jan 31 Bal b/d	50,000		

DR	BANK A/C		CR
2010	SH	2010	
Jan 25cash	100,000✓	jan 31 bal c/d	100,000✓
Jan 31 b/d	100,000		

DR	CREDITORS A/C		CR
2010	SH	2010	SH
Jan 12 cash	52,000 ✓	Jan 1 bal b/d	42,000✓
Jan 31 bal c/d	40,000 ✓	Jan 2 purchases	50,000✓
	92,000		92,000
		Jan 31 Bal b/d	40,000

DR	STOCK A/C		CR
2010	sh		
Jan 1 bal b/d	30,000 ✓	bal c/d	30,000✓

DR	MOTOR VEHICLE A/C		CR
Bal b/d	310,000✓	bal c/d	310,000✓

DR	CASH A/C		CR
2010	SH	2010	
Jan Bal b/d	250,000✓	JAN 10 loan	70,000✓
Jan 3 sales	80,000✓	Jan 12 creditors	52,000✓
Jan 5 Debtors	20,000 ✓	Jan 16 furniture	45,000✓
		Jan 20 salaries	40,000✓
		Jan 25 bank	100,000✓
		Jan 31 BAL C/D	43,000✓
	350,000		350,000
Jan 31 bal b/d	43,000		

DR	DEBTORS	A/C	CR
2010	SH	2010	
Jan 1 bal b/d	60,000 ✓	Jan 5 cash	20,000✓
		Jan 31 bal c/d	40,000✓
	60,000		60,000
Jan 31 bal b/d	40,000		

DR	BANK A/C		CR
2010	SH	2010	SH
Jan 10 cash	70,000 ✓	Jan 1 bal b/d	20,000✓
Jan31 bal c/d	50,000 ✓		
	120,000		120,000
		Jan 31 bal b/d	50,000

DR	FURNITURE A/C	CR

2010	SH	2010		
Jan cash	45,000 ✓		Jan bal c/d	45,000✓
JAN Bal b/d	45,000			

DR SALARIES A/C CR

2010	SH	2010	SH
Jan 20 cash	40,000 ✓	bal c/d	40,000✓
Jan 31 bal b/d	40,000		

30 ticks @ 1/3 =10mks

BUSINESS STUDIES PAPER 1
MARKING SCHEME

1.
(i) Basic
(ii) Basic
(iii) Basic
(iv) Secondary (4 x 1 = 4mks)

2.
- Inadequate capital (don't accept lack of:-)
- Inappropriate marketing strategies thus low sales.
- Unfair, unhealthy competition.
- Inefficient management skills.
- Inadequate manpower
- Inappropriate technology or poor technology. (4 x 1 = 4mks)

3.
- Price stability / fair prices
- Good quality products
- Constant supply
- Advice on how to use the product / Demonstration on use of product.
- After-sales services. (4 x 1 = 4mks)

4.
- They offer bank overdraft facilities.
- Enables the holder to pay creditors using a cheque without necessarily travelling to the bank.
- One can withdraw large sums of money without any notice.
- The holder can give postdated cheques if need arises thus enabling clearing of debts at future date.
- Do not have to maintain a minimal balance unlike in other accounts. (4 x 1 = 4mks)

5.
- Cannot carry a lot of cargo.
- Tend to increase congestion on the road.
- Not suitable for long distance journey.
- Contribute heavily to air pollution/noise pollution.
- They use fuel which is expensive to buy.
- They are prone to accidents and can lead to serious injuries. (4 x 1 = 4mks)

6.
- If the seller does not doubt credit worthiness of the buyer.
- If the seller wishes to attract more customers.
- If the seller is not in urgent need of money.
- If the trader want to use credit sales as a competitive tool.
- If the amount involved is small and the seller is not afraid of taking the risk. (4 x 1 = 4mks)

7.
- To facilitate fair distribution of income and resources .
- To discourage consumption of harmful goods.
- To correct balance of payment deficit
- To subsidize various development projects. (4 x 1 = 4mks)

8.
- Guillotine
- Composite machine
- Photocopiers
- Collator (4 x 1 = 4mks)

9.
- Increase in cost of production.
- Lack of government incentives e.g. subsidies.
- Decrease in price of complementary goods.
- Withdrawal of firms from the market.

- Incidences of strikes i.e. increase.
- Inadequate factors of production. (4 x 1 = 4mks)

10. CC = OP + I + P - D√
    P = CC + D – OP – I
    470,000 + 100,000 – 350,000 – 100,000√
    570,000 – 450,000
    = SH. 120,000√√ (4 x 1 = 4mks)

11.
- Practiced on a small scale.
- Leads to production of low quality goods.
- Low levels of output.
- Uses simple methods of production.
- Producer engages in multiple production.
- Goods produced are not for sale. (4 x 1 = 4mks)

12.
- Diversification of the economy.
- Transforming the education system.
- Population control.
- Delocalization to reduce rural-urban migration.
- Encouraging the informal sector / Jua kali sector.
- Lending funds at low interest rates. (4 x 1 = 4mks)

13.
- Advise on management
- Sell shares
- Performance barometer
- Good management
- Included in journals published by market
- Facilitates raising of more funds. (4 x 1 = 4mks)

14. (i) Mark up = Gross profit / Cost of sales = 10,000 / 40,000 = ¼ √√ (1mk)
    (ii) Margin = Gross profit / Sales = 10,000 / 50,000 = 20% $^{1}/_{5}$√√ (1mk)
    Or Margin = 1 / 4+1 = $^{1}/_{5}$√√ (1mk)
    (iii) Total expenses = 10 / 100 x 50,000 = Sh. 5,000√√ (1mk)
    (i) Net profit = Gross profit – Expenses
    10,000 – 5,000 = sh. 5,000√√ (1mk)

15.
- Used to claim goods on port.
- Serves as evidence of contract between the seller and shipping company.
- Serves as evidence of receipt of goods for shipment.
- Shows condition of goods when they were availed for shipment.
- Proves ownership as goods by the importer. (4 x 1 = 4mks)

16.
- Where the company covers many risks.
- When the possibility of the risk occurring are very high.
- Where there is need to spread various risks insured by the company.
- When the value of the item / property insured is too high and would not be easily compensated by the company.
- When it is mandatory requirement by the government. (4 x 1 = 4mks)

17.

A/c Debited	A/c. Credited
(a) Cash account	Capital account
(b) Purchases account	Bank account
(c) Drawing account	Cash account
(d) Creditor account	Bank account

(4 x 1 = 4mks)

18.
- Changing the form of a commodity.
- Transporting commodities to where they are needed.
- Storing the commodities until its required.
- Selling or exchanging the commodity. (4 x 1 = 4mks)

19.
- High probability of achieving the set goals.
- Easy to obtain capital for expansion.
- Accessibility to the market is enhanced.
- Continuous production activities.
- Easy to invest anywhere in the country.
- Accessibility to raw materials. (4 x 1 = 4mks)

20.
- Offering subsidies
- Lowering taxes / tax holidays
- Use of quota system in imports.
- Enhancing security.
- Development of roads and communication networks.
- Training of business persons.
- Provision of electricity and water. (4 x 1 = 4mks)

21.
- Few sellers/firms.
- Firms are large in size.
- Interdependence of firms in the industry.
- Deal with products that are differentiated.
- Rivalry among firms resulting to price wars.
- Has a kinked demand curve. (4 x 1 = 4mks)

22.
- Competition for limited space.
- Continued renting of space becomes expensive in the long run rather than constructing.
- May involve other costs like transportation if its situated far.
- One has to go through a long documentation procedure while receiving or storing their goods. (4 x 1 = 4mks)

23.
- Carrying out testing of measuring apparatus to relate them with accuracy level of established standards.
- Putting stamp of approval to show the established standards have been made.
- Making regular inspection to ensure that the standards are adhered to.
- Persecute those who violate the set standards. (4 x 1 = 4mks)

24.
- Unfair competition
- Inadequate technology
- Unstable political environment
- Insecurity
- Natural calamities
- Unfavourable socio-cultural environment. (4 x 1 = 4mks)

25.
- Consumers may be tied to one trader who may not offer quality services.
- Encourage careless handling of goods by the consumer.
- Trader incurs extra expenses or costs thus reducing his profit margin.
- Trader sells his goods at high prices leading to low volume of sales in an effort to recover the after-sales costs incurred.

(4 x 1 = 4mks)

CENTRAL KENYA NATIONAL SCHOOLS JOINT MOCK - 2015
565/2
BUSINESS STUDIES PAPER 2
MARKING SCHEME

1. (a)

Public Corporation	**Private Limited Company**
1. Initial capital is usually provided by the government.	1. Initial capital comes from the shareholders.

2. Established through legislation by an act of parliament. 3. Managed by a board of directors appointed by the government. 4. Profits are issued to dividends and the government to the members. 5. Non-profit motivated.	2. Established by promoters according to the company's act. 3. Managed by one or two directors elected by shareholders. 4. Profits are distributed and the shareholder on dividends. 5. usually established to earn profits.

(b)

- Work flow – work should flow smoothly with minimal interruption.
- Supervision – easy and quick monitoring of staff to discourage absenteeism.
- Working space – each worker should have adequate working area for efficiency / concentration.
- Office appearance – should be attractive and pleasant to boost the morale of the workers and enhance their performance.
- Communication – easy passage of message from the seniors to the juniors / juniors to the senior for quick decision making.
- Minimal movement – smooth flow of works with reduced or no staff distraction hence increasing the overall performance.
- Others - Proximity to equipment
  - Legal requirements.

2. (a)

- Reduced road accidents as congestion of tankers on roads is reduced.
- Environmental pollution is reduced as pipelines do not emit gasses or smoke.
- Cost of handling oil is reduced since fewer workers are employed.
- Traveling by road to various parts of the country takes a shorter time due to reduced congestion on roads.
- There is no worry of return journey as pipes transport oil in one direction.
- It ensures regular supply after construction and they are more durable and operates 24 hours.
- Pipelines are not easily affected by bad weather, strikes and insecurity along highways (supply is permanently fixed).

(b)

- Statistical problems – data collection (National income) may be inaccurate hence wrong per capita income.
- Income distribution – if the income is in the hands of few, then we cannot say that people's welfare has improved.
- Nature of products – if the products are not meant to satisfy immediate wants of the people, then an increase in per capita income may not lead to a higher economic welfare.
- Change in the value of money – if the currency has been devalued there can be change in the value of money without necessarily representing any changes in the welfare of people.
- Social costs – some people may migrate from rural to urban areas straining family relationship / increase in industries may create pollution / congestion / other environmental disruptions / such development may make the average citizen worse of than was before the increase in per capita income.
- Quantity of goods and services produced – did the increase in per capita income come from increased production of goods and services.
- Change in population – if a static population is assumed, a false higher state of the economic welfare of the people will be the result.
- Difficulty in measuring welfare – people's wants / aspirations keep on changing / their tastes change over time, hence per capita income method is not the best measure of their welfare.
- People's extraneous works / over sacrifice – increased national income may mean less sleep and worries / people don't have time to enjoy what they produce / their welfare may be low despite the rise (National income).

3. (a)

- Auction – product is offered for sale to the members of the public and the highest bidder becomes the buyer.
- Haggling / bargaining – Buyer and seller negotiate over the price.
- Tendering – public is invited to make bids for the supply or sale of a particular product. The person who offers the most reasonable / lowest price usually wins the tender.
- Government intervention – government may impose tax or offer subsidies thus determine price. Government may also set a price level at which a product may be sold.

- Recommending or fixing by a producer – producer may determine the prices of their products and recommend or even require that they be sold at those prices.

(b)

- Cyclical unemployment – occurs due to relatively low general demand for goods and services.
- Structural unemployment – caused by changes in production methods, change in technology and changes in demand for goods and services.
- Frictional unemployment – occurs when people are unable to secure jobs due to barriers which hinder them from getting jobs.
- Seasonal unemployment – occurs due to relatively low demand for labour at certain times of the year.
- Involuntary unemployment – results from lack of jobs. People willing to work at the prevailing wages but work is not available.

4. (a)

(i)

OKUMU TRADERS
TRADING, PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2012

Dr				Cr	
Opening stock		30,000 ✓	Sales		390,000 ✓
Purchases	275,000 ✓		Less Returns outwards	10,000 ✓	
Add carriage outwards	16,000 ✓		Net sales		380,000 ✓
Less returns outwards	(6000) ✓				
Net purchases		285,000 ✓			
Goods available for sale		315,000 ✓			
Less closing stock		(50,000) ✓			
Cost of sales		265,000 ✓			
G.P c/d		115,000 ✓			
		380,000			380,000
Expenses			Revenue		
Carriage out		8,000 ✓	G.P b/d		115,000 ✓
Wages		20,000 ✓	Commission received		36,000 ✓
Bad debts		3,000 ✓	Discount received		7,000 ✓
Rates		12,000 ✓			
Insurance		19,000 ✓			
Discount allowed		5,000 ✓			
Total expenses	67,000 ✓				
Net profit c/d		91,000 ✓			
		178,000			178,000

(✓16 x ½ = 8mks)

(ii)

OKUMU TRADERS
Balance Sheet
As at 31st December 2012

ASSETS	
Fixed Assets	Capital + Liabilities

Building	450,000 ✓		Capital	689,000 ✓	
Furniture	180,000 ✓		Add Net profit	91,000 ✓	
Total FA		630,000	Less drawings	25,000 ✓	
Current Assets			Net capital		767,000
Stock	50,000 ✓		Current Liabilities		
Debtors	47,000 ✓		Creditors	52,000 ✓	
Bank	250,000 ✓		Bank overdraft	210,000 ✓	
Cash	40,000 ✓				262,000
		387,000			
		1,017,000			1,017,000

(8 x ½ = 4mks)

(b) Differences between shares and Debentures.

- Open Market Operations (OMO) – This is whereby the government through the CBK buys (to increase money supply) or sells (to reduce supply) government securities in the open market.
- Bank lending rates – to reduce money supply, the CBK increases the interest rates on loans by commercial banks and vise versa.
- Selective Credit Control – CBK dictates which sectors within the economy are to be lend money e.g. Agriculture and which sectors not to lend.
- Legal reserve requirements – CBK requires all Commercial Banks to deposit in its fixed deposit account a certain amount of money to reduce money in circulation. This can either be raised or lowered depending on the economic performance.
- Moral persuasion – CBK may persuade the commercial banks to lend or not to lend.
- Liquid / cash ratio – CBK sets the liquid ratio that can be easily converted into cash. (5 x 2 = 10mks)

5. (a)

- Production of similar goods
- Natural calamities
- Regional conflicts / wars
- Some members may gain more.
- Interferences by non-members e.g. developed countries.
- Lack of willingness by members to contribute financially.

KIBOKO TRADERS

(b) Dr THREE COLUMN CASH BOOK FOR THE MONTH OF JANUARY 2009 Cr

Date	Details	Folio	D.A	Cash	Bank	Date	Particulars	Folio	D.R	Cash	Bank
2009						2009					
Jan 1	Balance	b/d		40,000 ✓		Jan 1	Bal	b/d			17,000 ✓
2	Mutiso		2,000 ✓		30,000 ✓						
10	Cash	C1			12,000 ✓	4	Salaries			16,000 ✓	
16	Capital				56,000 ✓	10	Bank	C1		12,000 ✓	
17	Sales			24,000 ✓		14	Wayua		400✓		39,600 ✓
20	Mutua		1,632 ✓		16,000 ✓	24	Furnitures				10,400 ✓
20	Odhiambo			7,200 ✓			Bank	C2		40000 ✓	
30	Cash	C2			40,000 ✓	30	Bal	c/d		3,200 ✓	87,000 ✓
			3632	71,000	154,000				400	71,000	154,000

NB: C_1 and C_2 if not indicated don't award. (20 x ½ = 10mks)

6. (a)

- Flexible (more adaptable to changing circumstances)
- Simplicity (easy to manage / organize)
- Quick decision making
- Small size of the market.
- Nature of the products / personal services.
- Small initial capital.
- Few legal requirements.

- Need to retain control.

(b)

- Inadequate basic resources
- Lack of political goodwill.
- Failure to involve the local people in plan formulation stage.
- Natural calamities (floods, landslides) which may destroy properties.
- Over-reliance on donor funding.
- Lack of cooperation and coordination between the executing parties and formulators.

SUNSHINE
565/1
BUSINESS STUDIES
MARKING SCHEME

1. Highlight four reasons why people engage in Business activities. (4mks)
- To create employment opportunities
- To make use of available local resources
- To be their own bosses
- To increase their present income
- To utilize their free time
- To commercialize their skills and talents

2. Outline four types of resources that are important in Business. (4mks)
- Human resources
- Financial resources
- Physical resources
- Technology

3. State four functions of an entrepreneur in the production of goods and services. (4mks)
- They bear all the risks associated with production
- They provide the required capital to carry out production
- They acquire all other factors of production
- They identify and set up viable business
- They coordinate and organize the other factors of production

4. Identify the machine used to perform the following tasks. (4mks)

Statements	The machine
a) To count coins and notes	Money counting machine
b) To trim paper into required sizes and shapes	Gullotine
c) To fold documents, place them in envelope and seal the envelope	Composite machine
d) To print postage impression on envelopes	Franking machine

5. Outline four differences between chain stores and departmental stores. (4mks)

Chain stores	Departmental stores
i) They have branches all over the country e.g ART Ltd	All departments operate under one roof
ii) Stock a limited variety of goods	Stock a wide variety of goods
iii) All branches sell similar goods. Purchases are centralized	Each department deals with different line of goods. Purchases are decentralized
iv) Prices are uniform in all branches	Each department sets its own price

6. State four statistics that are associated with the measurement of National income. (4mks)
- Gross National Product
- Net National product
- Gross Domestic product
- Net Domestic product

7. (4mks)

SUNSHINE TRADERS
BALANCE SHEET
AS AT 31/12/2013

Assets	Sh.	Capital + Liabilities	Sh.
Stock	40,000	Capital	357,000
Machines	150,000	Liabilities	
Furniture	7,000	Creditors	
Motor vehicles	200,000	25,000	
Bank	20,000	Loan from KCB	100,000
Cash	5,000		
Debtors	60,000		
	482,000		
			482,000

8. Outline four characteristics of a good filing system (4mks)
- Simplicity
- Compactness i.e occupy little office space
- Suitability
- Should be economical
- Safety
- Accessibility

9. Highlight four methods that Government uses to protect consumers. (4mks)
- Setting up standards
- By licensing
- Weights and measures act
- Food and drug act
- Trade description act / sale of good act
- Public health act
- Rent and tribunal act

10. State four factors that a manager should bear in mind to ensure that he/she effectively communicates with the employees. (4mks)
- The timing of sending / passing information should be appropriate
- There should be mutual respect between the two parties
- Should speak in a proper language the is understood by all parties
- The manager should into have negative attitude towards any employee
- The manager should not have pre judgement

11. State the meaning of the following principles of insurance. (4mks)
a) Subrogation - This states that after the insured has been compensated the remnant of the insured item becomes the property of the insurer
b) Contribution - When a property is insured by more than one insurance company upon the occurrence of the event of loss, all the insurance companies will share the loss proportionately.
c) Insurable interest - One can only insure a property whose loss will affect him financial.
d) Indemnity- States that the insured can only be compensated for the actual loss suffered.

12. Highlight four characteristics of underdevelopment. (4mks)
- Low standards of living in the country.
- Low per capita of income
- Rapid population on growth rate
- Under- utilized natural resources
- Low literacy levels
- Use of simple / rudimentary technologies in production
- Pronounced income inequalities
- Low levels of productivity
- Poor infrastructure
- High levels of unemployment

13 State four factors that may have caused the change shown in the diagram above.
- Use of traditional techniques in production process
- Unfavourable weather conditions
- Inadequate supply of factors of production
- Unfavourable change in government policy
- High cost of production
- Expected increase in the price of the product in future

14. Highlight four causes of unemployment in Kenya. (4mks)
- Rapid population growth rate
- Introduction of capital intensive methods of production
- Inappropriate education system which is white collar job oriented
- The people may be too selective when choosing the jobs they want which may not be available.
- Low demand for goods and services due to low incomes.

- Inadequate resources required for production to be carried out.
- Rural – urban migration.
- Changes in seasons particularly in tourism and agricultural sectors.

15. Outline four circumstances under which Mr Ondieki (a farmer) may distribute his products directly to his customers. (4mks)

- Where the goods are produced according to customer's specifications
- Where goods are technical in nature
- Where goods are perishable in nature
- Where the farmer is very close to the market
- Where the market being targeted is small
- Where the producer wants to have direct contacts with the customers
- Where the producer has his own retail outlets

16. Tripple SSS wholesalers had the following information as at 31 December 2013 (4mks)

Closing capital	70,000
Total expenses	5,000
Drawings of goods	6,000
Total incomes	3,000

Calculate the capital at the beginning of the year.

O.C – L – D = C.C
O.C – (5000 – 3000) – 6000 = 70,000
O.C – 2000 – 6000 = 70,000
O.C – 8000 = 70,000
O.C = 78,000

17. Highlight four advantages of localization of firms. (4mks)

- A pool of skilled labour is created where the firms con get employees from
- Employment is created in such areas
- Development of infrastructure may be carried out in areas where localized firms are
- Joint management of waste can be carried out by all firms
- Establishment of solid amenities such as hospitals and schools
- Firms may benefit from already established markets
- It leads to development of auxiliary firms such as banks and insurance in the area.

18. State four characteristics of good money. (4mks)

- General acceptability Stability
- Scarcity Cognizability
- Durability Homogeneity
- Divisibility Malleability
- Portability

19. Identify the day book associated with the following source documents given below. (4mks)

Source documents	Day books
Invoice received	Purchases Journal
Credit note received	Purchases Returns Journal
Receipt issued	Cash receipt journal
Credit note issued	Sales returns journal

20 Highlight four purposes of public finance. (4mks)

- To provide essential goods and services
- To control consumption of certain products
- Re-distribution of wealth
- To promote balanced regional development
- To raise revenue for the government
- To control balance of payments

21.

i) Mark up $= \frac{Gross\ profit\ x\ 100}{cost\ of\ goods\ sold} = \frac{70{,}000\ x\ 100}{180{,}000} = 38.88\%$

ii) Current ratio

$$\frac{current\ assets}{current\ liabilities} = \frac{90{,}000}{45{,}000} = 2:1$$ (1mk)

iii) Rate of stock turnover (1mk)

Cost of goods 180,000
Average stock 30,000

Average stock $= \frac{40{,}000 + 20{,}000}{2}$ = 6 times

iv) Rate on return on capital (1mk)

$$\frac{Net\ loss}{Capital\ invested} = \frac{80{,}000}{720{,}000}\ x\ 100\% = 11.11\% \vee 1:9$$

23. Highlight four uses of a proforma invoice. (4mks)

- It can be used to serve as quotation
- Sent to show what the buyer would have to pay if the order s approved
- Issued to an agent who sells goods on behalf of the seller
- Used by importers to get customers clearance before goods are delivered
- Sent when the seller does not want to give credit

24. State four factors that affect the productivity of an office worker. (4mks)

- Personal attributes e.g hygiene and moral behaviours
- Office etiquette e.g respect and punctuality
- Knowledge and skills
- Emotional qualities

25. In each of the following cases, state the type of inflation described (4mks)

a) The unrest in Libya has resulted to an increase in the price of oil	**Imported inflation**
b)The price of bread has gone upto sh.60 due to increase in the price of wheat	**Cost-push inflation**
c) A lot of money in circulation has led to the general increase of price	**Demand pull inflation**
d) Arise in price due to uneven growth in some sectors of the economy.	**Structural inflation**

SUNSHINE
565/2
BUSINESS STUDIES
MARKING SCHEME

1.

a) Benefits that accrue to a Country as a result of delocalization

- Reduced income disparities- people have access to jobs/ income
- Better auxiliary services- rural areas develop
- Increased job opportunities= leading to better stds of living
- Increase use of locally available resources/ factors of production/ they earn income/ would otherwise have been idle
- Improved standards of living- rural development leads to variety increases/ improved goods/ services
- Reduced rural urban migration/ congestion in towns- reduced pressures on urban resources
- Balanced economic/ regional development- as firms or economic activities are spread throughout country
- Technology skills transfer- leading to improved productivity
- Infrastrural development- opens rural areas to development/ facilities movement of goods/ services
- Improvement/ development of social facilities- leading to improvement in welfare in rural areas
- Minimized effects of pollution- negative on health
- Market for raw materials/ goods produced in area
- Minimizes effects of calamities that would paralyze country

b) Explain features of perfect competititon

- Large number of buyers and sellers
- Uniformity of product
- Limiting factor to entry
- No government interference
- Perfect knowledge of market by buyers and sellers
- Demand or supply determine the market price. No excess demand and supply on the market
- Perfect mobility of factors of production
- No transport costs (Any 5 well explained)

2. Records in the relevant books or original entry

Purchased day book./ Journal			
Date	Details	Folio	Amounts
Dec 1	Weka		46200
1	Mioko		15600
1	Limo		38360
11	Tuktuk		34830
22	Fatuma		22100
22	Temo		38350

Sales day book		Journal	
Date	Details	Folio	Amounts
Dec 3	Lwanda		39200
3	Motor grocers		25560
15	Mawe		12650
15	Motor grocers		6800
	Masion traders		12800
	Ngula		16060
	Oyunga		12960
	Mawe		15260

Sales returns journal

Date Dec 12 12 18	Details Motor grocers Lwanda retailers Mesion traders Purchase day book	Folio	4550 1280 2060
Date Dec 7th 7th	Details Micho limo	folio	Amount 4200 6140

b. Factors that enhance efficient running of a ware house
(i) labour – skilled/ adequate to handle volume of goods
(ii) Record keeping / documentation – should be good to enable monitor movement of goods.
(iii) Spacious – Adequate / big to accommodate the volumes of goods
(iv) Adequate / relevant equipments/ handling facilities for ease of movement.
(v) Adherance to legal requirements – to avoid conflict with government.
(vi) Presence of storage facilities – for preservation of goods
- goods maintain quality

(vii) Security / safety measures – to avoid theft / loses / drugs
- protection of employees accent examples of new road / port

Location – near entry points for ease of clearance.

3.

a). negative effects of inflation to a country's economic development 2010
- Discourages savings
- Increases interest rates
- people with fixed incomes negatively affected
- Lenders loose
- Sociopolitical unrest
- Worsening balance of payments
- Low income earners
- Investments
- Unemployment
- Hinders implementation of development plans.

5

a). procedure to be followed when taking insurance policy
- Filling a proposal form
- The person intending to take policy applies by filling a form
- Determination of premium
- The insurance company studies information provided in proposal form to determine premium to be paid
- Payment of first premium
- Issuance of cover note/ binder
- evidence that agreement entered by the two parties
- Issuance of insurance policy / certificate
- The insurance *** issues policy / certificate details the agreement between the two giving terms and conditions of agreement 5 well explained x 2= (10 mks)

b). limitations of using containerization.
- Require specialized equipment for handling
-This is lacking or is expensive to by/ maintain
- Requires specialized staff- is lacking
-training is expensive
- Volume of business may not be large enough to warrant investment / uneconomical
- Initial capital required is high –not available
- Method requires redesigning of ports or construction-expensive
- Resistance by employees / COTU and other interested parties as it causes unemployment.

- Requires use of technology which is lacking or not available.

6

a). benefits enjoyed by a country as a result of indirect production

- Use available resources – idle / wasted
- Creation of employment for those engaged in trading activities.
- Expanded / wide market for goods
- Variety of goods / services – gives people a wide choice / to satisfy different consumer needs.
- Increased incomes
- Increased business opportunities
- Increased production of goods and services – more goods available to country citizens
- Increased specialization – increased quality / output
- Improved technology due to exchange of ideas
- Enhances peace/ understanding due to interruction
- Disposal / sale of surplus goods – minimizing wastages (loss)
- Receive goods/ services they don't by buying from others
- Improved infrastructure (e.g roads) leading to easy movement.

b.)

MUGOYA TRADERS
TRADING PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30th JUNE 2014.

	Sh	sh		
Opening stock		45000	Sales	320 000
Add purchases	140, 000		Less S.R	15 000
Less P.R	19,000		305	305000
Add carriage	5,400	164,400		
C.G.A.F.S		209,400		
L ess closing stock		22,000		
C.G.S		187,400		
Gross profit $\frac{l}{d}$		117,600		
		305,000		305,000
Discounts		6,000	Gross profit $\frac{D}{d}$	117,600
Salaries		50,000	Discount	2,000
Power lighting		12,000	Commission	8,000
Carriage outward		2,300		
Net profit		573,000		
		127,600		127, 600

20 ticks @$\frac{1}{2}$

No mark at net purchases 164.400

MOKASA JOINT EXAMINATIONS 2015
BUSINESS STUDIES
565/1: PAPER ONE
MARKING SCHEME.

1. Reasons for the popularity of public relations among banks
- It is effective in informing the public about the products/activities offered by the banks.
- Reliable way of correcting a bad image created about the firm/bank
- Useful in maintaining the good image of the bank
- It is effective in creating and improving the relationship between the bank and its customers/Personal touch.
- There is the benefit of immediate feedback from clients (4 × 1 = 4 mks)

2. Non-tax internal sources of government revenue
- Fines imposed by courts on offenders
- Rent and rates paid for use of government property
- License fees paid by businesses
- Profits and dividends from government investments
- Interest earned on loans advanced by the government
- Proceeds from sale of government property (4 × 1 = 4 mks)

3. Measures to improve performance of human resource
- Offering reasonable remuneration
- Providing training and refresher courses
- Availing all the necessary equipment/Co-operant factors
- Putting in place an efficient supervisory system
- Providing enough time for recreation
- Giving all an opportunity for promotion, training, transfer/ It should be on merit
- Providing fringe benefits such as subsidized transport, cheap housing, and interest free car loan and so on.

(4 × 1 = 4 mks)

4. Effects of transactions on balance sheet totals (4 Marks)

Transaction	Effect on Balance sheet totals
e) Sold a private car and deposited the money in the business's bank account	Increased
f) Withdrew money from bank for office use	No effect
g) Paid Mr. Kimeli, a creditor in cash	Decreased
h) Purchased a Motor car by cheque	No effect

5. Conditions fulfilled for an insurance contract to be valid
- It must be for a legal purpose
- The insured and the insurer must have legal capacity to contract
- The terms and conditions of the contract must be acceptable to both parties
- The payment of premium as a consideration must be done.
- The risk must be insurable (4 × 1 = 4 mks)

6. Cash Payment journal√

Date	Details	Rcpt No.	L.F	Disc. Received Shs.	Cash Shs.	Bank Shs
2014 June 1.	Purchases√				25,000√	
4.	Kibogong√			2,000√		38,000√
12.	Stationery√				19,000√	
18.	Yatich√			2,700√		87,300√
30.	Salaries√				30,000√	50,000√
	Totals posted to the discount received√, cash√ and bank√ accounts.			4,700√	74,000√	175,300√

20 × 1/5 = 4 marks

7. Four ways in which the government can use to influence the supply of maize in Kenya

i) Price control :Fixing the highest price beyond which a commodity should not be sold at
ii) Taxation: Reduction of tax on the price of farm inputs e.g fertilizer may increase maize production
iii) Subsidies: Offering subsidies to maize producers in order to reduce cost of production and hence increase supply
iv) Quotas: Can use quotas to control overproduction (4 × 1 = 4 mks)

8. Negative effects of inflation
- Reduction in profits due to reduced sales
- Wastage of time comparing prices
- Conflicts between employers and employees over increase in pay
- Lowers peoples purchasing power hence decline in standards of living.
- Loss to creditors since they are paid when the money has already lost value
- Causes economic retardation since the citizens will not be willing to invest or increase their investment activities.
- Leads to adverse B.O.P due to increase in the imports that are now cheaper yet exports are expensive.
- Loss of confidence in the country's monetary system.
- Reduced savings since people are forced to spend/consume all their income because of the increased prices.

(4 × 1 = 4 mks)

9. Benefits enjoyed by a credit card holder.
- Saves one the inconvenience of carrying large sums of money.
- It is safer to carry the card than cash.
- The holder can get goods and services from specified sellers without immediate payment.
- It is one way of increasing ones credit rating
- Visa card holders can obtain money from specified banks not necessarily his/her bank (4 × 1 = 4 mks)

10.

Roba Traders
Trial Balance
As at 31st March 2014

Account	Debit Shs.	Credit Shs.
Capital		1,500,000√
Cash at bank	680,000√	
Machinery	175,000√	
Creditors		190,000√
Furniture	85,000√	
Motor van	200,000√	
Cash in hand	50,000√	
Premises	500,000√	
	1,690,000	1,690,000

8 × ½ = 4 marks

11. Circumstances under which air transport is preferred
- If the distance involved is long such as cross continental
- If the goods to be moved are perishable
- When transporting urgently needed goods or services
- Where the goods being transported are fragile hence in need of minimal handling
- If the goods are of high value
- When it is the only means of transport available. (4 × 1 = 4 mks)

12.
i) Consignment note√ (1mk)
ii) a) It shows that a transporter has been hired to deliver specified goods to a particular buyer
b) It is used where the goods are delivered to the buyer by public means of transport
c) It shows goods to be transported, the names and address of the seller and the buyer and the transportation cost paid
d) It is used by a buyer to sign as the evidence that the goods stated in the note have been delivered

(any 2 × 1=2 mks)

13. Four costs incurred by intermediaries in the chain of distribution

- Cost of transportation
- Cost of warehousing
- Problem of bad debts
- Damage of stock in warehouses
- Cost of buying goods from the manufacturer
- Cost of loss of stock through theft (any 4 ×1 = 4)

14.

DR	CASH A/C	CR	DR	SALES A/C	CR
5.1.15 sales 20,000	21.1.15 Jamwal 10,000				5.1.15 cash 20,000

DR	FURNITURE A/C	CR	DR	Jamwal A/C	CR
10.1.15 Jamwal 50,000	29.1.15 Jamwal 6,000		21.15 Cash 10,000		10.1.15 Furn. 50,000
			29.1.15 Furn. 6,000		

8 × ½ = 4 marks

15. Features of time deposit
- Money earns interest at an agreed rate
- There is usually a minimum amount that is required to operate this account
- A certificate of deposit is usually issued to a depositor
- If the money is withdrawn before expiry of agreed period the depositor may lose the accrued interest
- The money plus all the interest can be withdrawn at the time of the agreed period (4 × 1 = 4 mks)

16. Commercial services that facilitate trade
- Banking
- Advertising
- Warehousing
- Transportation
- Insurance (4 × 1 = 4 mks)

17.

Njoro Traders
Profit and loss account
For the period ended 31st Dec 2013√

EXPENSES		REVENUES	
Salaries	2,000√	Gross profit	10,000√
Electricity	2,000√	Commission income	4,000√
Carriage outwards	4,000√	Rent received	3,000√
Net profit c/d	9,000√		
	17,000		17,000
		Net profit b/d	9,000

8 × ½ = 4mks

18. Factors that determine the National income of a country.
- Natural resource endowment in terms of quantity and quality
- Availability of capital/man-made resources
- Human resource in terms of quantity and quality of labour force
- Social cultural attitudes that have a bearing on development of entrepreneurs
- Technology in terms of methods or techniques used in production process
- Foreign investment in the country
- Type of governance and political situation in the country.
- Attitudes of citizens towards work (4 × 1 = 4 mks)

19. Causes of demand pull inflation
- Consumers increasing their expenditure

- Autonomous increase in government expenditure
- Increase in export or fall in imports
- Rise in money supply in an economy
- Increase in wages and salaries
- Increase in population
- Natural causes such as natural disasters (4 × 1 = 4 mks)

20. Ways in which the problem of scarce resources can be addressed by a consumer.
- Drawing up of a scale of preference
- Planning/Budgeting every expenditure
- Conservation of resources
- Recycling of goods
- Rationing/Using resources in small amounts (4 × 1 = 4 mks)

21. How to manage local resources in order to alleviate the problem of unemployment
- Government funding of local entrepreneurs such as through the youth and the women fund
- Carrying out research to discover the existence of these resources
- Training/Nurturing individual talents such as through KBTI
- Sensitizing people on the need to utilize local resources/Advocating for the use of local resources.
- Giving the citizens government contracts for instance women and the youth.
- Promoting the use of local products through the mass media.
- Improving infrastructure to ease the transportation of both raw materials and finished products
- Providing appropriate incentives to local entrepreneurs for example subsidies, tax concessions etc.
- Reclamation/Rehabilitation of waste land. (4 × 1 = 4 mks)

22. Factors that comprise negative internal environment of the business
- Non-committed owners
- Poor business structure
- Inadequate capita resource
- Outdated/Poor technology
- Poorly skilled/Inexperienced workers
- Unfavourable business culture (4 × 1 = 4 mks)

23.

a) Current assets = Stock+ Debtors + Cash at bank
= 174,000 + 113,000 + 53,000 = 340,000√ (1mk)

b) Capital owned = Capital invested + Net profit – Drawings
359,000 + 114,000 – 73,000 = 400,000√ (2mks)

c) Working capital = Current assets- current liabilities
340,000 – 143,000 = 197,000√ (1mk)

24. Use of office equipment and their respective names (4mks)

Functions of the Machine	Office Equipment
a) Used in posting information to ledgers and preparing payrolls	Accounting machine
b) To transmit printed messages such as photographs, letters, and maps	A facsimile (Fax machine)
c) Usually fire proof where important documents in an organization are stored	A safe or Vault
d) Used to carry out many functions such as storing information, typing and performing complex calculations	A computer

25. Factors that give rise to monopoly power
- Control of important factor of production
- Legal production through patents and copyrights
- Merging or amalgamation of firms producing similar products to control the market
- Government owned or controlled enterprises to eliminate wasteful competition
- Where the production requires heavy capital investment not affordable by many firms
- Where there exists substantial economies of scale which can only be tapped by one very large enterprise. (4 × 1 = 4 mks)

MOKASA JOINT EXAMINATION
565/2
BUSINESS STUDIES
MARKING SCHEME

1.

(a) Explain five measures put in place by the government to bring order in road transport sector in Kenya today. (10 marks)

- Speed governors – used to check on over speeding on our roads which causes accidents.
- Use of alcoblows – to check/detect and prevent driving of vehicles by drunk drivers.
- Certificate of good conduct – carried out to make sure that those involved in road transport are of good conduct especially drivers and touts.
- Inspection of vehicle – done to make sure that only road worthy vehicles are allowed in Kenyan roads.
- Carrying capacity – the government usually determine the carrying capacity of vehicle both passengers and cargo carrying vehicles to avoid road damage and accidents. (5 well explained @ 2 = 10 marks)
- Vetting of drivers to ascertain that the genuity of their driving licences.
- Designating routes for PSV.
- Uniform for drivers and touts/conductors.
- All PSV vehicles should have the yellow line.
- All PSV vehicles to join matatu SACCO.
- Use the cashless means of payment. *(5 well explained @ 2 = 10 marks)*

(b) Explain five reasons why per capita income is not a good indicator of standards of living.(10 marks)

- It does not take into consideration the effects of production activities on the environment like pollution and environmental degradation which actually lowers the quality of life of people.
- High: per capita income may be as a result of increase in the number of working hours at the expense of the people's health.
- It does not show the gross national output among the citizens of a country.
- It does give the goods produced in a country but does not show whether they are socially desirable or not.
- The per capita income may be caused by inflation in the economy or devaluation of a country's currency; it may seem high but does not mean that the welfare is good.
- Income distribution – If the income is in the hands of a few, then we cannot say that peoples' welfare has improved.
- Nature of products – If the products that make up national product are not meant to satisfy immediate wants of people, then an increase in per capita; income may not lead to a high economic welfare.
- Difficulty to measure welfare – economic welfare is subjective, is not easy to measure quantitatively. Peoples' wants and inspiration keep on changing and their tastes change over time.
- Statistical problems – inaccurate data brings about wrong national income which also give wrong per capita figures. If per capita income is wrong, then it's wrong to use it as a measure of people's welfare.

(any 5 well explained @ 2 = 10 marks)

2. (a) On 1st November 2013:Tabagon Co. Ltd. had a balance of shs. 12,000 at the bank and shs. 2500 in hand. During the month, the following transaction took place;

Nov. 1 Cash sales Shs. 2500, cash purchase Shs. 1750
Nov. 3 Paid the following accounts by cheque.
KiropShs. 1500 less 5% cash discount
KiruiShs. 2000 less 5% cash discount
Nasimiyushs. 2100 less 3 % cash discount
Nov. 5 Received the following amounts from debtors,
Ondiekshs.1200, Jane shs.3850 and Mueni by chequeshs.2050 after allowing her shs. 300 cash discount.
Nov. 14Paid office cash to the bank shs. 2000
Nov. 17Cash sales 8500
Nov. 22Mueni paid her account of shs. 5000 by cheque less 10% cash discount
Nov. 28Withdrew all the money from the bank for office use except shs. 1000
Nov. 29Paid salary cash shs. 8000
Nov. 30A cheque received from Mueni on Nov. 5th was dishonoured.

Prepare Tabagon Co. Ltd. three column cash book. (10 marks)

Date	**Details**	**F**	**Discount allowed**	**Cash**	**Bank**	**Date**	**Details**	**F**	**Discount received**	**Cash**	Bank
2011						2011					
Nov1	Balance	b/d		2500	12000	Nov 1	Purchase			1750	
1	Sales			2500		3	Kiprop		75		1425
5	Ondiek			1200		3	Kirui		100		1900
5	Jane			3850		3	Nasimiyu		63		2037
5	Mueni		300		2050	14	Bank	C		2000	
14	Cash	c			2000	28	Cash	C			14188
17	Sales			8500		29	Salary			8000	
22	Mueni		500		4500	30	Mueni				2050
28	Bank	c		14188		30	Bal.	c/d		20988	
30	Bal	c/d			1050						
			800	32738	21600				238	32738	21600
30	Bal	b/d		20988	30		Bal.	b/d			1050

(b) Describe the procedure of obtaining an insurance claim. (10 marks)

- Filling a proposal firm
  The person intending to take insurance policy fills in a proposal form. The applicant fills relevant / material facts on the subject matter of insurance.
- Determining the premium to be paid
  The premium to be paid is determined depending on the value of the property and the type of risk to be covered.
- Payment of the first premium
  After the insurance company has accepted to cover the risk and premiums are calculated and the insurer pays the first premium.
- Issuing of cover note (binder)
  The insured is issued with temporal policy which is valid for 30 days within which the policy would be issued.
- Issuing of policy
  This is the contractual document between the insurer and the insured and it contains the terms and conditions of the insurance cover. Once issued it replaces the cover note and the policy becomes operational. *(2 5 = 10 marks)*

3.

(a) Explain the meaning of the following terms as used in business ownership. (10 marks)

(i) Franchising
Where a business permits another the right to manufacture, distribute its branded products using the name of the firm that gives the rights for a fee.

(ii) Merger
Where two or more businesses combine to form one new business.

(iii) Holding company
Is a company that acquires 51% or more ownership of one or more companies which will be her subsidiaries under her control but with separate identities.

(iv) Front Office Savings Account (FOSA)
Is an a/c provided by SACCOs to their members to enable them to deposit or withdraw money conveniently.

(v) Globalization
Where businesses conduct their activities all over the world through technology such as e-commerce/where a business has branches all over the world-called multinationals.

(b) Explain five features of a hypermarket. (10 marks)

- Hypermarkets are usually several shops that sell the same type of products while others deal in different products.
- They occupy a large space, complete with access roads and ample parking spaces.
- They are usually located away from the city or town centre.
- Their frequent customers are usually middle and higher income earners.
- Operate under one roof but owned by different people.
- They open up to late hours of the evening on all days including weekends and public holidays.

4.

(a) Explain five emerging issues in office practice today. (10 marks)

- Increased use of computers in the office most work in the office is being typed, stored and transmitted by use of computers because they are faster, accurate and can Store more information.
- There is increased use of tele-conferencing in holding meetings. Whereby most businesses are networked regionally, nationally and globally etc. At the moment business meetings are being held online and this has reduced cost of travelling globally.
- E-commerce is on the increase whereby most businesses are transacting regionally, nationally and globally through the internet. Business deals are being networked via the internet when people are right in their offices.
- Increased use of the Open-Office or landscaped office layout is the trend in most offices today. This has enhanced better management of the businesses and increased the customers' satisfaction.
- Development of public relations departments. Most businesses have developed customer care departments to enhance customer contact and increase the customers' awareness on the existence and use of firm's products.
- Increased use of cellphones is a new order for most businesses. All their employees have cellphones to enable them serve the business better even when they are away from their offices. Some business organizations even provide airtime to their workers in order to improve their efficiency and attain a wider market for the goods and services.
- Most office are being located in the outskirts /sub-urban areas in order to reduce on the cost of land, reduce running cost, attain good parking space and solve the problem of traffic jams.
- Procedure and routines have changed in the offices today, whereby most senior officers are typing their work today by use of computers and also driving themselves in the organizations cars in order to reduce on the cost of delegating such duties to junior staff which is an additional operational cost.
- Use of tags/badges/uniforms for workers
- Logging in and out. *(5 2 = 10 marks)*

(b) Explain five reasons that account for the existence of small firms in an economy. (10 marks)

- Due to situations where the market being served is small or limited.
- To enjoy quick decision making with small firms it takes a very short time to make some decisions because less consultations are involved.
- Some products can only be produced or provided in small amounts – personalized services for instance need personal contact with the clients thus the need to keep the business small/To enhance or promote customer loyalty.
- General knowledge that small firms are simple to manage hence encouraging the owner(s) to keep it small as a way of avoiding the complexity associated with large business.
- Some business people need to retain control – where the owner wants to continue being independent and taking charge in the management of the business/Derives pleasure by being own boss.
- Flexibility – small firms are preferred because one can easily adjustments especially when there is need to change the line of business.
- Less capital required – a big number of people are able to raise the small amount of capital that is needed to start and operated a small business.
- Legal constraints – where government policies restrict the expansion of a business *(5 2 = 10 marks)*

5.

(a) Explain five ways in which communication enhances trading activities. (10 marks)

- Facilitates the giving and receiving of information – this is within and between the firm and outsiders. For example the boss informing the members of staff of a planned meeting so that they prepare for it.
- Enhances clarification of issues – some information that is confusing may be due to complex management are communicated well to stop the confusion.
- Enhancing public relations – this way the business creates a positive corporate image to members of the public.
- A way of starting and influencing action-new ideas and plans are communicated while making sure they are implemented in the desired way.

- Improving customer service it is one way of handling customer inquiries efficiently and giving them the desired feedback.
- Helps to coordinate departments of the organization – enable good linkage of the activities of all departments in an organization so as to achieve harmony at work.
- Way of giving reassurance – for instance the management may appreciate the good work of an employee by serving him/her with a 'well done' memo.
- For confirming arrangements – enables the office to confirm such arrangements as meetings or conferences.
- Giving feedback.
- For giving instructions – enables the management to get work done by issuing procedures and orders.

(5 2 = 10 marks)

(b) Highlight five factors that facilitate entrepreneurial development in an economy. (10 marks)

- Good infrastructural development in an economy
  Whenever there is good transport network, developed water systems, proper buildings and good security in a country, the levels of entrepreneurial development will increase greatly.
- Favourable government policy. Whenever the government increases taxes on the factors of production, the rate of entrepreneurial development decreases because, taxes usually reduces the profits of the entrepreneurs and whenever the government lowers the taxes on the factors on the factor inputs a large number of entrepreneurs usually join business practice.
- Increased levels of education and skills in the economy. Wherever people in an economy get educated they acquire the relevant skills and knowledge, training and experience and can therefore engage in entrepreneurial practices in the economy.
- Availability of market for goods and services. Availability of adequate market in goods and services always acts as a 'pull'. Factors to the growth of businesses, as more entrepreneurs will start businesses in order to provide goods and services to the already existing market.
- Availability of resources. Availability of adequate resources i.e. capital, labour, physical resources and modern technology always facilities faster entrepreneurial development in an area.
- Reduced levels of competition. In a particular trade will lead to increased levels of entrepreneurs will endeavour to start business in those areas where the levels of competition are low in order to attain higher profits.
- Political stability. Political stability and general peace in an economy always lead to increased levels of entrepreneurial development in an economy because businesses thrive well whenever there is general peace in the economy and people can trade peacefully.
- Natural factors. Like rainfall temperature earthquakes, pests, wind and drought usually influence the type of businesses carried out in an area. Whenever there is adequate rainfall businesses dealing with horticulture practices will be established, whereas areas that experience long spells and constant pest outbreak may have limited businesses for lack of the output / farm produce to trade. *(2 5 = 10 marks)*

6.

(a)

Gathioro's mobile phones
Trial Balance

As at Gathiro's 31st Oct 2013

	Shs	Shs		
Opening stock		280000	Sales	855000
Add: purchases	420000		Less R.I	12000
Add C. I	14000			
Less R.O	20000	414000	Net sales	843000
C.O.G.A.S		694000		
Less C. stock		60000		
C.O.G.S		634000		
G.P c/d		209000		
		843000		843000
Telephone		6400	G.P b/d	209000
Insurance		8200	Discount received	4000
Postage		3850		
Rent		19600		
Advertising		12900		
Discount allowed		7300		
Net profit c/d		154750		
		213000		213000
			Net profit b/d	154750

(16 × ½ = 8 marks)

Gathioro's mobile phones
Balance Sheet
As at 31st Oct 2013

(ii)

ASSETS			CAPITAL + LIABILITIES	
FIXED ASSETS			Capital	626250
Motor vehicle	480000		Add net profit	154750
Furniture	190000	670000	Less drawings	88000
				693000
CURRENT ASSETS			CURRENT LIABILITIES	
Stock	60000		Creditors	165000
Debtors	63000			
Cash	65000	188000		
		858000		858000

(12 × 1/3 = 4 marks)

(b) Explain five services rendered by the Central Bank to the government. (10 marks)

- Administration of public debt – the government makes payment of all her debts, both internal and external, through the Central bank.

- Providing financial advice to the government – from time to time they give useful advice to the government on important economic and financial matter.
- Receiving payment on behalf of the government - from foreign donors, the income tax department and the customs department.
- Makes payment on behalf of the government – all government payments to different agencies are made through the CB.
- Links the government to international monetary institutions and other lenders/ bilateral all transactions between the government and international financial institutions/other trading partner, are facilitated by the CB.
- Government operates a bank account with the central bank – it keeps the accounts of the various government departments and institutions.
- Custodian of foreign exchange reserves; that way it manages the country's relations with international financial institutions. (5 2 = 10 marks)

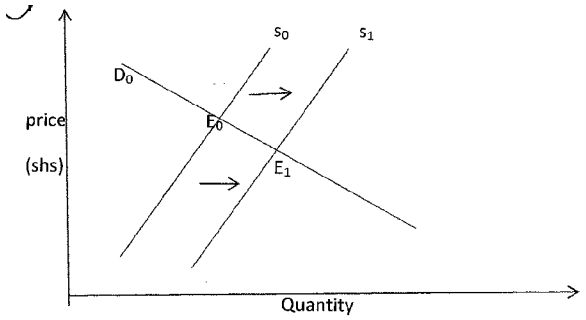
KASSU JET
BUSINESS STUDIES
PAPER 1
MARKING SCHEME

1. Define the following terms as used in Business Studies. (4 mks)
   (i) Economics
   It refers to the study of how human beings strive to satisfy their unlimited wants using the limited / scarce resources.
   (ii) Entrepreneurship
   It refers to the process of identifying business opportunity and acquiring necessary resources to maximize the profit.
   (iii) Opportunity cost
   This is the value of the best next alternative forgone when acquiring or when a choice has been made.
   (iv) Scale of preference
   It is a list of wants showing the order in which they are satisfied from the most urgent to the least urgent.
2. Highlight four reasons why food is an important basic need. (4 mks)
- It reduces the effects of hunger.
- It is a source of important minerals for body building
- Protects the body against diseases
- Provides the body with warmth.
3. Outline four importance of a warehouse to a consumer. (4 mks)
- It facilitates steady supply of goods by storing surplus goods and releasing them during times of shortages.
- May help them in stabilizing prices as supply becomes continuous.
- Some goods when stored improve in quality to the advantage of consumer.
- It can create employment opportunities to consumers
- Enables the consumers to check on quality of goods before they buy.
4. Outline four requirements for one to start a limited liability company as one of the forms of business units.(4 mks)
- Memorandum of Association.
- Article of association.
- List of directors (Public companies a must)
- Declaration of compliance (signed by at least one director)
- Statement of share capital showing the total amount of capital that the company wishes to raise and its division into shares.
5. Highlight four factors a firm must take into account when deciding on the product(s) to produce. (4 mks)
- Profitability of the venture
- Level of competition
- Availability of resources
- Government policy
- Extent of demand / market
- Cost of production
6. Highlight four ways in which entrepreneurs can observe ethics in the management of their business. (4 mks)
- By having zero tolerance to corruption in business dealings.
- By practicing fair business practices with competitors
- By providing quality goods and services
- By compliance with the country's laws and regulations.
- By offering fair prices on goods and services to avoid consumer exploitation.
- By not discriminating of employees in terms of gender, religion, ethnicity and race.
- By eliminating use of unfair means of achieving business objectives such as boarding and selling of counterfeit goods.
7. Additional capital = closing capital – opening capital – profit + drawings
   I = 640,000 – 420,000 – 140,000 + 180,000
   I = 640,000 – 560,000 + 180,000
   I = 640,000 + 180,000 – 560,000
   I = 820,000 – 560,000
   I = 260,000

Additional capital = 260,000/=

8. Highlight four ways through which one can convey verbal communication. (4 mks)
- When the sender wants to convince and persuade the recipient.
- When distance between the sender and the recipient is not long.
- When the message is to be delivered accurately.
- When immediate feedback is required.
- When the message to be communicated is confidential.
- Where the message is urgent and required quick communication.

9. Below is a demand and supply curve.



Highlight the factors that may have led to the above behavior. (4 mks)
- Reduction in the cost of production.
- Improvement in the state of technology
- Decrease in prices of other related commodities.
- Favourable government policies like reduction in taxes.
- Conducive climatic conditions.

10. Outline four circumstances under which a trader can issue a credit note to a customer. (4 mks)
- Where the customer returns goods due to wrong order.
- If customer returned empty cases / containers which were earlier included in pricing.
- If there was a price overcharge in the invoice.
- If items some were included in the invoice yet were not actually delivered.

11. Give the difference between: (4 mks)
    (a) Double and co-insurance
    It is where an insured takes the same insurance policy / insures the same subject matter against the same risk with more than one insurance company. Whereas co-insurance is whereby one insurance company invites other insurers to insure with them the same property against the same risk.
    (b) Premiums and surrender value
    Premium is the specified amount of money paid at regular intervals by the insured to the insurer in exchange for cover against losses arising from an insured risk. Whereas surrender payment of the premium before the policy matures, is an amount less than the amount of premium already paid.

12. Highlight four advantages of indirect tax. (4 mks)
- It is where tax payment is voluntary.
- Can be used selecting to achieve a given objective.
- Not possible to evade.
- It is flexible
- More revenue can be raised (board based)
- It is convenient.
- It stimulates efforts.

13. Highlight four ways in which a legal-political environment can impact negatively on entrepreneurs. (4 mks)
- Lack of political stability in the country scares away investors.
- Government policies like high taxation discourages investors.
- Requirements for one to start a given business may be costly.
- Procedures to be used to acquire relevant documents may be lengthy and tiresome.
- Lack of political goodwill to support entrepreneurs in a country's government.

14. Highlight four duties of commercial attaches in trade promotion. (4 mks)
- Publish and advertise their country's exports in business journals and magazines.
- Select buyers, agents and distributors of the home country's exports.
- Explore and identify new markets for more exports opportunities.
- Research and analyze markets for exports from their home countries.
- Keep statistics of products such as volume s, packaging sizes and methods of manufacturing.
- Assist sales missions from home countries by organizing educational tours for them.
- Inform traders in their home countries of standards required for exports.

15. Identify the book of original entry in which the following transactions can be recorded. (4 mks)

Transaction	Book of Original Entry
Paid salaries by cheque	Cash payment journal
returned goods to a supplier	Purchase returns journal
Sold goods on credit	Sales journal
Bought delivery van on credit	General journal

16. Outline three leakages in a circular flow of income. (3 mks)
- Savings
- Imports
- Taxes

17. Outline four advantages of using celebrities in product promotion. (4 mks)
- They help in increasing recognition.
- They influence consumer purchases.
- Build awareness
- Attract new users / customers.
- Breathe life into failing brand.
- Help people in remembering advertisement.
- Makes people believe that the products contributes to superstar stats.
- Helps the product in getting a better position in the market.
- Build brand equity
- Helps the product in getting a better position in the market.

18. Distinguish between the following terms of sales as used in international trade. (4 mks)
    (i) Free on rail (FOR)
    Price quoted includes expenses for transporting the goods up to the nearest railway station. The buyer meets railway charges and all other expenses.
    (ii) Free on board (FOB)
    Price quoted includes the movement of goods up to when they are in the ship. The buyer meets all the other expenses.
    (iii) In bond
    Price quoted includes all the expenses up to handling the goods into the exporters bonded warehouse. The buyer / importer meets all other charges such as duty and storage.
    (iv) On nearest offer (ONO)
    The exporter is willing to accept the quoted price or any other nearest to the quoted one.

19. Kenya is planning to extend her pipeline transport. State four advantages of pipeline transport to the country. (4 mks)
- It is economically in labour / requires minimal manpower.
- Environmentally friendly since it is free of noise and smoke.
- Allows for continuous flow of goods being transported.
- Pipeline can be constructed even where it is difficult to construct roads such as rugged terrains.
- Has reduced damage on roads by tankers.
- Reduced delay occasioned by congestion on roads due to tankers
- Maintenance costs are low since it relies on gravitational force and booster stations.
- Not affected by adverse weather conditions.
- Has helped to reduce accidents caused by tankers on roads.

20. Outline four emerging issues in office management.
- Use of computers in data processing, storing information and for communication.
- Adopting of open or landscape office layouts.
- The development of customer care departments in organizations to ensure customer satisfaction.
- Provision of cell phone to employees to ensure that they carryout office activities even while away from working stations.
- Traditional procedures and routines are becoming outdated and employees in management does work that could have otherwise have been done by clerks and typist.
- Identification badges
- CCTV security systems

21. Kiburu carried out the following transactions during the month of February, 2105.
February 1: Started business by depositing sh 220,000 in business bank account.
7: Bought good on credit from Miyogosh 72,000.
8: Paid rent by chequesh 20,000
16: Sold goods to Kamula on credit sh 50,000
Required; Post the above transaction in the relevant ledger accounts.

Dr	Capital A/c	Cr	Dr	Bank a/c	Cr
	1.5.15 bank 220,000 ✓		1.5.15 capital 20,000✓		8.5.15 rent 20,000✓

Dr	Purcahse A/c	Cr	Dr	Miyogo a/c	Cr
7.5.15 Miyogo 72,000✓					7.5.15 Purchases 72,000✓

Dr	Sales A/c	Cr	Dr	Kamula a/c	Cr
	16.5.15 Kamau ✓ 50,000		16.5.15 Sales 50,000✓		

Dr	Rent A/c	Cr
8.5.15 ban 20,000✓		

@✓ = ½ mark total 4 marks

22. Highlight four features of perfect competition market. (4 mks)
- Uniformity of buyers and sellers.
- Perfect mobility of factors of production.
- There is no government interference or intervention.
- Large number of buyers and sellers.
- There is freedom of entry and exit into the industry.
- Both buyers and sellers have perfect knowledge of what is happening in the market.
- There is excess demand or excessive supply.

23. Mention whether the following transactions have an increase, decrease or no effect on the assets, capital and liabilities of a business. (4 mks)

	Transaction	Assets	Capital	Liabilities
(a)	Bought premises on credit	Increase	No Effect	Increase
(b)	Took stock of goods and donated to a local dispensary	Decrease	Decrease	No Effect

(c)	Withdrew money from bank for office use	No effect	No effect	No effect
(d)	Sold furniture receiving cash	No effect	No effect	No effect

24. The following information relates to Liston traders for the period ended 31st March 2012.

Opening stock Sh 40,000
Sales Sh 100,000
Closing stock 25% on cost of sales
Mark-up 25%

By clearly calculating gross profit and purchases, prepare a trading account

(i) Gross profit (1 mk)

Mark up = ¼ , margin = $^1/_5$, gross profit = $^1/_5$, 100,000 = sh 20,000

(ii) Purchases for the year (2 mks)

C.O.S. = Sales – G.P. 100,000 – 20,000 = Sh 80,000
Purchase = C.O.S. + closing stock – opening stock
= 80,000 + 20,000 – 40,000
= Sh 60,000

Trading a/c
For the period ended 31st March 2012

Opening stock	40,000✓	sales 100,000✓	
Add purchases	60,000✓		
Less closing stock	20,000✓		
Gross profit c/d	20,000✓		
	100,000	100,000	

Gross profit b/d 20,000 ✓ @ tick ½ mark = 3 mks

KASSU JOINT EXAMINATION
BUSINESS STUDIES,
Paper 2,
MARKING SCHEME

1.

a) Explain five benefits of direct production.(10mks)

- Cost is affordable as the capital required for one to produce goods for one's own consumption is less compared to indirect production.
- No wastage as one produces what he/she can produce what he or she can consume alone hence no extras which can get spoilt.
- Variety of goods and services as one can produce different types of goods at the same time.
- Involves use of locally available simple tools hence one may not necessarily need advanced technology which could be expensive to acquire.
- Independence; as production is self-sufficient and producers produce enough for their own use.

b) Explain five differences between private limited company and partnership forms of Business units. (10 mks)

	Private limited company		Partnership
1.	Have a minimum of 2 shareholders to 50 members.	1.	The business is owned by two or more persons with a maximum of twenty for ordinary partnership.
2.	The business can be managed by one director or two if big.	2.	The business is managed by active partners jointly.
3.	Do not allow the transfer of shares.	3.	They do not deal with shares but members contribution.
4.	All members have limited liabilities.	4.	One partner has unlimited liability except others who have limited liabilities.

2.

(a). Discuss five factors that Nakuru county government may consider before incurring any expenditure.(10mks)

- Economy;
  County expenditure must be incurred in the most economical way by avoiding any possible waste from occurring.
- Maximum social benefit;
  Any county expenditure must be incurred in such a way that majority of people are able to reap maximum benefit out of it.
- Flexibility;
  County expenditure should be adaptable to any future unforeseen occurrence and economics situations in the county.
- Sanctions;
  County expenditure must be approved by the county assembly to avoid embezzlement and misuse.
- Proper financial management;
  County funds should be well managed through maintenance of proper records and auditing as required.

(b)

Three-column cash book

Date	Details	L.F		D. Rc	Cash	Bank	Date	Details	L.F	D.Al	Cash	Bank
2014 May 1	Balance	b/f			180,000		2014 May1	Balance	b/f			450,000
,, 3	Mpasha					1,500,000	,, 11	Jolloimat			20,000	40,000
,, 7	Sales				280,000		,,19	Rent				75,000
,,14	Commission				150,000		,,19	Electricity				32,000
,,17	Leteipa			3,700		181,300	,,19	Water				25,000
							,,21	Drawings				100,000
							,,24	Kinai		2,720	133,280	
,,25	Kiyiapi					200,000	,,28	Salaries				120,000
,,31	Cash					226,720	,,31	Bank	c		226,70	
							,,31	Balance	c/f		50,000	906,020
					610,000	2,108,020					610,000	2,108,020
Jun.1	Balance b/f				50,000	906,020						

3. (a) Describe five types of unemployment. (10marks

- Involuntary unemployment; it occurs when people are actively looking for jobs at the existing wage rate but cannot get them.
- Disguised unemployment; occurs when the number of people employed exceeds those that are required and workers full capabilities are not fully utilized
- Frictional unemployment; it occurs when people lose jobs and go looking for new ones
- Residual unemployment; affects people who are physically or mentally challenged as employers may find it difficult to employ them
- Structural unemployment; occurs when demand for labor declines do to either changes in the method of production or a decrease in supply of goods and services

(b) Explain five problems a country may encounter when measuring national income using the output approach.

- The problem of valuing government output since many of its services are not sold in the market.
- The problem of valuation due to non-availability or inaccuracy of the output figure especially in the private sector.
- The problem of deciding on the goods and services to include e.g. whether the output of a housewife should be included or not.
- The problem of valuing output in the subsistence sector.
- The problem n differentiating primary inputs from intermediate inputs.
- Valuing illegal activities like drug trafficking and smuggling.

4. (a) Factors that encourage entrepreneurial development in Kenya

- Improved infrastructure; good roads, adequate security, availability of water, electricity will encourage entrepreneurial development.
- Favorable government policies such as lessening tax burden by providing tax holidays, providing incentives and simplifying procedures and cost of obtaining relevant legal documents required
- Availability of market for goods and services/Expanding market due to devolution of services
- Increased accessibility to education and training/Expanded capacity to provide training for better skills to entrepreneurs.
- Availability of resources/Increased accessibility to credit from commercial financial institutions and also from the government through government initiated projects like uwezo fund and women enterprise funds.
- Politicalstability/absence of political chaos/No inter-clan fighting creates a conducive environment for entrepreneurs to venture into varied investments with confidence.
- Favorable natural conditions/enough rainfall for agro-based businesses.

(b).By use of diagrams, show the effects on the equilibrium price and output due to increase in demand and supply respectively. 10mks)

5.

(a) Explain five benefits that Kenya as a country may achieve by adopting 2030 Millennium development goals.

- Eliminating / reduction in poverty.to ensure that every citizen lives above the poverty line.
- There will be reduced economic dependence through dissatisfaction, increased production and working towards self sufficiency
- There will be provision of basic needs.
- The country will maintain favorable balance of payment through an improved export sector in the economy.
- The country will provide conducive environment for the technology advancement by establishing research institutions that bring about growth in technology.
- Improve the quality of socio-economic institutions such as education, legal, administrative and political.
- There will be reduced disparities in income distributions.
- Reduce unemployment through creation of employment opportunities.

(b). Reasons why a manufacturer may sell directly to consumers

- Where the customers are concentrated in one place
- Customers are close by/Near the market
- Requirement by government policy as the government may force a particular manufacturer to sell their products direct to consumers.
- If products are produced only on order hence no need for intermediaries
- Where Production follows customer specification
- Manufacturer has adequate financial resources to fund the process of distribution
- If the product is perishable/Fragile thus need for less handling

6. (a) The following trial balance has extracted from the books of Bishar Retailers on 30thApril,2006.

(i)

BISHAR RETAIL BUSINESS
TRADING PROFIT AND LOSS A/C
FOR THE PERIOD ENDING 30TH APRIL 2006

Dr					Cr
	Ksh	Ksh		Ksh	Ksh
Opening stock		37760	Sales	186000	
Add purchases	115560		Less return inwards	4400	
Add carriage inward	2340		Net sales		181600
	117900				
Less return outwards	3550	114350			
COGAS		152110			
Less closing stock		49980			
Cost of goods sold		102130			
Gross profit c/d		79470			
		181600			181600
			Gross profit b/d		79470
Carriage outwards		3260			
Motor expenses		6640			
Rent		4560			
Salary & wages		24470			
General expenses		12000			
Rates		1200			
Net profit c/s		27320			
		79470			79470
			Net profit b/d		27320

@entry=½mark,total =7mks

(ii) Balance sheet as at the date. *(5mks)*

BISHAR RETAIL BUSINESS
BALANCE SHEET
AS AT 30TH APRIL 2006

	Ksh	Ksh		Ksh
Fixed Assets			Capital + Liabilities	
Equipment	6000		Capital	128440
Machinery	24000	30000	Add net profit	27320
Current Assets			Less drawings	20500
Stock	49980			135260
trade debtors	45770		Current Liabilities	
Bank	38760		Trade creditors	30450
Cash	1200	135710		
			165,710	*165,710*

@entry=½mk,total=5mks

b) Meaning of forms of economic integration

- Free Trade area
  Member countries abolish or relax all trade barriers among themselves but each individual country remains free to impose restrictions on trade with non-member countries. E.gThe Preferential Trade Area (PTA).
- Customs union
  Member countries abolish trade restrictions among themselves but at the same time impose a common tariff on trade with non-member countries. Such as the East African Customs Union (EACU)
- Common market
  This is Free Trade and Customs Union but by extension, member states allow for free movement of factors of production such as labor, capital and entrepreneurship. It includes the Central American Customs Common Market (CACM)
- Economic union
  This is a common market. However the agreement includes member countries work on joint economic institutions such as a central a bank, common currency or even common public services such as railways and communication network.

NANDI NORTH SUB-COUNTY JOINT 2015
565/1 - BUSINESS STUDIES
PAPER 1

MARKING SCHEME

1.

	EFFECT	INTERNAL ENVIRONMENT
(a)		Business structure
(b)		Business structure
(c)		Business structure

2. Reasons why choice must be made.
- Because resources available for satisfying human wants are limited.
- Because human wants vary in urgency and intensity.
- Because there is variation in tastes and preferences of human wants.
- Because human wants are too many to be satisfied at once.
- Lack of skilled labour.
- Inadequate land.

3. Reasons for continued popularity of small firms.
- Small size of the market.
- Nature of the product.
- Simplicity of organization.
- Flexibility of small firms.
- Quick decision making.
- Belief the small firms are more manageable.
- Rising cost of production.
- Need to retain control.
- Legal constraints.

4. Reasons for dominance of the subsistence sector adequate capital.
- Good working strategies.
- Favourable government policies.
- Good security in the area.
- Adequate academic and technical knowledge.
- Adequate business management knowledge.
- Adequate demand market.
- Good record keeping.
- Good customer relations.
- Good self-discipline and moral character.
- Good planning.
- Positive changes in technology.
- Positive change in business environment.

5. Advantages of Computers
- Fast / quick.
- Store large amount of information / data.
- Large output.
- Quality output / standard output.
- Save on labour.

6. Importance of Statement of Account

It shall show the following:-
- Goods brought
- The returns made
- Payment made
- Receipt of cash to date
- Balance outstanding / amount due
- Any discount allowed.

7.
a. Catalogue
b. Packaging note
c. Delivery note

d. Debit note

8.
a. Minor
b. Ordinary partner
c. Active
d. Quasi

9. Contents of Articles of Association
- The rights of each type of shareholders e.g. voting rights.
- Methods of calling meetings.
- Rules governing elections of officials in the company.
- Rules regarding preparation and addition of accounts.
- Powers, duties and rights of the directors.
- 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.

10. Measures the government can take to encourage investors.
- Subsidies
- Incentives
- Protection
- Loan guarantee
- Improved infrastructure
- Improved security.

11. Circumstances when air transport is preferred.
- When products are urgently required.
- When the product is highly perishable.
- When the product is of high value.
- When the product is transported over a long distance.
- When the customer can afford to pay for freight charges.
- Where air transport is the only available means of transport.

12. Match the description with terms.
- Speed post
- Express delivery
- Post rest ante
- Business reply services

13. Reasons why bonded warehouses are located at entry points
- For easy re-exporting.
- For easy inspection of imports.
- To prevent the entry of armful goods / dangerous goods.
- To prevent exit without legal authority.
- For easy collection of custom duties.

14.
a. Insure
b. Risk
c. Premium
d. Insurer

15.
- Product advertising
- Institution advertising
- Competitive advertising
- Informative premium demand advertising

16. Procedure for obtaining an insurance policy.
- Filling proposal form.
- Determining of premium to be charged.
- Payment of first premium.
- Issuing of cover note (binder)
- Issuing of policy.

17. Factors to consider when choosing a channel of distribution.

- Nature of products – perishable.
- Availability of the channel.
- Te cost of the channel
- Channels used by competitors.
- Market concentration not in use area.
- Spread of the risk.

18. Factors contributing to income disparity.

- Individual talents and personal endowment.
- Inheritance from parents.
- Difference in natural resource endowment.
- Difference in stock capital equipment.
- Differences in entrepreneurial cultures in the two countries.
- Differences in stock of manpower.
- Differences in general attitude of people towards work.
- Availability and states of technology.

19. FC = 1C – Loss + Investment – Drawings.
= 100,000 – 40,000 + 35,000 – 15,000
= 80,000

20.

Betty
Trial Balance
As at 30th December 2013

DETAILS	DR	CR
Purchases	130,000	
Capital		150,000
Sales		165,000
Debtors	45,000	
Creditors		40,000
Motor vehicles	120,000	
Stock	50,000	
Cash at bank	10,000	
	355,000	355,000

21.

Ondiko Traders
Two-Column Cashbook

Date	Details	Cash	Bank		Date	Details	Cash	Bank
2008√	Balance b/d√	100,000√	243,000√		March 3√	Insurance√	5,000√	
March	Sales√	14,000√			14√	Equipment√		37,000√
1√	Cash (C) √		30,000√		20√	Bank (C) √	30,000√	
11√					31√	Drawings√	10,000√	
20√					31√	Bal. c/d√	69,000√	236,000√
		114,000√	273,000√				114,000	273,000
April 1√	Balance b/d√	69,000√	236,000					

(30 x $^{1}/_{6}$ = 5 marks)

22.

- Sales journal
- Return inward journal
- Return outward journal
- Cash receipt journal
- Purchase journal
- Journal proper
- General journal

23.

Progressive	Regressive
Progressive taxes are those whose rate of tax increase with increase in the tax base e.g. The income tax as increase.	Regressive taxes are those whose rate of tax payable falls as the tax base increases the binder.

24. Advantages of retailing over companies.
- Will have full control of the business.
- No sharing of profits.
- Easy decision making.
- There are few legal formalities.
- Top secrecy.
- Flexible.

25.
- Local Purchase Order
- Initial Public Offer
- Cash With Order
- I Owe You

NANDI NORTH SUB-COUNTY JOINT EVALUATION 2014
565/2
BUSINESS STUDIES
PAPER 2
MARKING SCHEME

1.

(a) Advantages of an Open office.

- The security of files and other documents are compromised.
- Concentration to work may be hampered by noise and other disruptions e.g. movements inside the office hall.
- The staff members become too used to each other to a point respect lacking.
- Overcrowding.
- Senior officers may feel disappointed for being lumped up together with their junior.
- Air borne diseases and other infections can be spread easily.
- Sharing of equipment.

(c) Problems of income approach in calculation.

- Payment to some employees between could be in kind and this may not be included.
- It is not easy to distinguish between what is transfers earning and what is not.
- Some people may hide information about their income making it difficult to arrive at the correct figures.
- Some income could have been obtained through illegal activities.
- In the subsistence sectors income could not have been paid making the figures arrived at inaccurate.
- Some income that ought to be included is not e.g. the income of housewives.

2.

(a) Circumstances that may lead to termination of policy.

- If the assured surrender the policy.
- Lapse of time for the policy, that is, if the cover was meant for a specific period.
- In case one is unable to pay the premiums for one reason or another.
- After compensation in case a risk has taken place.
- In case of life insurance a policy is terminated by the death of the insured.
- On maturity of the policy in case of endowment policy.

(b) Solution

a) Cost of sales = opening stock – net purchases – closing stock
12,000 + (40,000 + 2,300 – 500) – 10,000 = 43,800

b) Gross profit = net sales – cost of sales
65,000 – 450 – 43,800 = 20,750

c) Net profit = gross profit + income – expenses
20,750 + 5,150 – (1,700 + 4,000 + 3,100 + 1,800) = 15,300

d) Margin = Gross profit ÷ Net sales x 100
20,700 ÷ 64,550 x 100 = 32.1%

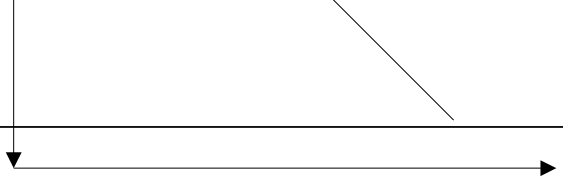
e) Mark up = Gross profit ÷ cost of sales x 100
20,700 ÷ 43,800 x 100 = 47.4%

3.

(a) Causes of differences in terms of trade.

- The price of exports of nations could be different.
- Some nations export more goods than others.
- Some nations due to their global dominance and high industrialization tend to dominate the world marked and hence have favourable terms of trade.
- A country which experience upsurge or increase in the demand for their goods will have favourable terms of trade.
- Where a nation exports more manufactured goods which trade at higher prices than primary goods they tend to have favorable terms of trade

(b) A movement along a demand curve is caused by change in the price of a commodity as shown below:



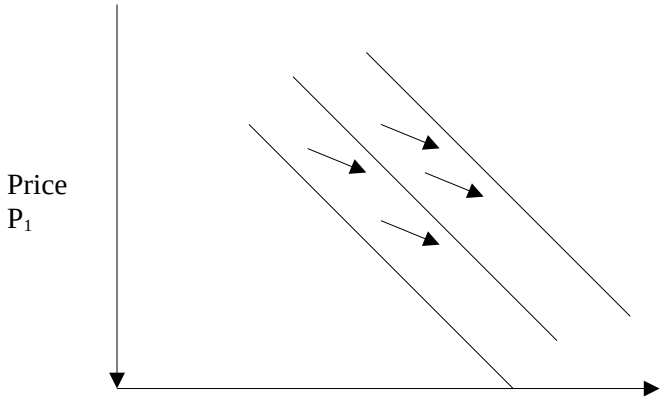
a

Price b

Quantity demanded

In a movement along the demand curve no new demand curve created. If price increases from p to p in the diagram above, quantity demanded will fall from q to q i.e. from a to b.

A shift in demand curve is caused by change in the other factors affecting demand apart from price such as change in taste, government policy. A shift to the right shows an increase in demand while a shift to the left shows a decrease in demand as shown below.



Quantity Demanded

4.

(a) Ways of improving productivity of labour.

- Through training of the labour force.
- By providing better medical care.
- Through proper remuneration of the workers.
- By availing efficient and improved machinery, tools and equipments required in production.
- Through good supervision of labour.
- By involving workers in the decision making process in areas that affect them.

(b) Cash Receipts journal

Date	Details	Receipt No.	Folio	Discount allowed	Cash	Bank
July 1	Machoka	001	SI		1000	
2	Basweti	003	SI	120		2280
3	Sales	004	GI		4200	
4	Sales	005	GI		7800	
5	Sales	006	GI		10000	
6	Basweti		SI	600		5400
6	Kimanzi		SI	800		7200
6	Mwazighe		SI	1000		9000
July 8	TOTAL			2520	23000	23880
				Dr. discount allowed a/c gl	Dr cash a/c cb	Dr bank a/c cb

Cash Book

Dr Cash A/C Cr

Date	Details	Folio	Amount	Date	Details	Folio	Amount
July 8	Total cash	Crj	23000				

Dr Bank A/C Cr

Date	Details	Folio	Amount	Date	Details	Folio	Amount
	Total cash at bank		23880				

Dr Discount Allowed A/C Cr

Date	Details	Folio	Amount	Date	Details	Folio	Amount
July 2	Basweti	SI	120				
6	Basweti	SI	600				
6	Kimanzi	SI	800				
	Mwazighe	SI	1000				

In the general ledger

Dr Sales A/C Cr

Date	Details	Folio	Amount	Date	Details	Folio	Amount
				July 3	Cash	Crj	4200
				4	Cash	Crj	7800
				5	Cash	Crj	10000

Dr Machoka A/C Cr

Date	Details	Folio	Amount	Date	Details	Folio	Amount
				July 1	Cash	S1	1000

Dr Basweti A/C Cr

Date	Details	Folio	Amount	Date	Details	Folio	Amount
				July 2	Cash at bank	Crj	2280
				2	Discount allowed	Crj	120
				6	Bank	Crj	5400
				6	Discount allowed	Crj	600

Dr Kimanzi A/C Cr

Date	Details	Folio	Amount	Date	Details	Folio	Amount
				July 6	Bank		7200
				6	Discount allowed		800

Dr Mwazighe A/C Cr

Date	Details	Folio	Amount	Date	Details	Folio	Amount
July 1	Bal b/d	SI	9000	July 6	Bank		9000
				6	Discount allowed		1000

5 (a) Roles of stock exchange market.

- Provide employment.

- Its regular publications form a source of information for investors and companies.
- Provides a ready market for those who want to buy and sell shares or other forms of securities.
- Assists in the mobilization of funds for investment companies.
- Provides revenues to the government.
- The stock exchange index shows the progress of a country.
- Advises companies on how to raise capital through the issues of various securities.

(b) Ways of solving unemployment problem.

- By encouraging employment creation in the private sector.
- By adopting a relevant education system.
- Rural development.
- By encouraging direct foreign investment.
- By population control.
- By encouraging the use of local resources.
- By increasing government expenditure.

5.

(a) Recent tends in product promotion.

- The use of the internet for advertisement which allows advertisement to reach many people.
- Re-branding of products using different colors or slightly differentiation names.
- The many Fm radio stations which facilitate advertisement in different languages.
- Use of an advertising agency to market a firm's product.
- Operating shops with a wide variety of goods thus facilitating one-stop-shopping.
- Running a 24-hour shopping business.

(b)

Dr Three Column Cash Book Cr

Date	Details	Disc allowed	Cash	Bank	Date	Details	Disc allowed	Cash	Bank
2009		Sh.	Sh.	Sh.	2009		Sh.	Sh.	Sh.
May	Bal b/d		130000	240000	May 2	Vehicle			100000
1	Bahati	720	7200		3	Mwadime	400		7600
4	Wambu	1800	18000		3	Weru	850		16150
4	i	1350	13500		3	Tugo	500		9500
4	Nafula		10500		5	Transport			5000
6	Bank ©	900		24100	5	Electricity			4000
7	Odongo				5	Rent			7000
					6	Cash ©			10500
				5600	9	Stationery		1500	
12	Sales			73200	10	Wanga	500	4500	
23	Cash ©				23	Bank ©		73200	
					31	Bal c/d		100000	83150
		4770	179200	20,000			2250	179200	342900
June 1	Bal b/d	100000	83150						

MWINGI CENTRAL SUB-COUNTY JOINT EXAMINATIONS
565/1
BUSINESS STUDIES

PAPER I
MARKING SCHEME

1.
- Business
- Production
- Distribution
- Consumer @√ 1mk x 4 = 4mks

2. Factors that an entrepreneur would consider before investing in a business opportunity
- Capital required
- Returns
- Market size
- Competition level
- Government policy
- Political stability (security) Any 4 @√x4 = 4mks

3. Measures an office may take to safeguard the property of the organization
- Taking insurance cover
- Employing security guards
- Physical stock taking
- Recording movement and use of property
- Proper repairs /serving/maintenance
- Physical care by users Any 4@√x4 = 4mks

4. Features of a departmental store
- Wide variety of goods
- Relatively low priced goods
- Attractive and convenient to shop in
- Different management for each department
- Found in urban centres Any 4@1mk = 4mks

5. Contents of the Articles Association
- Rights of each type of shareholder
- Methods of calling meetings
- Rules governing election of officials
- Rules regarding preparation and auditing of accounts
- Powers, duties, rights of directors
- List of directors
- Statement signed by directors accepting to act as directors Any 4@√ =1mk x 4 =4mks

6. Need for consumer protection
- 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 Any 4@√ =1mk x 4 =4mks

7. Benefits of the new railway line
- 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 Any 4@√ =1mk x 4 =4mks

8. Limitations of siren as a means of communication

- Too loud
- May have no immediate feedback (response)
- May be misinterpreted
- Any other relevant — Any 4@√ =1mk x 4 =4mks

9. Advantages of bonded warehouse to Government
- Government revenue
- Control of entry of harmful goods
- Government can verify documents for goods in transit
- Government checks quality of goods entering country
- Government controls quantity of goods entering the country
- Government can inspect type/nature of goods imported
- Government can check on illegal goods entering the county

10. Contents of a cover note
- Name of insurer
- Name of Insured
- Date of taking insurance cover
- Sum insured
- Period of cover
- Premiums payable
- Risk covered
- Subject matter covered — Any 4@√ =1mk x 4 =4mks

11.
- Publicity
- Personal selling
- Public relations
- Advertising — @√ 1= 1mk x4 = 4mks

12.
- Equilibrium
- Demand curve
- Supply curve
- Equilibrium quantity — @√ 1= 1mk x4 = 4mks

13. Problems of per capita income as a measure of stds living
- Population not overworked
- Leisure time is provided for the working population
- Equitable distribution of income
- If majority of people depend on non-market (subsistence) production
- Drop in general price levels
- If there is a drop of expenditure on non-productive govt activities
- Drop in population — Any 4@ 1mk x 4 = 4mks

14. Features of monopoly
- One supplier for entire market
- Commodity has no close substitute
- Difficulty of entering the market by other firms
- Prices are fixed by the supplier
- Price discrimination may be possible — Any 4@ 1mk x 4 = mk

15. Disadvantages of localisation
- Negative impact on employment
- Unblanced regional development
- Strain on social amenities
- Rural-Urban migration
- Target by enemies at times of war
- wide spread unemployment — Any 4@ 1mk x 4 = mks

16.

a) Long term liability – debts payable for more than 1 year Example – 5 year loan

b) Current Asset- Property in the business which has a short lifespan
Example: cash
Definition 1mk, example 1mk

17. Resources available to a business
- Human resources
- Financial resources
- Physical resource
- Technology √ = 1mk x 4 = 4mks

18.

Mwenge Traders
Balance Sheet
as at 30th June 2010

Furniture	700,000 √	Capital	285,000√
Stock	25,000 √	Drawings	30,000√
Cash in Hand	50,000 √		255,000√
Debtors	120,000√	Creditors	240,000√
		10 year loan	400,000√
	895,000		**895,000**√

@√ = ½ mk x 8 = 4mks

19. Benefits of current account
- One enjoys bank overdraft facilities
- No minimum balance is required to be maintained in the Account
- Withdrawals can be made any time
- Cheques can be used to make payments
- Periodic statements can be provided on demand
- No restrictions on the amount of withdrawals Any 4 points@ 1mk x 4 = 4 mks

20. Reasons for Trade restrictions by government
- To prevent inflow of harmful goods into the century
- To be able to correct balance of payment deficits
- To allow growth of infant industries
- To prevent dumping of undesirable low quality goods into the country
- To promote self reliance
- To protect cultural & social values Any 4 points @1mkx4 = 4mks

21.

Capital A/C

DR		CR
1/7	Cash	10,000
2/7	Bank	20,000

Cash A/C

DR			CR
1/7	Capital	10,000	
20/7	Sales	20,000	

Bank A/C

DR			CR
2/7	Capital	20,000	10/7 purchases 10,000

DR Purchases A/C CR

10/7 Bank 10,000

Sales A/C

DR CR

20/7 cash 20,000

8 ticks@ ½ marks x 8 = 4mks

22. Causes of Cost-push Inflation
- Rise in wages & salaries
- Increase in Taxes
- Increase in profit margins
- Increase in cost of inputs other than labour
- Reduction in Subsidies

Any 4 points @1mk x 4 = 4mks

23. Reasons for Taxation
- Revenue
- Discouraging consumption of some commodities
- To discouraging computation of some commodities
- To discourage importation of some commodities
- To reduce income distribution inequalities
- To control inflation
- To Influence location of business
- To correct unfavorable B.O.P

24. a) Current ratios 2013 : 404,000 = 2.02:1
200,000
2014: 408000 = 1:5:1
272000

b) Comments: The current ratio has declined from 2:02:1 (2013 to 1.5:1
The firm's ability to meet its current assets has declined
1½ mk for ratios x 2 = 3 mks
1mark for comment = 1mark } 4 marks

25. Goals of development
- Eliminate / reduce poverty
- Provide important human Basic needs
- Reduce disparities in income distribution
- Reduce unemployment levels
- Provide opportunities for self-Advancement
- Promote self-sufficiency

Any 4 points @1mk x 4 = 4mks

MWINGI CENTRAL SUB-COUNTY JOINT EXAMINATIONS
565/2
BUSINESS STUDIES
PAPER 2

MARKING SCHEME

1.

(a) Merits of Specialization
- Her workers will suffer less fatique as they concentrate on one task
- Increased output per worker in the country

- Kenya can engage in a Trade best suited in
- A country is able to invent new ways of production and innovate existing methods of production
- Kenya will benefit from high quality goods/services
- Less time will be wasted in production
- A country will be able to apply technology in production, resulting to improved efficiency

Mention 1mk, otherwise explanation 2mks x 5 = 10mks

(b) Ways of improving labour force productivity

- Training i.e. maintaining training with industry requirements
- Improved renumerations
- Proper placement at work place
- Providing opportunities for advancement /promotion
- Using shift – system in working (working in shifts)
- Provision of the necessary working equipments
- Welfare motivation

Mention 1mark , other explanation 2mks x 5 = 10mks

2.

(a) Factors determining amount of money held for precautionary purpose

- Income level
- Family status
- Age of individual
- Number of dependants
- Individuals temperament
- Duration between incomes

Mention 1mk, otherwise well explained point 2mks x 5 = 10mks

(b) JOURNALS

Purchases Journal

Date	Details	LF	Invoice No.	Amount (shs.)
11/6/05	Orina ltd.			80,000√
12/6/05	Wamalwa ltd.			70,000√
15/6/15	Nyambura			55,000√
Total to Purchases A/c				205,000√

Purchase Returns Journal

Date	Details	LF	Invoice No.	Amount (shs.)
18/6/05	Wamalwa ltd.			30,000√
19/6/05	Orina ltd.			20,000√
Total to Purchases Returns A/c				50,000

Sales Journal

Date	Details	LF	Invoice No.	Amount (shs.)
4/6/05	Rono Retailers			45,000√
10/6/05	Akinyi Retailers			60,000√
25/6/05	Wairimu Retailers			25,000√
28/6/05	Rono Retailers			56,000√
Total to Sales A/c				186,000√

Sales Returns Journal

Date	Details	LF	Invoice No.	Amount (shs.)
8/6/05	Rono Retailers			27,000√
16/6/05	Akinyi Retailers			6,000√

27/6/05	Wairimu Retailers			5,000√
Total to Sales Returns A/c				38,000√

Mumbo Sparks
General Journal

Date	Details	Debit	Credit
29/6/05	Motor Vehicle A/c	80,000√	
	Awori A/C		80,000√
	To record purchase of motor vehicle on credit		
30/6/05	Nairobi Trading co. A/C	35,000√	
	Machinery A/C To record sale of machinery on credit		35,000√

@ √ ½ x20 = 10 marks

3.

(a) Causes of B.O.P disequilibrium

- Fill in volume of exports
- Deterioration in the country's terms of trade
- Increase in volume of imports
- Restrictions by Trading partners
- less capital inflow compared to outflow
- Over-valuation of domestic currency
- Devaluation of currency by a Trading partner

Mention 1mark otherwise 2x10 = 10 marks

(b) Channels of distribution of imported manufactured goods.

- Foreign Manufacturer Agents Wholesaler Retailer Local Consumer.
- Foreign Manufacturer Wholesaler Retailer Local Consumer.
- Foreign Manufacturer Local Consumer.
- Foreign Manufacturer Manufacturer's Representative Wholesaler Retailer Local Consumer.
- Foreign Manufacturer Wholesaler Local Consumer.
- Foreign Manufacturer Retailer Local Consumer.

NB. Candidate should mention Foreign Manufacturer and Local Consumer *5 x 2= 10mks*

4.

(a) Types of unemployment

- Seasonal unemployment – caused by seasonal variations (peak/off – peak season)
- Frictional unemployment – When people loose jobs and go looking for new ones
- Structural unemployment – caused by changes in methods of productionor decrease in demand of goods and services
- Cyclical unemployment – occurs repeatedly at similar times (Boon /recession). Also called demand deficient /General unemployment
- Real wage/Voluntary unemployment – occurs when job seekers are notwilling take up jobs at the prevailing wage rates
- Involuntary/open unemployment – occurs when peoples are willing to work at the existing wage rate but can't find the jobs
- Disguised/Hidden unemployment – Occurs when the number of people unemployed exceeds the number which is required for the job.
- Residual unemployment – Affects people who are physically & mentally challenged
- Erratic /Casual unemployment - Affects certain sectors of the economy like construction where demands for labour is erratic and not regular*Mention 1mk otherwise*
- *\ e 2 mks x 5 = 10mks*

(b)

MWELU TRADERS
TRADING PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 30TH APRIL 2015

DR			CR
Opening stock	37,760√	Sales	186,000√
Purchases	115 560√	less: Returns inwards	4,400√
less : Returns outward	3550√		181600√
	112,010		
Add: Carriage inwards	2340√		
Goods available for sale	152,110√		
Less : closing stock	49,980√		
Cost of sales	102,130√		
Gross profit C/d	79,470√√		
	181 600		181 600
Salaries	24470√	Gross Profit b/d	79,470√
Electricity	6640√		
Rent	5760√		
Carriage outwards	3250√		
Sundry Expenses	12,020√		
Net profit	27320√√		
	79,470		79,470

@√ ½ marks x 20 = 10 mks

5.

(a) Differences between Insurance and Gambling

5x2 = 10mk

	Insurance	Gambling
i)	Insured must have insurable interest	Has no insurable interest
ii)	Aims at indemnifying the insured	Aims at Benefiting the Gambler
iii)	Regular premiums are paid	Payment is done once
iv)	Involves pure risks	Involves speculative risks
v)	Loss might never occur	The Bet must happen in order to determine winner/loser

(b) Principles of taxation

- Equitable - fair
- Certain -clear in terms of amount, time and manner of payment
- Convenient - (to payer and payee)
- Economical - cost should be less than revenue collected
- Flexible - reality adoptable to changing circumstances
- Ability to pay – not too high
- Diversified – Variety of taxes
- Simplicity – Easily understood by the tax payer

Mention 1mk otherwise 2 marks x 5 = 10mks

6.

(a) Factors influencing the level of National Income

- Labour supply
- Amount and quality of capital
- Entrepreneurship (Availability)
- Availability and quality of land (natural resources)
- Level of Technology
- Political stability
- Attitude of citizens towards work
- Size of the subsistence sector

- Foreign investment

Mention 1 mark otherwise 2 marks x 5 = 10 marks

(b) Money transfer facilities provided by the Commercial Banks

- Standing order- Instruction to the bank by the A/C holder to make regular payment to the A/c holder to make regular payment to a name client for an agreed period of time.
- Credit transfer – Method of paying many people using one cheque
- Telegraphic transfer – Method of remitting money fast and safely from one person to another
- Electronic Funds transfer (EFT) – Transferring money from one account to another using computers
- Cheques- Written order by the drawer to the Bank to pay on demand a specified amount of money to the named person on the cheques.
- Banker'scheques – Written order by a bank to another to pay a stated amount of money to the payee.

Mention 1mark otherwise 2mark x 5 = 10

KAMDARA JET
BUSINESS STUDIES
MARKING SCHEME
565/1

1. Four features that differentiate a bill of exchange from a cheque (4marks)
- Unconditional order written by creditor to debtor.
- Matures after 90 days.
- Can be negotiated and discounted.
- Must bear revenue stamp.
- Must be accepted and signed on surface by the debtor/acceptor.

2. State the books of original entry in which each of the following transactions would be recorded?

Transactions	Books of original entry
a) Bought a machinery on credit	general journal
b)Received sh. 40,000 from Mweni a debtor	cash receipt journal
c)Sold goods worth sh. 20,000 on credit to Salama	sales journal or sales day book
d)Returned goods previously bought on credit to Wainaina	purchases returned journal/ or outwards journals

3. Four factors that may account for predominant direct production in a country (4marks)
- Reliance on low level of technology which can facilitate production for market.
- Low income due to poverty which limits production activities.
- Negative attitude towards commercialization of most production activities.
- Poor resource endowment.
- Lack of market for some goods.
- Lack of skills.

4. Reasons why a business firm would prefer to operate a current account.
- It can enjoy overdraft facilities
- Payment is made very convenient because of cheques.
- It will not be required to maintain any minimum balance
- Money is withdrawable on demand.
- Can withdraw any amount without giving a notice
- Can pay using postdated cheques when it does not have money.
- Cheques serve as evidence of the payments made

5. Four factors to consider when introducing a new product in the market (4marks)
- Market demand.
- Government policies.
- Affordability of the product.
- Social – cultural beliefs of the consumers.
- Quality of the product compared to the existing products.
- Availability of resources for production of products.

6. Benefits of raising capital through sale of ordinary shares(to the company)
- It acquires permanent capital as ordinary shares are not redeemable
- It is not obliged to pay dividends, thus no pressure from shareholders
- Ploughing back is possible instead of distributing the profits
- Ordinary shareholders are paid last in case the company is winding up

7. Factors determining the period for which documents should be stored
- availability of storage space
- cost of storage
- Information in the document
- need for future reference
- Purpose of document

8.

MAWAZO TRADERS
BALANCE SHEET
AS AT 31ST /12 /2009

Assets		Capital and liabilities	
Fixed assets		Capital	120,000 ⁼
Land	200,000 ⁼	Less Drawings	20,000 ⁼
		Net capital	100,000 ⁼
Current assets		Bank overdraft	80,000 ⁼
Stock	10,000 ⁼	Accrued electricity	5000 ⁼
Debtors	20,000 ⁼		
	230,000 ⁼		230,000

8x ½ =4marks

9. Consumer price index (CP1) = $\frac{P_1}{P_0} \times 100$

(i) $= \frac{675}{450} \times 100 = 150\%$

(ii) The price of commodity 'x' in 2014 is 150% it's price in 2010. Which indicates that the price of this commodity rose by 50% since 2010.

10. Limitations of social responsibility to a business
- increases costs in a business
- most businesses lack skills to solve social problems
- the business may deviate from its core business/purpose
- the business may misuse its power in the society
- makes businesses spend resources and thus reduce profits (4 pnts@1mk.)

11. A business enterprise had the following transactions on 3rd June 2008.
(i) Returned goods worth sh. 15,000 to Kombo traders.
(ii) Awino, a customer returned goods worth 3,500 to the business.
Required:Record the above transactions in the relevant ledger accounts?

Kombo Traders

Date	Details		Amount	Date	Details	F	Amount
June 3	Purchases returns		1500 ⁼ 1				

Purchases returns

Date	Details	F	Amount	Date	Details	F	Amount
				June 3	Kombo		1500 ⁼ 1

Awino

Date	Details	F	Amount	Date	Details	F	Amount
				June 3	Sales returns		3500 ⁼ 1

Sales Returns

DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT
June 3	Awino		3500 ⁼ 1				

1x4 =4marks

12. Benefits that consumer would get from a warehousing. (4mks)
- Steady flow/supply of goods
- Stability in prices
- Get goods in convenient sizes as a result of warehouse breaking bulk.
- One can inspect the goods before buying.

- Quality goods as some goods improve in quality while in the warehouse. (4 x 1 = 4 mks)

13. Highlight factors for the government to consider when deciding on a good tax system
- equitability
- certainity
- convenience
- economical
- Flexible
- Diversified
- Simplicity (4x1)=4

14. Measures to control the volume of imports
- Imposing or increasing imports duty
- Imposing quotas or a limit on the amount of goods to be imported
- Imposing total ban on imports
- Limiting the foreign exchange allocated to importation of goods
- Administration bottlenecks
- Subsidizing local industries
- Encouraging import substitution (by the govt) (4 x 1 = 4mks)

15. a) Gross profit

Margin = $\frac{\text{Gross profit}}{\text{Sales}} \times 100$

40% = $\frac{\text{G.P}}{270,000} \times 100$

G.P = sh 108,000

b) C.O.G.S = sales – G.P
= 270,000 – 108,000
C.O.G.S = sh 162,000

c) Net profit = G.P – Expenses
= 108,000 – 40,000
Net profit = sh 68,000

d) Average stock
R.O.S.T = $\frac{\text{C.O.G.S}}{\text{Ave. Stock}}$
6 times = $\frac{162,000}{\text{Ave stock}}$
Ave stock = sh 27,000 (4 x 1 = 4 mks)

16. Factors that may discourage the use of pipeline as a means of transporting petroleum products
- competition from other means which are cheaper
- a rugged terrain of the land
- lack of technology to install pipes
- inadequate capital (4@1mk)

17. Circumstances under which one may use signs in communication
- When the recipient is deaf
- When the communicator is dumb
- When the people communicating are far apart but can see each other.
- Where silence is vital e.g. in hospital
- Where the environment is noisy e.g. in a factory
- Where there is language barrier (4 x 1 = 4 mks)

18. Factors influencing location of business near the market
- If the finished products is bulky and difficult to transport over long distance i.e. to reduce transport costs.
- If the finished product is fragile to avoid breakages if it is to be transported.

- If the finished product is perishable and need to be consumed immediately it is produced.
- If the business is involved in providing direct services to its customers (4 x 1 = 4mks)

19. Differences between perfect competition and monopoly market.

	Perfect Competition		Monopoly
(i)	Many sellers or suppliers	(i)	A single seller, producer in the market
(ii)	Price taker – price fixed by forces of demand and supply	ii)	Price is fixed by the monopoly firm
(iii)	Free entry or exit of form in the market	(iii)	Difficult for other firms to enter the market
(iv)	Commodities are similar in all ways e.g. size, brand, quality	(iv)	Commodities do not have close substitutes.
(v)	A single seller cannot influence the price in the market	(v)	Seller can influence the price.

(8 x ½ = 4mks)

20. (a) Form
    (b) Place
    (c) Possession
    (d.) Time (4 x 1mk = 4 mks)

21. (a) increase
    (b) Decrease
    (c) Decrease
    (d.) No effect (4 x 1 = 4mks)

22. Factors that may influence supply positively (4mks)

- Increase in price of the commodity
- Improved state of technology
- Availability of factors of production
- Decrease in the cost of production
- Favourable natural factors e.g. good rainfall
- Future expectation of a decrease in price
- Increase in price of a jointly supplied products
- Decrease in price of a product that competes with it for scarce resources (4 x 1mk = 4 mks)
- Limitations of using consumer initiated methods in consumer protection
- Lack of support from the government
- lack of sufficient information from consumer protection bodies
- ignorance on the part of the consumer
- lack of initiative on the part of consumers
- lack of capital to sponsor their programs (4@1mk)

24. Features of an economic union level of economic integration

- conducive conditions for internal trade
- common external trade barriers
- Free mobility of the factors of production
- Joint economic institutions such as the central bank
- common monetary system
- common public services such as railway and communication

25. Disadvantages of Automatic Teller Machines (ATM) (4marks)

- Leads to overspending.
- Customers may forgot the personal number (pin) and lose access to the account.
- Thieves trap people at the ATM points forcing them to withdraw money.
- The machines may break down.

KAMDARA JET
BUSINESS STUDIES
565/2
PAPER TWO MARKING SCHEME

1.

a) Five reasons that may account for continued use of hand crafts as mode of transport

- Are cheap to buy /maintain
- Are cheap to hire /charges for hire are low and negotiable.
- Are flexible as they can provide door to door services
- Are readily available for use when required in both urban and rural areas
- Can be used in places where there are no good roads *any 5x2=10mks*

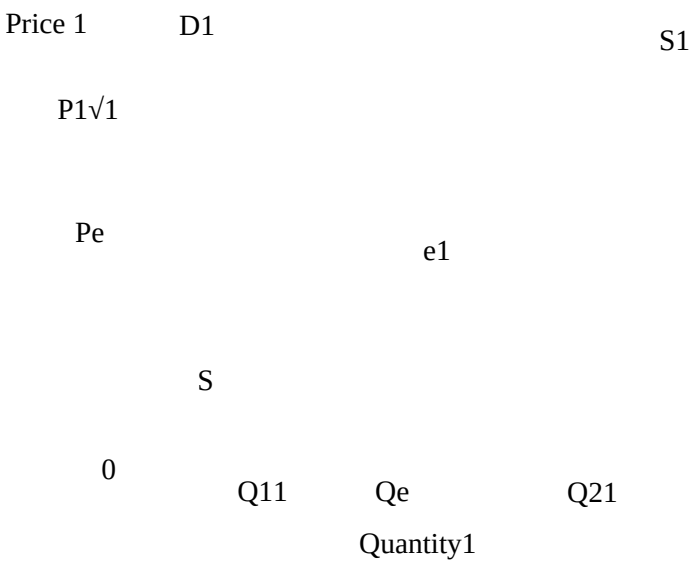
b) Five terms of sale that may be quoted

- LOCO/ex-works/ex-factory/ex-warehouse. The price quoted includes the cost of the goods as they are at the sellers premises/factory/warehouse
- FOR/free on a rail-the price includes cost expenses on the goods up to the nearest railway station to the seller/exporter in Japan
- DD/delivered docks. The price quoted includes the cost/expenses of taking the goods from the exporters premises up to the dock at the port of embankment
- FAS/free alongside ship. The price includes all expenses until the goods are placed alongside the ship including dock charges
- FOB/free on board. The price includes all expenses until the goods are loaded onto the ship
- CIF/cost and freight. Price include all expenses except insurance until the ship reaches the importers port of entry
- Landed. The price includes all expenses up to the port of destination as well as unloading charges

Any 5 well explained 5x2=10

2.

a) Effects of excess supply over demand and on the quantity demanded and supplied



- At price p_1 the market will be unstable due to the excess supply over demand√1
- At price p_1 quantity demanded will be Q_1 and quantity supplied will be Q_2

The forces of excess supply over demand will tend to push the market price √1downwards from P_1 to $P_e$where quantity equals quantity supplied Q_e *1x10=10mks*

(b)

Brian Traders
Trading,P&L Account
For The Period Ending 31.12.2013

Opening stock 30,000	

Purchases	150,000	180,000	Sales		350,000
Less closing stock	20,000		Less returns inwards		15,000
COGS	160,000				335,000
G profit c/d	175,000				
	335,000				
Less expenses			Gross profit b/d		175,000
Salaries		70,000			
Insurance		10,000			
Electricity		40,000			
Net profit/d		55,000			
		175,000			175,000
Net profit b/d		55,000			

12 x1/2 =6 marks

(a) Margin = $\frac{\text{gp}}{\text{Sales}} \times 100$

$= \frac{175,000}{335,000} \times 100$

= 52% 1mark

(b) ROST = $\frac{\text{COGs}}{\text{AVG stock}}$

$= \frac{160,000}{25,000}$

= 6.4 times

(c) ROC = $\frac{\text{NP}}{\text{Capital}} \times 100$

$= \frac{55,000}{700,000} \times 100$

= 7.85% 1 mark

3

a). why citizens of country A may not enjoy higher standards of living than citizens of country B

- income distribution in A may be inequitable such that it is owned by only a few individuals
- income generated could have been used in ways that do not benefit the people directly
- the income could have been generated at the expense of the health of the people though the use of inappropriate production methods
- the goods produced could also have been dangerous to the health of the people e.g generating income by the production of harmful drugs
- the price level in country A could have been relatively high such that any additional incomes are eroded by the high prices
- incomes in country A achieved at the expense of leisure
- tastes and preferences could be different in the two countries
- the units of the currency used in the two countries could be different

b)

- if the goods are perishable in nature, a faster means of transport will be selected
- if the goods are fragile, a smooth means will be selected

- if the goods are of a high value then a secure means will be selected
- if the goods are heavy and bulky, an appropriate means will be selected
- if the goods are in liquid form or gases, then an appropriate means will be selected
- if the goods are irregular in shape, then an appropriate means will be selected

4

a) Ways in which the central bank acts as a banker to the government

- Receive various revenues on behalf of the government inform of taxes, foreign loans/aid/grants
- Safeguards public revenue on behalf of the government
- Repay foreign loans on behalf of the government hence keeps reserves of foreign exchange for such loans
- Advance loans to the Government both on short-term and long-term basis to finance different projects
- Undertakes all Government transactions as different ministries draw their cheques on its payment for goods and services that the ministries purchase/make payment for goods and services on behalf of the government.

(4x2=8 marks)

b)

- high level of poverty where a big proportion of its proportion of its population lives below poverty level
- Disparity in income distribution where there are few very rich people and very many poor people
- low levels of savings and investments where the per capita income is low making people to have little or no savings leading to low investmentsthere is high population growth rate
- There is dominance of subsistence sectorthere is the problem of unemployment
- underutilization of natural resources due to lack of capital or appropriate technology that hinders their exploitation
- The countries are dependent on developed countries for financial aidthere is low labor productivity
- there is poor infrastructure such as roads and communication networks due to lack of funds to finance such activities

5

a) Why Kenya encourages development of small business enterprises

- Create employment opportunities thus solving the problem of unemployment.
- Easy to manage/operate as the businesses are usually small.
- Require small/little capital which is easy to raise
- Are flexible in terms of formation(easy to change form) and location
- Are faced by few risks which have less burden to bear
- Have low operational costs which are manageable/easy to meet *(5x2=10 marks)*

b).

- when launching a new product because it requires a lot of awareness, persuasion and convincing
- When a product is tailored to meet a customer's specifications because customers have varying tastes and preferences
- when demonstration is required because some products especially technical ones requires their operations to be explained
- when the value of the product is high e.g. planes, ships etc. and the customers are normally very few
- when the organization can afford to finance the sales force
- where the market is concentrated in one area and the cost of accessing the market is reduced

6.

a) Services rendered by retailers to consumers

- may offer credit facilities to their trusted customers
- may offer after sales services such as transport, installation, repairs and maintenance
- offer variety of goods to their customers by buying from different wholesalers or manufacturers and availing them to their customers
- offer advice to customers on choice and use of products
- break bulk by buying goods in large quantities and selling them in relatively smaller quantities
- avail goods to consumers at the right time and place

b) C A S H B O O K

DATE	PARTICULARS		DISCOUNT ALLOWED	CASH	BANK	DATE S	PARTICULARS		DISCOUNT RECEIVED	CASH	BANK
2014			Shs.	Shs.	Shs.	2014			Shs.	Shs.	Shs.
JULY 1	Balance b/d			560,00		July 1	Balance b/d				175,000
16	Ali		35,000	0	315,000	9	Betty		14,000		126,000
16	Hassan		10,500		94,500	9	Mary		9,800		88,200
23	Joseph		8,400		411,600	12	Kitheka		7,000		63,000
23	Daniel		2,520		123,480						
29	Josephine		1,680			31	Balance c/d			889,280	492,380

29	Fatuma		5,040	82,320							
			63,140	246,960	944,580				30,800	889,280	944,580
Aug. 1	Balance b/d			889,280	492,380						
				889,280							

24 x ½ = 12 mks

MERU SUB- COUNTY FORM FOUR JOINT EXAMINATION
BUSINESS STUDIES
PAPER 1
MARKING SCHEME

1. Four benefits of public corporations
- Initial capital provided readily by government
- Enjoys benefits of a monopoly
- avails goods and services at low prices
- operates on economic of scale
- bailed by government in case of financial problems ***4 x 1= 4 mks***

2. four advantages of entrepreneurship
- creation of employment
- formation of capital
- reduces rural urban migration
- improving infrastructure
- raises standard of living ***4 x 1= 4 mks***

3. four factors for reinsurance
- where value of property is high
- where risks covered to spread risks
- where is need to spread risks
- where it is the government policy
- where chances of loss are high ***4 x 1= 4 mks***

4. Four determinants of buying ability
- Level of incomes
- Level of prices
- Level of savings
- Debt patterns
- Loan repayment
- Credit availability ***4 x 1= 4 mks***

5. Four benefits of a free warehouse
- Good free from tax payment
- Cheap as a custom duty
- Clearance of goods is simple
- Located closer/ convenient to users ***4 x 1= 4 mks***

6. Four circumstances for locating a firm near source of raw materials
- Where raw materials are perishable
- Where raw materials are bulky
- Where raw materials are fragile
- Where it want to control the source of raw materials
- Where it want to be assured of continuous supply ***4 x 1= 4 mks***

7.

Accounts	Debited	credited
a)	Wages	cash
b)	drawings	cash
c)	Furniture	ritho/ creditors
d)	Electricity	bank

8. Four factors for precautionary motive for holding money
- Level of income
- Family status
- Age
- Number of dependents
- Individuals temperament ***4 x 1= 4 mks***

9. Four functions of an entrepreneur
- Control business
- Owns business

- Starts business
- Makes decision
- Pays all expenses ***4 x 1= 4 mks***

10. Juma Traders
Trading Account
For the period ended 31st Dec.2009

Open stock	√ 2500	Sales √√ 56400
Purchases	√ 46000	
Gas	48500	
Less closing stock	1500	
COGS	47000	
Gross profit	9400	
	56400	56400

8 @ ½ = 4 mks

11. Four changes in economy associated with economic development
- Improvement of technology
- Improvement in infrastructure
- Increased use of skilled labour
- Shift from agriculture to industry

12. Four challenges facing the country
- High dependency ratio
- Low labour supply
- Reduced savings and investments
- High unemployment ***4 x 1= 4 mks***

13. Four ways in which individual consumers protect themselves
- Inspecting goods before buying
- Joining consumer groups
- Shunning exploitative traders
- Reporting cases of exploitation by traders ***4 x 1= 4 mks***

14. Four source documents
- Sales invoice
- Purchase note
- Credit note

15. Four problems associated with monopolies
- High prices of goods and services
- Low quality goods
- Shortages of goods/ hoarding
- Limited variety of goods
- Insensitive to consumer complaints ***4 x 1= 4 mks***

16. Four causes of demand pull inflation
- Increased govt expenditure
- Credit creation by commercial banks
- Increase in money incomes
- General shortage of goods and services
- Increase in consumer expenditure ***4 x 1= 4 mks***

17. Four reasons why railway transport is not well developed
- Expensive to construct rail
- Not flexible
- Expensive to buy trains
- Unsuitable for short distances
- Slow ***4 x 1= 4 mks***

18. Four things a business needs to know about their competitors
- Strengths and weakness
- Prices they charge
- Goods or services planned for future

- Sources of raw materials ***4 x 1= 4 mks***

19. Pati Traders
Balance sheet
As at 31st Dec 2012

Open stock √2500 Purchases √46000 GAS 48500 Less closing stock 1500 COGS 47000 Gross profit 9400 56400	Sales √√56400 56400

8 @ ½ = 4 mks

20. Four factors that limits growth of a country's national income
- Lack of natural resources
- Low quality of human resources
- Inadequate capital
- Political instability
- Low investment ***4 x 1= 4 mks***

21. Four current trends in sales promotion
- Use of internet
- Use of promotion convoy
- Use of celebrities
- Use of SMS
- Increased use of personal selling ***4 x 1= 4 mks***

22. Four factors that determines channel of distribution
- Nature of product
- Nature of market
- Govt policy
- Resources of firm
- Competition ***4 x 1= 4 mks***

23. Direct or indirect tax
- Direct
- Direct
- Indirect
- Indirect

24. ***4 x 1= 4 mks***

date	details	cash	bank	date	details	cash	bank
June 1	Bal b/d	50000 √	√	June 1	Bank overdraft Purchases	√	15000 √
2	Debtors	30000	40000	10	Creditors	10000	
5	sales			12	Bal c/d	✓ 5000	
		80000		15		70000	20000 √
			40000			80000	40000 √ √

8 @ ½ = 4 mks

MERU SUB- COUNTY FORM FOUR JOINT EXAMINATION
BUSINESS STUDIES
PAPER 2
MARKING SCHEME

1. a) Ways in which computers improve efficiency in an organization

- increased speed efficiency and accuracy in carrying out secretarial activities such as typing letters
- increased efficiency and accuracy in the provision information data to guide management in decision making
- increased speed in preparation of records used in decision making, stock taking etc
- it can eliminate the need to write documents such as letters or making orders for 'goods by use of e- communication
- it can make it easy for workers to communicate and obtain information through computer networking without any physical movement or need of messengers.
- Computers are less noisy thus they don't pollute the environment.

b) Roles of intermediaries in the chain of distribution

- Reducing the number of transactions between the producers and the consumers
- Breaking the bulk
- Accumulating bulk
- Relieves the producers the risks involved in the distribution of products
- Provides a variety of products to the consumers hence improving their standards of living by widening their choice
- Carries out product promotion due to their close contact with customers relieving the producer that burden
- They pass information between buyers and producers facilitating exchange of goods and services
- Buy goods in large quantities relieving the producers the burden of storage
- Avail goods to consumers at convenient places relieving far in search of products

2. a) Ways in which the government may create an enabling environment for business

- by passing legislation that supports and promotes business activities
- by offering incentives to encourage local and foreign activities
- creating a pool of qualified manpower
- provision of security to encourage businesses to be located in a given area
- provision of financial assistance through government institutions
- ensuring that there is no political interference in management of business
- Provision of infrastructure e.g. roads, power and telephone.

b) Tausi Traders
Trading, Profit and Loss A/C
For the year ended 30th June 2014

Opening stock		√180000	Sales		1740000√
Add purchase	1200000√		Less return inwards		(60000)√
Carriage inwards	100000√		Net sales		1680000
Less return outwards	(150000)√				
Net purchases		1150000			
C.G.A.S	1330000				
Less closing stock	(210000) √				
C.O.S	1120000				
Gross profit b/ d	560000				
	1680000				1680000
Expenses			Gross profit b/d		560000√
Discount allowed	75000√		Add disc. rec		96000√
Carriage outwards	24000√		Comm. Received		42000√
Commission allowed	48000√		Rent income		110000√
Wages and salaries	90000√				
Net profit c/ d	571000√				
	808000				808000
			Net profit b/ d		571000

16 x ½ = 8 marks

ii) Tausi Balance sheet
As at 31/ 6/ 2014

Fixed assets				
Machinery	√	**600000**	**Capital**	**2454000** √
Premises	√	**1630000**	**Add net profit**	**571000** √
Fixtures and fittings	√	**300000**		**3025000** √

		2530000	**Liabilities**	
Current assets			**Creditors**	**120000** √
Debtors	195000 √			
Cash_	420000 √			
		615000		
		3145000		**3145 000**

8 x ½ = 4 marks

3. a) Remote external factors that influence the operations of a business

These are factors that affect the business operations which originate from outside the business. They include the following:

- physical environment- which refers to the geographical physical factors that affect the business operates such as vegetarian, air, water and soil.
- The government which constitutes the legal social and cultural environment in which a business operates
- The community which constitutes the social and cultural environment in which the business operates
- The economy in which the business operates and is dictated by such factors as income of people and their ability to buy
- Technology- this refers to the application of the ever increasing scientific knowledge, tools and equipment in the provision of goods and services.
- Cultural environment- refers to the norms that regulate behaviors of people in a society. It controls what people eat

i.e. differences in choices on products is based on age and sex, level of education, density of pop. Etc

Any 5 x 2= 10 marks

b) Reasons why government may impose trade restrictions

- To protect the local infant industries. Young growing industries are not able to favourably compete with established ones in the same area of production
- Protection of strategic industries. Some industries are extremely important to a country in that country cannot do without them e.g. food or security
- Creation and protection of employment. The new industries create more employment opportunities
- Prevention of dumping. Dumping may create unfair competition in the local market
- Presentation of balance trade. When the value of export is less than the value of imports the results is a balance of trade deficit
- Protection of cultural and social values. The borrowed cultures may adversely affect the borrowers culture. Trade restrict may assist in curtailing the importation of harmful cultures
- Promoting self reliance- trade restrictions encourages locals to produce more
- Expanding market for local products. When trade restrictions have been instituted, it becomes very hard for outsiders to supply their products to the local market **Any 5 x 2= 10 marks**

4. a)

SALES JOURNAL

Date	particulars	Invoice no.	L.F	Amount
2013				
June 2	Wako retailers	01		√ 8000
" 8	Mwenda traders	12		√ 12000
" 18	Wako traders	13		√ 5300
	Mwiti traders	14		√ 6200
	Total to sales A/ C			√ 31500

PURCHASE JOURNAL

Date	particulars	Invoice no.	L.F	Amount
2013				
June 5	Jamu suppliers	250		√ 30000
" 16	Sam traders	450		√ 23000
" 24	Sam traders	451		√ 1000
"	Wangu traders	722		√ 2800

	Total to sales A/ C			√ 56800

Posting to the ledger A/Cs

Sales A/C

Total debtors	31500√

Mwenda Traders A/C

June 8	sales	12000	√

Wako A/C

June 2	sales	8000	√
" 18	sales	5300	√

Mwiti A/C

June 18	sales	6200	√

Purchases A/C

June 24	total debtors	56800	√

Jamu A/C

	June 5	purchase	√ 30000

Samu A/C

	June 5	purchase	√ 23000
	" 24	purchase	√1000

Wangu A/C

	June 24	purchase	√ 2800

20 x ½ = marks

b) <u>Factors contributing to an increase in supply of mangoes</u>

- Fovaruable government policies like low taxation, increased subsidies etc
- If the product is on season
- Use of modern technology in the production
- Favourable natural factors like adequate rainfall, low pests and diseases
- Increased price of mangoes
- An increase in the number of people growing mangoes **Any 5 x 2= 10 marks**

5. a) <u>Causes of high unemployment cases in African countries</u>
   - Inappropriate education system- where the skills and knowledge acquired from school do not match those required in the labour market
   - Rural- urban migration
   - Rapid population growth that surpasses the rate of job creation
   - Seasonality in production leading to unemployment during the off peak periods
   - Inappropriate technology i.e. use of capital intensive methods of production instead of labour intensive methods in a highly populated country
   - Lack of market for a product leading to closure of firms hence many employees rendered unemployed
   - Inadequate cooperant factor inputs like land, capital and entreneurship that are needed to be combined with labour for production to take place. **Any 5 x 2= 10 marks**

   b) <u>Purposes of public finance</u>
   - To provide essential goods and services to its citizens e.g. schools, hospitals, roads etc
   - To control consumption of certain product that may affect consumers health such as alcohol
   - To encourage consumption of certain commodities
   - To promote balanced regional development e.g. by standing projects in areas that are lagging behind
   - To redistribute wealth e.g. taxing heavily the rich and using the money to benefit the poor
   - To promote economic stability e.g. introducing "kazi kwa vijana" to reduce unemployment
   - To create conducive business environment e.g. develop infrastructure
   - To raise revenue for the government that is used in providing essential goods and service **Any 5 x 2= 10 marks**

6. a) <u>Advantages of pipeline transport over road transport</u>

- pipeline transport is not easily by changes in whether or climatic conditions unlike road transport
- the rate of accidents in pipeline transport is lower as compared to road transport
- the speed of transport commodities through pipeline is faster than by use of road
- it provides a 24 hour delivery service i.e. continuous flow of the commodity through pipeline that leads to large quantities of goods being transported unlike in road transport
- maintenance cost of pipeline is cheaper than the cost of operating all the other modes of road maintenance in road transport
- pipeline transport is not affected by congestion unlike road transport that is affected by transport congestion/ jams
- pipeline network has a higher degree of safety than road transport **Any 5 x 2= 10 marks**

b) i)

Capital A/C

Date	Details	L.F	Amount	Date	Details	L.F	Amount
15/5/13	Bal c/d		✓120,000	1/5/13	Cash		✓ 20,000
					Bank		✓100,000
			120,000				120,000
				1/5/15	bal b/d		120,000

Cash A/C

Date	Details	L.F	Amount	Date	Details	L.F	Amount
1.5.13	Capital		✓ 20,000	15/5/13	bal b/d		✓ 65,000
12.5.13	Sales		✓ 45,000				
			65,000				65,000
15/5/13	Bal b/d		65,000	1/5/15			120,000

Bank A/C

Date	Details	L.F	Amount	Date	Details	L.F	Amount
1/5/13	Capital		✓100,000	6/5/13	Rent		✓ 1,200
15/5/13	Bal c/d		✓631,200	10/5/13	Delivery van		✓720,000
				15/5/13	Kanyua		✓ 10,000
			731,200				731,200
				15/5/13	Bal b/d		631,200

Purchases A/C

Date	Details	L.F	Amount	Date	Details	L.F	Amount
3/5/13	Kanyua		✓ 24,000	15/5/13	Bal c/d		✓ 24,000
15/5/13	Bal b/d		24,000				

Kanyua A/C

Date	Details	L.F	Amount	Date	Details	L.F	Amount
15/5/13	Bank		✓ 10,000	3/5/13	Purchases		✓24,000
15/5/13	Bal c/d		✓ 14,000				
			24,000				24,000
				15/5/13	Bal b/d		14,000

Rent A/C

Date	Details	L.F	Amount	Date	Details	L.F	Amount
6/5/13	Bank		✓ 1,200	15/5/13	Bal c/d		✓ 1,200
15/5/13	Bal b/d		1,200				

Delivery van A/C

Date	Details	L.F	Amount	Date	Details	L.F	Amount
10/5/13	Bank		✓ 720,000	15/5/13	Bal c/d		720,000 ✓
15/5/13	Bal b/d		720,000				

Sales A/C

Date	Details	L.F	Amount	Date	Details	L.F	Amount
15/5/13	Bal c/d		✓ 45,000	12/5/13	Cash		✓ 45,000
15/5/13	Bal b/d		720,000	15/5/13	Bal b/d		45,000

21 x 1/3 = 7mks

ii)

Johana Makembo
Trial balance
As at 15th May 2013

Details	Dr	Cr
Capital		120,000 ✓
Cash	65,000 ✓	
Bank (overdraft)		631,200 ✓
Purchases	24,000 ✓	
Kanyua		14,000 ✓
Rent	1,200 ✓	
Delivery van	720,000 ✓	
Sales		45,000 ✓
	810,200	810,200 ✓

9 x 1/3 = 3mks

KURIA EDJEC
BUSINESS STUDIES
565/1
MARKING SCHEME

1.

Factor	Environment
- Legal political environment	Macro environment
- Business structure	Micro Environment
- Economic environment	Macro environment
- Human resources	Micro environment

(4 x 1 = 4 mks)

2. Ways in which consumes may protect themselves against exploitation
- Checking goods about prices, mark of quality, expiry date, side effects e.t.c
- Enlightening themselves about their rights (through seminars, public education)
- Forming consumer associations
- Reporting cases of exploitation by headers on relevant authorities e.g. NEMA, police, KBS
- Boycotting exploiting traders
- Taking the exploiters to court
- Complaining through the media (radio, TV)
- Peaceful demonstration against the exploiters
- Forming vigilant groups against exploiters
- Can form consumer co-operative society.

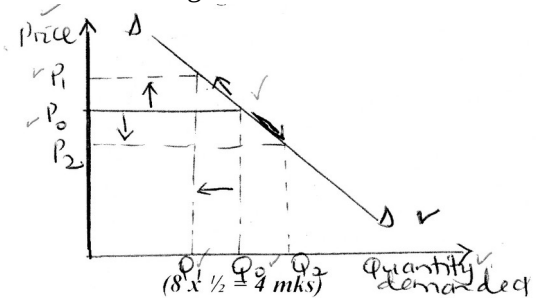
3. Differences between good and services

Goods	**Services**
- are tangible	- Are intangible
- Can be stored	- Cannot be stored
- can be standardized	- Cannot be standardized
- no all goodsare perishable	- Services are highly perishable
- most can be seen	- Cannot be seen
- Separable from the producer can change possession	- Cannot be separated from the provider
- Can change in value overtime	- Cannot change in value since they cannot be stored

(Any 2 x 2 = 4 mks)

4. Circumstances under which cash with order is appropriate
- When the buyer is new to the seller
- When the buyers credit worthiness is in doubt
- When it is the sellers policy not to advance credit
- When the seller wants to avoid the high costs of the debt collection
- When the seller needs working capital
- When the seller does not want to incur bad debts
- When the seller wants to avoid debtor's record maintenance
- When the business is being conducted through post/mail order business e.g. online *(Any 4 x 1 = 4 mks*

5. Movement along a demand curve



(8 x ½ = 4 mks) *(8 x ½ = 4 mks)*

6. Factors limiting the exploitation of natural resources

- Inadequate capital to buy machines
- Poor infrastructures
- Lack of market for the resources
- Government restriction on exploitation of resources
- Lack of skilled labour
- Inappropriate technology *(4 x 1 = 4 mks)*

7. Insurance terms described
- Speculative risk
- Premiums
- Insurer
- Policy *(4 x 1 = 4 mks)*

8. Sources of monopoly power
- Control of an important input in production
- Internal economies of scale
- Ownership of production rights
- Size of the market
- Additional costs by other firms
- Financial factors
- Restrictive practices
- Where a group of firms combine to act as one. *(Any 4 x 1 = 4 mks)*

9. Effects of eliminating wholesalers from a distribution channel
- Producer will spend more on storage services
- Retailers will have to buy in bulk
- Prices to consumers will be cheap
- Producers will incur most costs on advertising
- Retailers must buy in cash from producers
- Delay in delivery of goods, producers will incur all the transport costs. *(4 x 1 = 4 mks)*

10. Advantages of publicity as a method of product promotion
- The coverage is wide since publicity is in mass media.
- In case of free publicity, no cost is incurred by the firm.
- May improve the image of the seller among existing and potential customers.
- Customers are likely to take this form of product promotion more honestry because it is by independent people.

(4 x 1 = 4 mks)

11. Disadvantages of free trade
- Loss of government revenue
- Closing of local industries
- Loss of opportunity to obtain cheaper commodities
- Compromising a country's political ideology
- Limits consumer choice. *(4 x 1 = 4 mks)*

12. Accounts used to record the movement of stock
- Purchases account
- Purchase returns account/ returns outwards account
- Sales account
- Sales returns account/ returns inward account (*4 x 1 = 4 mks)*

13. Barriers to effective communication
- Language barrier
- Poor listening
- Negative attitude
- Negative attitude
- Poor timing
- Prejudgment
- Wrong medium
- Emotional responses
- Noise

- Unclear systems within the organization *(4 x 1 = 4 mks)*

14. Money transfer facilities offered by the commercial banks
- Standing order
- Credit transfer
- Telegraphic transfer
- Electronic fund transfer
- Cheque
- M-pesa/ M-shwari *(4 x 1 = 4 mks)*

15. Positive effects of inflation
- Debtors pay less
- Sellers earning more
- Motivating people to work
- Increasing production
- Better use of the available resources. *(4 x 1 = 4 mks)*

16. Examples of indirect tax
- Sales tax
- Value added tax
- Export duty
- import duty
- Excise duty *(4 x 1 = 4 mks)*

17. Demerits of under population
- Limited labour supply
- Limited market
- Underutilization of resources
- Uneconomical to provide goods and services
- Lack of specialization
- Reduced phase of economic development. *(4 x 1 = 4 mks)*

18. i) Borrowed capital
30,000 + 110,000 = shs 410,000
ii) Capital employed
= capital owned + long term liabilities
= 1,200,000 + 410,000 = shs 1,610,000
or 1,710,000 – 100,000 = shs 1,610,000
iii) Working capital
= current assets – long term liabilities
= 110,000 – 100,000 = shs 10,000 *(5 x 1 = 5 mks)*

19. ,

A/c. to be debited	A/c to be credited
Bank A/c	Cash A/c
Creditors A/c	Sales A/c
Purchases A/c	Cash A/c
Drawings A/c	Sales A/c (4x 1 = 4 mks)

20.

Rioba Agencies
Trading Account
for the year ended

	shs		shs	
Opening stock	14,700	Sales	86,400	
Add Purchases	65,000			
Carriage inwards	2,200			
	67,200			
L. purchases returns	4,700			
	62,500			
C.O.G.A F	77,200			
Less closing	20,000			
Cost of sales	57,200			
Gross profit	29,200			
	86,400		**86,400**	
Gross profit c/d	**29,200**			(8 x ½ = 4 mks)

21. Current trends in the road transport sector
- The introduction of alcohol blow
- Registration of all public service vehicles in saccos
- Introduction of tamper proof speed governors
- Construction of super highways/ roads with dual carriage.
- Some public service vehicles are fitted with wi-fi
- payment of fare using cards *(4 x 1 = 4 mks)*

22. Four structural changes that may take place when a country is experiencing economic development
- Increase in skilled manpower
- Improvement in health facilities
- Reduction in literacy
- Shifting from agricultural to manufacturing sector
- Improvement in technology
- Improvement of institutions that handle new methods of productive economic activities *(4 x 1 = 4 mks)*

23. Features of a bounded warehouse
- Hoods can be re-exported while in the bonded warehouse
- Goods can be bonded till custom duty is paid
- Goods can be sold while still under bound
- Goods can be inspected or prepared for sale e.g. branding, blending e.t.c while in warehouse.
- Goods are only released upon production of release warrant. *(4 x 1 = 4 mks)*

24. Negative implication of production activities on the community
- Pollution of the environment
- Outbreak of diseases
- Insecurity
- Destruction of the environment *(4 x 1 = 4 mks)*

25.

TWO COLUMN CASH BOOK

Date	**Details**	**Cash**	**Bank**	**Date**	**Details**	**Cash**	**Bank**
2013				2013			
June 1	Balance (b/d)	20,000	45,000	June 4	Purchases	9,000	10,000
June 2	Sales	10,000			Bank (C)	16,000	
June 3	Furniture		8,000				
June 5	Cash (C)		16,000	June 5	Balance dd	5,000	49,000
		30,000	**59,000**			**30,000**	**59,000**

(10 x ½ = 5 mks)

KURIA EDJEC

BUSINESS STUDIES

565/2

MARKING SCHEME

1. a)
   i) Reducing/ controlling wages/ salaries of workers – Employers should negotiate with trade unions so as arrive at

sustainable wages/ salaries hence prevent cost push inflation.

ii) Reducing taxes – The government should lower VAT imposed on goods to reduce their prices.

iii) Price control – The government should regulate prices of goods by fixing the prices in order to prevent high prices as a result of drive for high profits by entrepreneurs

iv) Increasing subsidies- the government should provide subsidies to entrepreneurs so as to lower the price of goods

v) Control of cost of production – by lowering the cost of energy, land and capital

b)

i) Open and voluntary membership – Members are free to join and leave

ii) Education to members – Members get raining through seminars and workshops organized by the co-operative society.

iii) Democratic administration – officials are elected members

iv) Cooperation with other cooperatives - cooperative societies affiliate with other co-operatives to gain new ideas.

v) Limited interest on capital – Members get interest earned through money contributed in form of shares

vi) Payment of Divided/ Distribution of surplus - Members share profits made by business

vii) Politically neutral - cooperatives are supposed to be non-partisan

2. a)

i) Less pressure on economic resources – reduced restrain on available resources

ii) Reduces government expenditure on public utilities – Few public facilities needed

iii) Reduces unemployment – Eases pressure on available jobs

iv) Reduces budgetary deficits – Available financial resources are enough to cater for the needs of the citizens

v) Crime rate is likely to reduce – since majority will be employment

vi) Improved living standards – Access to public utilities promotes beer living standards

b) Purchases Journal

Date 2015	Particulars	Invoice No.	Amount Sh
Jan 2	Shari Traders	41	80,000
Jan 18	Chacha Traders	72	12,000
Jan 25	Malo Traders	31	200,000
	Total credit purchases		400,000

SalesJournal

Date 2015	Particulars	Invoice No.	Amount Sh
Jan 5	Song Traders	1	50,000
Jan 6	Mali Traders	2	68,000
Jan 10	Mali Traders	3	22,000
	Total credit Sales		140,000

PurchasesReturns Journal

Date 2015	Particulars	Credit Note	Amount Sh
Jan 10	Shari Traders	16	4,000
Jan 28	Malo Traders	23	3,500
	Total purchases Returns		400,000

Sales Return Journal

Date 2015	Particulars	Credit Note	Amount Sh
Jan 8	Song Traders	1	3,000
Jan 26	Mali Traders	2	7,200
	Total Sales Returns		10,200

3. a)
   i) Increased price of goods – storage and transport is passed to the customers through increased
   ii) Delay of goods – Good take long time before they reach consumers
   iii) Damage of goods – Due to mishandling of goods
   iv) Feedback to the producer is low – The feedback is not immediate
   Perishable goods may go bad – Some goods may be spoilt before reaching the consumers

   b)
   i) Respect – showing regard to other
   ii) Punctual keeping time/ time conscious
   iii) Courtesy – handling others politely
   iv) Honesty – Telling the truth
   v) Co-operation – Working comfortably with others
   vi) Diplomatic – Consuming others tactfully

4. a)
   i) Open market operations – buying or selling securities to the public to regulate circulation
   ii) Increase compulsory deposits – The Central bank authorizes the banks to raise amount of money deposited with central bank. This reduces money available to lend.
   iii) Raising ban rates – This makes borrowing expensive hence reduces money in circulation
   iv) Raise liquidity ratio – Central bank should raise the cash ratio so as to reduce lending
   v) Moral persuasion – The Central bank may instruct banks to lend to the specific sectors

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

5. a)
   i) Widens market – members sates enjoy access to larger market. Demand for goods is increased.
   ii) Promotes specialization and division of labour – hence quality goods are produced
   iii) Promotes competition – which leads to production of quality goods
   iv) Promotes peace and unity – thus creating harmony among states
   v) Enjoy common bargaining – with non-member states
   vi) Promotes/ hastens regional development since member states will improve infrastructure so as to ease movement of goods.

   b)
   i) High construction costs – expensive to construct
   ii) Poor management – lack of qualified managers of manage the sector leading to huge loss.
   iii) Stiff competition from other means of transport lower the demand or railway transport
   iv) Inflexible – Trains must flow fixed routes hence making railway
   v) Relative slow – trains are slow in terms of speed compared to other means e.g. air transport.
   vi) Lack of modern technology – Appropriate technology for an efficient railway system has not been developed locally in Kenya.
   vii) Lack of government support – The government commitment towards railway development is lacking hence making this sector less competitive.

6. a)

Bank A/c

Dr		cr	
11/2/2015 capital	180,000	12/2/2015 Mato a/c	25,000
25/2/2015 Edna A/c	24,000	12/2/2015 King a/c	31,000
		28/2/2015	5,000
		28/2/2015 Bal. c/d	143,000
	204,000		204,000

Capital A/c

Dr		cr	
28/2/2015 Bal c/d	180,000	1/2/2015 Bank a/c	180,000
	180,000		180,000

King A/c

12/2/2015 Bank A/C	31,000	6/2/2015 Purchase A/C	50,000
28/2/2015 Bal. c/d	19,000		
	50,000		50,000

Purchases Returns A/c

28/2/2015 Bal. c/d	10,000	28/2/2015 Mato A/C	10,000
	10,000		10,000

Drawing a/c

28/2/2015 Bank A/C	5,000	28/2/2015 Bal c/d	5,000
	5,000		5,000

b)

i) Enable the insurance company create a common pool of funds from regular premiums
ii) Enable insurance company to compensate those affected
iii) Enable insurance spread risk over larger number of people
iv) Surplus funds are invested to generate profits
v) Enable the company meets is operating costs
vi) Enable the company determine the premiums to be charged
vii) Enable the insurance company reinsure itself.

MURANG'A SOUTH DISTRICT MULTILATERAL EXAMINATION 2015
BUSINESS STUDIES
PAPER 1 565/1
MARKING SCHEME

1. Reasons why one starts a business
- To earn a profit
- To be employed
- To utilize free time
- To cater for the needs of consumers
- To generate govt revenue
- To earn foreign exchange for country
- To better utilize the available resources
- To develop and exploit individual talents (4 x 1 = 4mks)

2. Classifying human wants
- Comfort
- Basic
- Comfort
- Luxury (4 x 1 = 4mks)

3. Role of office equipments
- Machines speed up work
- Enhances neatness in the office
- Enhances accuracy in operations
- Enhances security of documents
- Simplifies work to be done
- Provide comfortable working environment
- Improve quality of output
- - Produces more quantities of output (4 x 1 = 4mks)

4. Advantages of pipeline
- Environmentally friendly/no pollution
- Not affected by congestion /no delays
- Less prone to accidents
- Low operation costs
- Reduces tankers on road hence reducing congestion
- and damage to roads
- Can pass through rough terrains
- Low maintenance costs (4 x 1 = 4mks)

5. Challenges of buying goods through intermediaries
- Delay in delivery
- Lack of contact with producers
- High price of the product
- Damaged goods due to increased handling
- Low quality goods from traders who can't get the high quality goods from producers (4 x 1 = 4mks)

6. Features of monopoly
- There is a single firm in the industry
- Products have no close substitutes
- No free entry into the industry
- Seller determines the price of the product
- Demand curve steeply slopes from left to right
- Monopolist can discriminate price to different consumers (4 x 1 = 4mks)

7. **Drawing a Balance sheet**

KARIMA KOGI STORES

BALANCE SHEET
As at 31 December 2014

	Sh		Sh	
Machinery	240,000	Capital (by difference)	285,000	
Stock	50,000	Creditors	75,000	
Debtors	55,000			
Cash at bank	15,000			
	360,000		360,000	8 x $^1/_2$ = 4mks

8. Classifying accounts
   (i) Nominal
   (ii) Real
   (iii) Personal (3 x 1 = 3mks)

9. Factors influencing location of firms
- Nearness to raw materials
- Nearness to market
- Government policy
- Availability of required labour
- Availability of power
- Availability of water
- Availability of transport and communication means (4 x 1 = 4mks)

10. Features of capital
- It is man-made
- It a basic factor of production
- Subject to depreciation through wear and tear
- Can be improved through technology
- It is mobile
- Supply is determined by factors like interest and savings (4 x 1 = 4mks)

11. Disadvantages of hire purchase to buyer
- Goods can be repossessed if buyer fails to pay
- Deals with durable goods only /limited goods are sold
- Goods belong to the seller until the buyer completes payments
- Expensive due to the interest charged
- Not appropriate for goods of low value
- Buyer can be tempted to buy more than he can afford 4 x 1 = 4mks

12. Goals of development
- Reduction of poverty
- Attain high and sustainable economic growth
- Reduce unemployment
- Attain equitable distribution of incomes
- Ensure food security in the country
- Provide security and maintain political stability
- Provide adequate health facilities
- -Alleviate illiteracy
- Diversification of the economy to reduce over- reliance on few products
- Environmental conservation 4 x 1= 4mks

13. Errors not disclosed by a trial balance
- Error of omission
- Error of original entry
- Error of commission
- Error of principle
- Complete reversal of entries
- Compensating errors 4 x 1= 4mks

14. Causes of demand pull inflation
- Increase in money income
- Increased credit creation by commercial banks
- Increase in government expenditure

- Shortage of goods and services
- Future expectations of increase in price
- Increase in consumer expenditure
- Fall in the level of savings 4 x 1= 4mks

15. Disadvantages of sole proprietorships
- Owners suffers all losses alone
- May have limited skills to operate business
- Limited access to capital
- No sharing of ideas
- Works for long hours
- Business lacks continuity
- Liabilities are unlimited
- Death,sickness or bankrupcy of owner may
- lead to closure of business 4 x 1= 4mks

16. Factors considered in determining a business opportunity
- Size of the market
- Profitability of the business
- Legal requirements
- Ability to cope with level of competition
- Risks involved
- Cost of starting and operating the business
- Potential growth of business
- Availability and ability to adopt technology 4 x 1 = 4mks

17. Drawing a cash book

WAFULA TRADERS TWO COLUMN CASH BOOK

Date 2012	Details	Cash sh	Bank sh	Date 2012	Details	Cash sh	Bank shs
Jan 1	Bal. b/d	10,000✓	25,000	Jan 2	Purchases	6,000 ✓	
2	Sales	2,500✓		12	Cash		4,000 ✓
12	Bank	4,000✓		15	Wages	3,000	
21	Karanja		4,500 ✓	13	Bal c/d	7,500	25,500✓
		16,500	29,500			16,500	29,500
Feb 1	Bal b/d	7,500	25,500				

18. Explaining terms of sale
   (a) Loco- price quotes of goods while still at the exporters premises
   (b) Cost, Insurance x Freight (C.I. x F) -quoted price includes all the expenses including insurance up to the importers part of entry
   (c) In Bond- Quoted price includes all expenses upto the bonded warehouse at the importers port of entry
   (d) Franco - Price quoted includes all expenses upto importer's premises 4 x 1= 4mks

19. Why government trains business people
- To expose them to modern development in management
- Impart proper business ethics
- Educate them on efficient methods of operating their businesses
- Educate them on how to maximise their profits at minimal costs
- Inform them on available profitable opportunities they can venture in
- Identity their problems and look for possible solutions
- Expose them to govt policies regarding business activities 4 x 1= 4mks

20. Characteristics of life assurance
- Covers risk of death/incapacitation
- Is not a contract of indemnity
- Acts as a savings plan
- Is a long term contract
- Policy can be used as a security for a loan
- Policy has surrender value 4 x 1 = 4mks

21. Advantages of publicity
- Firm may not incur any costs
- Firm way improve its image through positive publicity
- Message reaches wide area by mass media
- Message is likely to be more objective and received positively
- May it used to improve competettiveness of the firm and its products 4 x 1 = 4mks

22. Methods of determining price
- Haggling/Bargaining
- Auction
- Tendering
- Fixing prices by producer
- Price control by government 4 x 1 = 4mks

23. Function of money
- Medium of exchange
- Measure of value
- Store of value
- Standard of deferred payments
- Unit of account 4 x 1 = 4mks

24. Purpose Public Finance
- Raise revenue
- Protect local industries
- Providing public utilities
- Control consumption of harmful goods
- Promote balanced regional development
- Equitable distribution of wealth/resources/income
- To regulate economic activities
- To maintain economic stability in country e.g check inflation 4 x 1 = 4mks

25. Effects on capital
(a) No effect
(b) Decrease
(c) No effect
(d) Increase

MURANG'A SOUTH SUB-COUNTY MULTILATERAL EXAMINATION 2015
565/2
BUSINESS STUDIES PAPER 2
MARKING SCHEME

1. (a) Features of Co-operative Societies
- Membership is open and voluntary - as long as one meets the requirements of by-laws one is free to join
- Members enjoy limited liability - they not held personally liable for business debts
- They are separate legal entities separate from their owners
- They have perpetual life independent of that of owners
- Governed by by-laws - rules which are drafted by the members
- Distribution of surplus in proportion to each \members contribution
- Managed by management committee which elected by the members
- Democratic adminstration - based on one person one vote/any member has a right to be elected to management committee
- Education to the members on principles governing the `co-operative societies (5 x 2 = 10mks)

(b) Causes of unemployment
- Lack of capital for investment - Hindering the settling up or expansion of industries
- Rapid population growth rate - where population grows at a faster rate than the rate of absorbing the workers
- Rural to urban migration - Causing unemployment in urban areas
- Use of inappropriate technology - Where capital intensive technology is used instead of labour intensive or appropriate technology that may take more workers
- In appropriate education system - where the education prepares people for white collar jobs
- High costs of production- Making local firms not to cope with competition from imported goods hence local firms closing or reducing production causing unemployment
- Seasonal demand for labour making workers unemployed at certain times (5 x 2= 10mks)

2 (a) Benefits of buying from a supermarket
- She can touch/feel the goods before buying hence picking what she thinks is good
- She can buy a variety of goods from one shop which saves her time
- Goods are well displayed in a supermarket for easy selection
- She can seive herself which saves her time
- She can enjoy lower prices as supermarkets buy directly from producers
- Goods have a price tag hence she can easily determine the price /budget without asking attendants
- Goods are packed for her unlike in the kiosk (5 x 2= 10mks)

(b) Role of commercial banks in Kenya
- Accepting deposits - for safekeeping by operating various accounts
- Giving loans- which can be used by traders to improve or start their businesses
- Transfer money by providing safe means of payments eg cheques
- Providing employment to people in the banking sector
- Provide advice/education on how to start and improve their businesses
- Provide foreign exchange - enabling people to be involved in foreign trade
- Act as agents of the stock exchange - by being contracted by companies to raise capital through sale of shares
- Act as guarantors - thus helping their clients to get credit elsewhere
- Discounting bills of exchange before maturity by cashing them
- Act as trustees by taking- care of their clients property in their absence
- Offering night facilities for late hour banking (5 x 2 = 10mks)

3 (a) Office etiquette expected of office worker
- Courtesy - Handling persons politely and pleasantly
- Puntuality - Be in time. Being at the right place at right time.
- Loyalty - Should be committed to and identify with the organisation
- Respect - Handling other people with dignity
- Accuracy - Duties assigned should be done with precision and void of errors
- Honesty- Should be truthful /sincere
- Co-operation - Should work in harmony with others

- Initiative - Should create and develop new ideas aimed at improving performance
- Judgment - Decision should be made after considering all possible options/possibilities
- Diplomacy - Should be able to convince other factfully

3(b)

MARAGUA TRADERS
TRADING PROFIT & LOSS A/C
FOR YEAR ENDING 31 ST DECEMBER 2014

	Sh	Sh		Sh.	Sh
Opening stock		50,000	Sales		450,000
Add Purchases	300,000		less Return in		40,000
less Returns out	10,000				410,000
		290,000			
Add carriage inwards		20,000			
C.O.G..A.F.S		360,000			
less closing stock		67,500			
C.O.G'S		292,500			
Gross profit c/d		117,500			
		410,000			410,000
			Gross profit b/d		117,500
Expenses					
Carriage out	1,500				
Salaries	9,000				
General expenses	3,500				
Rent	30,000	44,000			
Net Profit		73,500			
		117,500	**16x1/2=8mks**		117,500

MARAGUA TRADERS
BALANCE SHEET
AS AT 31 DECEMBER 2014

Fixed Assets	Sh	Sh		Sh.	Sh
Machinery		90,000	Capital		89,000
Current Assets			Add Net Profit		73,500
Stock	67,500				162,500
Debtors	60,000		S.T.L		
Bank	30,000		Creditors		85,000
		157,500			
		247,500			247,500

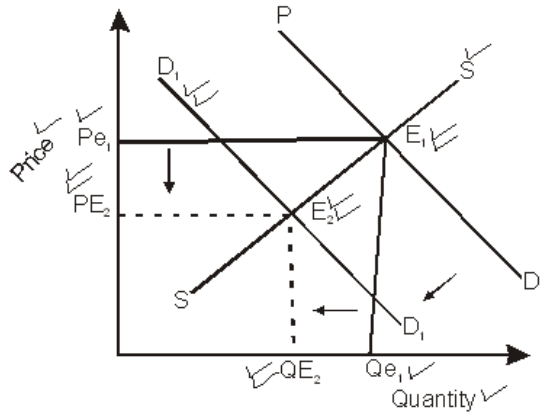
MARAGUA TRADERS
BALANCE SHEET
AS AT 31 DECEMBER 2014

Fixed Assets	Sh	Sh		Sh.	Sh
Machinery		90,000	Capital		89,000
Current Assets			Add Net Profit		73,500
Stock	67,500				162,500
Debtors	60,000		S.T.L		
Bank	30,000		Creditors		85,000
		157,500			
		247,500			247,500

4 (a) Factors influencing choice of means of communication

- Cost of the means - choose means that is affordable
- Reliability of means - choose a means where the message will reach intended person at the intended time/place
- Urgency - If urgent choose a fast means eg telephone
- Evidence If future reference is required choose a means capable of providing it eg written means
- Confidentiality Choose a means that will not allow the message to be received by people not intended
- Distance - Choose a means that is suitable for the distance involved e.g bell is suitable for a short distance
- Nature of message being transmitted - eg if detailed a written means way be preffered
- Desired impression - choose a means that will bring out the desired impression e.g telegram shows sense of urgency
- Availability of means choose a means that is available
- Accuracy - Should be able to deliver message in original form (5 x 2 = 10mks)

Explaining effect of Decrease in demand on the equilibrium



(i) The decrease in demand causes an excess supply in the market which pushes the price down from PE_1, to PE_2

(ii) The quantity demanded reduces from QE_1 to QE_2 $20x^1/_2$=10mks

5 (a) Uses of National Income Statistics

- To determine the rate of economic growth by providing the right information on productivity
- To determine standards of living of people in the country by calculating the per capita income
- Assist the govt in economic planning by providing useful information on various sectors
- To compare standards of living between different countries by comparing their per capita income
- To attract foregn investments/aid by providing the required information
- To compare standards of living between different years by compairing the per capita incomes between the countries
- Used in preparing development plans by providing useful information on various sectors
- Used in assessing performance in different sectors of the economy by noting the contribution by each sector 5x2 = 10mks

(b) Ways of correcting a balance of payment deficit

- Promoting exports through measures like customs drawback to increase the revenue got from exports
- Controlling imports eg imposing quotas to reduce the expenditure on imports
- Asking for aid/grants from friendly nations and use them to finance the deficit
- Devaluation of local currency to make exports cheaper and imports more expensive
- Sell investments abroad to finance the deficit
- Reduce govt expediture outside the country to reduce outflow/payment of foreign currency
- Attracting foreign investments to increase inflow of capital
- Diversifying production/exports to capture different markets abroad thus increasing capital inflow

6 (a) Role played by warehousing in developing Kenya's economy

- Ensures steady supply of goods by storing them until need arises
- Security goods are protected against theft/adverse weather conditions
- Stabilisation of prices by storing surplus to release in times of shortage

- Earning govt revenue through taxation
- Provide employment opportunities for those involved in the warehousing function
- Checking on evasion of duty payment for imported goods pass through a bonded warehouse and released with a release warrant
- Controlling smuggling by govt checking on goods imported and exported 5x2 = 10mks

5(b)

SALES JOURNAL

Date	Details	Invoice No	L.F.	Amount sh
2014				
April 3	Onyango			50,000 ✓
4	Moturi			30,000 ✓
	To sale A/c			80,000

PURCHASES JOURNAL

Date	Details	Invoice No	L.F.	Amount sh
2014				
April 1	k.k Supplies			40,000 ✓
2	Onchoke			8,000 ✓
6	k.k. suppliers			15,000 ✓
	To Purchase			63,000

SALES RETURNS JOURNAL

Date	Details	Invoice No	L.F.	Amount sh
2014				
April 5	Moturi			3,000 ✓
	To sale Return A/C			3,000

PURCHASES RETURN JOURNAL

Date	Details	Invoice No	L.F.	Amount sh
2014				
April 7	k.k Supplies			1000 ✓
7	Onchoke			1500 ✓
	To purchases Return A/c			2500

PURCHASES/A/C

2014		sh ✓		sh
April 7	Total creditors	63,000		

K.K. SUPPLIERS A/C

2014		sh ✓	2014	sh
April 7	Purchases Returns	1,000	April 1 Purchase	40,000 ✓
			6 Purchase	15,000 ✓

ONCHOKEA/C

2014		sh	2014	sh
April 7	Purchases Returns	1500 ✓	April 2 Purchase	8,000 ✓

Dr — Sales A/c — Cr

		2014	sh
		April 7 Total debtors	80,000 ✓

Dr — Onyango A/c — Cr

2014	Sh		Sh
April 3 Sales	50,000 ✓		

Dr — Moturi A/c — Cr

2014	Sh	2014	Sh
April 4 Sales	30,000 ✓	April 5 Sales Returns	3,000 ✓

Dr — Sales Returns A/c — Cr

2014	Sh		Sh
April 7 Total debtors	3,000 ✓		

Dr — Purchases Returns A/c — Cr

	sh	2014	sh
		April 7 Total creditors	2,500 ✓

$20 \times {}^{1}/_{2} = 10mks$

GATUNDU SOUTH FORM FOUR 2015 EVALUATION EXAM
565/1
BUSINESS STUDIES
PAPER I
MARKING SCHEME

1. a) Distribution
   b) Business
   c) Consumer
   d) Production 4 x 1 = 4 marks
2. Outline four business resources that business can use to enable its operations.
- Skilled human resource/appropriate human labour
- Adequate finances
- Availability of physical resources
- Appropriate technology/upto date technology 4 x 1 = 4 marks
3. Outline four characteristics of basic wants
- One cannot do without them
- They are felt needs
- Cannot be post poned
- They are satisfied before secondary wants. 4 x 1 = 4 marks
4. Outline four gaps in the market that may give rise to a business opportunity.
- Unavailability of product
- Poor quality product
- Insufficient quantities
- Unaffordable prices
- Poor services 4 x 1 = 4 marks
5.
- Composite
- Dictaphone
- Accounting machine
- Guillotine
6. Highlight four features of subsistence production
- Goods and services are of low quantity and quality
- Encourages individualism.
- Leads to low standards of living
- Can be very tiring
- Does not encourage invention and innovation
- A lot of time is wasted as one move from one job to another.
- No one has the ability to provide all that he/she requires.
7. Highlight four circumstances under which deferred payment may be appropriate.
- Where the credit worthiness of the customer is unquestionable.
- Where the seller want to attract or retain customer.
- Where the seller wants to use credit facilities as a competing tools.
- Where the seller want to increase sales.
- Where the seller wants to dispose off slow moving stock. (4 x 1 = 4 marks)
8. Outline four advantages of consumer co-operatives
- Sells goods of high quality
- Sells goods to members at fair prices
- Sells goods to other people at high prices thereby making profit.
- Can give credit facilities to members.
- Can pay interest on capital to members
- Sell a variety of goods to the member at a place where they can easily get them.
- Buy goods directly from the producers thereby eliminating middle-men. (4 x 1 = 4 marks)
9. Outline four disadvantages of using a train as a means of transport.
- Not flexible as trains follow a strict time table
- Railways are expensive to construct and maintain.
- Not all areas are served by railway lines.
- Not suitable for transporting urgently required or perishable goods as it is slow.
- Unsuitable for transporting goods over short distances.

- Trains are expensive to acquire and maintain. (4 x 1 = 4 marks)

10. Highlight four functions of advertising agencies.
- They advertise on behalf of their clients.
- They help organizations in designing their trademarks, 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 choose on behalf of their clients the appropriate media to be used (4 x 1 = 4 marks)

11. Causes of the shift to the left
- High cost of production
- Inadequate time
- Unfavorable government policies e.g. high taxation.
- Future expectations of an increase in price.
- Unfavorable weather conditions
- Exit of firms from the industry. (4 x 1 = 4 marks)

12. (i) Capital owned = 2172000√ (1)

(ii) Borrowed capital = long term liabilities
= 400000 + 300000
= 700,000√ (1)

(iii) Working capital = Current assets – current liabilities
= 182000 – 140000
= 42000√ (1)

(iv) Capital employed = C.O + B.C = 2172000 + 700000 = 2872000 √

OR

FC + WC = 2830000 + 42000 = 2872000 (4 x 1 = 4 marks)

13.

DR TWO COLUMN CASH BOOK CR

DATE	DETAILS	F	CASH	BANK	DATE	DETAILS	F	CASH	BANK
2012			Shs	Shs.	2012			Shs	Shs.
Jan 1	Capital		20000√	50000√	Jan 2	Purchases		120000√	
3	Sales		5000√		12	Cash	C1		8000√
12	Bank	C1	8000√		15	rent			6000√
20	debtor			4000√					

(8 x ¼ = 4 marks)

14. Problems the Kenyan government may experience implementing a development plan.
- Over-ambitious plans
- Lack of political good will
- Lack of adequate and skilled personnel
- Inflation
- Lack of cooperation among the executing parties
- Reliance on donor funding
- Failure to involve local people in planning.
- Natural calamities e.g. drought, floods, epidemics etc.
- Lack/inadequate skilled personnel
- Insufficient/lack of funds (4 x 1 = 4 marks)

15. Ways in which government creates an enabling environment for business operation
a) Subsidies
b) Incentives
c) Protection
d) Loan guarantees (4 x 1 = 4 marks)

16. Advantages of EPZs
- Encourage business due to incentives given by the government which in turn help to correct unfavorable balance of payment.
- Encourage foreign investors in the county.
- Create market for locally produced raw materials.
- Create job opportunities
- Stimulate industrialization
- Earn the government some revenue after the tax free holiday (any 4 x 1 = 4 marks)

17.

Dr — Bank a/c — Cr

2011	shs	2011	shs
July 5 cash	5000	July 1 bal b/d	20000
		5 purchases	8000

Dr — Rent a/c — Cr

2011			
July 3 cash	4000		

Dr — Cash a/c — Cr

2011		2011	
July 1 bal b/d	24,000	July 3 Rent	4,000
		5 Bank	5,000

Dr — Purchases a/c — Cr

2011			
July 4 Bank	8000		

8 ticks x ½ = 4 marks)

18. Give four reasons why firms choose to remain small in an economy dominated by large firms.

- Size of the market
- Nature of the market
- Simplicity of the organization
- Flexibility of small firms
- Quick decision making
- Belief that a small firm is more manageable
- Rising cost of production
- Need to retain control
- Legal constraints

any 4 x 1 = 4 marks

19. Outline four features of a perfect competition market.

- Large number of buyer and sellers
- No government interference
- Homogeneity of the product
- No transport cost
- Perfect knowledge of the market
- Freedom of entry and exit
- Uniformity of buyers
- No excess supply or demand
- Perfect mobility of factors of production.

Any 4 x 1 = 4 marks

20. Highlight four factors that may determine the amount of revenue to be collected through taxation.

- Distribution of incomes
- Social and political factors
- Honesty and efficiency of tax authorities.
- Citizens level of real incomes.
- Economic structure of a country.

Any 4 x 1 = 4 marks

21.

Sales Journal

Date	Particulars	Invoice No.	Ledger folio	Amount(shs)
2010				
Jan 2	Mwiti Traders √			50,000 √
5	Mutahi Traders √			150,000 √

Purchases journal

Date	Particulars	Invoice No.	Ledger folio	Amount(shs)
2010				
Jan 3	Solomon Traders √			80,000 √
4	Kanake Traders √			160,000 √

(8 ticks x ½ = 4 marks)

22. State four errors that does not affect the agreement of a trial balance. (4 marks)
- Error of total omission
- Error of original entry
- Error of commission
- Compensating errors
- Complete reversal of entry
- Error of principle

23. With the advancement of information technology (I.T), there has been a lot of revolution in communication; identify four current trends in communication.
- Telephone Bureau
- Mobile phones
- E-mail
- Internet

4 x 1 = 4 marks

24.

Whole life policy	Endowment policy
a) Compensation is paid after the death of the assured.	a) Compensation is paid after the expiry of an agreed period.
b) Premiums are paid throughout the life of the assured.	b) Premiums are paid only during an agreed period.
c) Benefit goes to the dependants rather than the assured.	c) The assured benefit unless death proceed the expiry of the agreed period
d) Aims at financial security of dependants	d) Aims on financial security of the assured and dependants.

25. Outline four factors that affect the circular flow of income
- Investment
- Government
- Savings
- Foreign trade

(4 x 1 = 4 marks)

GATUNDU SOUTH FORM FOUR 2015 EVALUATION EXAM
565/2
BUSINESS STUDIES
PAPER 2
MARKING SCHEME

1. a) Barriers to effective communication
- Language differences
  Lack of a common language for both sender and receiver.
- Poor listening
  Where the sender/receiver involved in relaying the message fails to listen properly.
- Negative attitude/mistrust/bias
  The two parties may be negative towards the message being sent hence not understand.
- Poor timing/inappropriate time.
  Where one may not be ready to receive a message.
- Choice of the medium/inappropriate media
  The message can be distorted through the use of inappropriate/incorrect means of transmitting it.
- Prejudgment on the part of the sender or the recipient/conditioned by earlier experiences.
- Great age gap between the sender and receiver/message passed by use of words/questions unfamiliar to either of the party.
- Where people communicating belong to differing socio cultural back grounds/status/and not considerate to each others positions.
- Great geographical distance between the sender and receiver.
- Noise – any disturbing sounds may interfere with concentration/listening ability of the recipient.

b) Causes of unemployment
- Rapid population growth rate – that is labour supply increases at a faster rate than employment opportunities/growth of economy resulting to excess manpower.
- Inadequate demand/market for goods/services due to low purchasing power/leading to low investment leading to unemployment.
- Lack of capital for investment – insufficient capital/lack of entrepreneurship hinder the growth of employment opportunities as investment is low.
- Use of inappropriate methods of production/capital intensive methods of production to replace human labour.
- Mismanagement of public resources leading to collapse of many institutions resulting to unemployment.
- Seasonality of Jobs/Ecological constraints especially in the agricultural sector/tourism industry causes seasonal unemployment .
- Rural – urban migration
  most of the labour force moving to urban areas in search of white collar jobs of which all cannot be absorbed/ also leads to rural under development.
- In appropriate education system which imparts skills which may not be compatible with the existing job opportunities.

2. a) Five characteristics of good money
- Acceptability: Must be acceptable to everyone for it to be used as a medium of exchange.
- Divisibility: Should be divisible into smaller units without loss of value.
- Scarcity: Should be relatively limited in supply so as to maintain value.
- Cognizability: Should be easy to recognize genuine from fake money.
- Malleability: Should be easy to print or mint but difficult to forge.
- Homogeneity: Money of the same denomination should be uniform in quality and identical.
- Stability in value: Should be able to last for a long time without changing in value so that it maintains credibility and acceptability. If it fluctuates in value, people prefer holding wealth in form of goods.
- Portability: Should be easy and convenient to carry around.
- Durability: Should be able to last for along time without getting torn, defaced or losing shape and texture.

b) Measures that the Kenyan government should take to control the high rate of inflation.
- Taxes should be increased to reduce disposable income/lowering the 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 controls as a temporary measure of keeping prices stable.
- Use of monetary policies / open market operations/raise liquidity ration/impose high interest rates/selective control etc to reduce money supply.
- Use of wages policies/checking on trade union pressure/to avoid increases in wages.

- Increase general production of goods/services to avoid shortages.
- Reduce public expenditure such as constructions of roads/extensive electrification free public goods/services.

3. a) Describe five ways that a country can use to correct a deficit in her balance of payments.

- Diversification of exports by increasing the range of products to be exported.
- Reducing the volume of imports e.g. by increasing import duty and exchange controls.
- Increasing the volume of exports. Done by providing export incentives such as export compensation scheme, customs draw back etc.
- Get financial assistance from the IMF and world bank and use the finances to clear the deficit.
- Borrow funds from international lenders or other countries and use the funds obtained to offset the deficit.
- Devaluation of currency in lowering the value of a country's currency relative to other currencies, this makes exports cheaper increasing their volume.

b) Importance of warehousing to business.

- Storage of raw materials/seasonally produced goods. This ensures continuous supply of raw materials/which ensures continuous production.
- Stabilizing of prices
  (Finished) goods are stored/supply in the market is maintained at a stable level.
- Marketing
  Traders look for market while (finished) are still in the warehouse.
- Preparing goods for sale.
  Some goods may be blended/packed/graded/sorted etc while still in the warehouse.
- Checking for harmful/illegal goods allow for checking of goods by the government to ensure only
- legal/quality goods are traded.
- Protection of goods
  The warehouse protects the goods against damage/theft/loss.
- Quality of goods can increase
  Some goods mature/improve in quality while in the warehouse e.g. Wine, Tobacco.

4. a) Factors to consider in choosing a particular channel

- Number of potential customers
  Where customers are few, the manufacturer may use its own sales force/large number of customers may use intermediaries.
- Geographical concentration of the market, where the market is centralized in a few geographical areas, direct distribution is okay/less concentrated market may use intermediaries.
- Order size
  Economical to sell directly for customers who buy in large quantities.
  Use intermediaries for customers who buy in small quantities.
- Unit value of the product.
  Products of high value can be distributed directly due to high risks.
  Low value can use intermediaries.
- Perishability of the product.
  Perishable goods distributed through short fast channel to avoid spoilage.
- Technical nature of the product.
  Good of highly technical nature sold to customers in order to give pre-sale and after sales service.
- Financial resources
  A producer who is financially strong can afford to distribute directly to consumers
- The intermediaries/availability
  Different intermediaries perform different functions, hence a firm should select the channel convenient to it to ensure smooth operations.
- Competitors
  A firm wishing to have its product compete directly with that of a competitor would select a channel that the competitor uses and vice versa.
- Government policy
  Where the government requires a particular channel to be used, the producer will have no choice.
- Cost- The distribution channel to be used must be affordable/should allow the manufactures to maximize profits.

b) Five macro environments that may affect the operations of a business positively.

- Economic environment (favourable): Economic situations that increase consumers' purchasing power e.g. low price levels, high consumers income, low interest rates, low levels of inflation and taxes.
- Demographic environment: A high population creates a wider market and hence more sales & profits.

- Advancement in technology: High levels of know how and efficient use of tools/equipments lead to better quality goods/services and reduced cost of production.
- Legal environment (favourable): Laws and policies made by the government should be favorable eg. Taxation, legislation, ease in licensing etc.
- Favourable political environment: Political stability leads to peace there by creating a conducive environment for business to thrive.
- Favourable cultural environment where customs values and beliefs of the society are for the product, this boosts sales and the business thrive.
- Fair competition: This will enable the business cope with the competitors and remain in operation.
- Physical environment (ideal or favourable): Relief, climate, infrastructure, electricity etc when ideal enables the business operate efficiently.

5. a) Uses of National income statistics

- Measure of the average standards of living of people in a country./This is done through the measure of per capita income.
- To know the contributions of several sectors of the economy to the national growth and hence address issue of disparities.
- To determine/indicate the rate/level of a country's economic development through use of statistics on various sectors contribution.
- To compare the welfare/standards of living of citizens in a country/between different years in a country.
- To prove information which is used in making economic policies/annual budget/preparing development plans.
- To show how national wealth is distributed among its citizens. This can help the government address income disparities through use of subsidies/tax relief.
- Investment decisions – Entrepreneurs can use the data provided to understand the market trends/thereby make appropriate investment decisions.

b) Services that Gatundu wholesalers offer to producers.(Mumias Sugar Co.)

- Transport
  They transport goods from the producers to their warehouses.
- Storage
  They buy and store goods in their warehouses before they sell to retailers and hence relieve the producer from storage.
- Risk bearing
  By buying goods in large quantities, they reduce risks that producers are likely to suffer such as fall in demand/damage/expiry of goods.
- Giving advice/information
  They offer useful advice/information to producers which enable them to produce goods that meet consumer expectations.
- Product outlet
  They enable producers to continue producing by serving as an outlet for goods/linking to retailers.
- Product promotion
  They promote products through advertising/displays/trade fairs etc on their behalf
- Financing trade
  They provide finance to producers by paying for goods in advance/in cash at the point of purchase.
- Prepare goods for sale/They break bulk pack/brand/blend on behalf of producers.
- Market research/on behalf of producers

6. a) Contribution of insurance industry in the economy

- The government collects revenue through the taxes collected/ this revenue provides public services.
- Creation of employment for those who work in the insurance industry such as brokers/agents.
- The industry creates confidence by encouraging businessmen to take risks of investing/work efficiently without worriers.
- Insurance ensures business continuity/through compensating business owners for losses/this enables the economy to continue developing.
- Insurance companies invest the profits realized in ventures that promote economic development e.g. real estate.
- The industry promotes a saving culture through life insurance/the savings become a source of investment funds.
- Insurance firms extend credit facilities to businesses that can be used for investment

b)

KIGUMO ENTERPRISES

T & P & L A/C

FOR THE YEAR ENDED 31ST DEC 2014

	Shs	shs		Shs	shs
Opening stock		47,000√	Sales	420,000 √	

+ Purchases	300,000 √		- Returns In.	4,000 √	416,000√
Carriage in.	28,000 √				
	32,8000				
- Return Out	7,000 √	321,000			
G.A.F.s		368,000√			
-Closing stock		55,000√			
Cost of sales		313,000√			
G.P c/d		103,000√			
		416,000			416,000
Carriage out		10,000√	G.P b/d		103,000√
Discount all.		4,000√	Discount received		14,000√
Depreciation		15,000√			
Net profit		88,000√			
		11,700			117,000

KIGUMO ENTERPRISES

B/SHEET

AS AT 31/12/2014

	Shs	shs	shs		Shs	shs
Fixed Assets		25,000√		Capital	250,000√	
Premises		100,000√		+ N.P	88,000√	
M.V	145,000√				338,000	
-Depression	15,000√	130,000	225,000	- Drawings	33,000 √	305,000√
Current Assets				Liability		
Debtors		50,000√		Creditors		55,000√
Stock		55,000√	105,000			
			360,000			360,000

30 x 1/3 = 10 marks

GATUNDU NORTH SUB- COUNTY EXAMINATION 2015
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BUSINESS STUDIES
PAPER 1
MARKING SCHEME

1. Characteristics of Human wants
- They are insatiable
- They vary in intensity and urgency
- They are competitive
- They are recurrent (repetitive)
- Some are universal
- They require resources
- They are complimentary
- Unlimited endless

2. Distinction between direct and Indirect production

Direct Production	***Indirect Production***
1. Goods produced mailny for self use	1. Goods produced mainly for sale
2. Usually carried out in small- scale	2. Usually carried out on large scale
3. Involves little or no specialization	3. Specialisation is extensively used
4. Quality produced is relatively low	4. Quality produced is high for the market

3. Reasons of to be Entrepreneurs
- To make profits and develop oneself
- To be independent
- Need for self employment and Employment of others
- Need to be your own boss

4. How filing facilitates smooth running of an office
- Documents are easily retrieved
- The office remains neat and tidy
- Controlling accessibility of the document
- Wear and tear of documents is reduced
- Documents protected from loss
- Ensures making of references

5. *Functions of an Invoice*
- It shows the total value of the goods / services sold on credit
- It is used as a basis of making payments
- It is used as a basis of making entries into the books of accounts
- It is a notice of payment for goods bought on credit
- Used to verify prices
- Used to verifty arithmetic calculations

6.
- When there is price undercharges in some items
- When some items are not included in the invoice
- When the buyer fails to return empty containers
- When there is totalling errors in the invoice leading to undercharges

7.
- Records can be easily retrieved
- Time saving
- Clean and tidy records produced
- Minimum storage space required
- Accuracy is enhanced
- Cost of maintenance lower
- Not easily damaged
- Not easily lost

8.
- Relatively cheap to hire
- Readily available

- No fixed charges
- Flexible since can change route
- Offer door to door services

9

- Political interferance
- Some members defaulting loan repayment
- Lack of qualified personnel
- Corruption and embezzlement of funds
- Competition from well established banks

10.

- If a person intends to convince another
- If the message is urgent
- If the distance between the sender and the recipient is very short
- If the message is confidential
- If immediate feedback is required
- If the recipient is illiterate

11.

- Cover note/binder
- Premiums
- Actuaries
- Endownment / Term Insurance

12.

- Mostly located at the point of entry like the ports
- Store goods that are coming from the other countries
- Guarantee payment of custom duty to custom authority
- Must issue release warrant
- Work with customs officials for inspection of goods

13.

- Wide geographical coverage
- Increased sales
- Relative cheap
- Use of different languages
- Attractive due to humour aspect

14.

- Generalised exploitation on weight and measures
- There is need for the government to enforce existing laws
- Substandard goods
- Unfair prices
- False advertising
- Breach of contract
- Un safe buildings 4 x 1= 4mks

15. Amount paid

Invoice price `sh. 24,000

Less trade discount $\frac{10}{100}$ x 24000 sh. 2400

24000

- 2400

21600

Less cash discount

21,600 x $\frac{20}{100}$ = sh 4320

	21600
	- 4320
sh	**16,280**

16. (a) Sales invoice /outgoing invoice
    (b) Incoming invoice / purchase invoice
    (c) Credit Note issued
    (d) Credit Note received

17.

MAGUNA ANDU TRADERS
TRADING ACCOUNT
FOR THE YEAR ENDED 31.12.06

	Sh		Sh
Opening stock	50,000	Sales	412,500
Purchases	340,000		
C.O.G.A.S	390,000		
Less c/stock	60,000		
Cost of sales	330,000		
Gross profit	82,500		
	412,500		412,500

18.
- Request for mini-statements
- Top up mobile phone airtime automatically
- Automatically know when salary has been entered into the account
- Check the account balance

19.
- Crowding out effect
- Dead weight debt
- Recurrent expenditure
- Corporation tax

20.
- Export compensation schemes
- Diversfying foreign markets
- Offering customs drawbacks or refunds
- Decrease imports
- Encourage foreign investments
- Devaluation of currency
- Restricting outflow of capital

21.
- Fall in prices of complementary goods
- Increase in population
- Rise in income
- Favourable terms of payments
- Rise in price of substitutes
- Favourable seasonal changes
- Expected rise in the price of the product
- Improved tastes, fashions & preference

22.

Perfect competition	Oligopoly
(a) There are many buyers buyers and sellers	(a) Few sellers and many buyers
(b) There is free entry and exit	(b) There is restrictions on the entry and exit of forms
(c) Homogenous commodity	(c) Commodities are either homogenous or differentiated

(d) No single seller can influence market
(e) A firm can make supernormal profits only in the short run

(d) A single seller can influence the market
(e) Firms can make supernormal profits in the long run

23. a) Jan 3rd : Purchase was debited
5th : Salary was debited
4th : Sales credited
19th : Rent received credited

24.
- Retention of experienced and skilled manpower
- High unemployment for the youth who have to wait
- Savings in pensions
- Revenue to the government
- Non - training for new employees

25.

REHEMA TRADERS
BALANCE SHEET
AS AT 31.12. 2007

Assets			Capital and Liabilities		
Fixed Assets			Capital		600,000
Motor van	200,000		Less drawings		10,000
Furniture	140,000	340,000			590,000
Current Assets			**Liabilities**		
Stock	160,000		Creditors		210,000
Debtors	100,000				
Cash	2000,00	460,000			
		800,000			**800,000**

GATUNDU NORTH SUB- COUNTY EXAMINATION 2015
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BUSINESS STUDIES
PAPER 2
MARKING SCHEME

1. (a) Ways of controlling inflation other than using monetary policies
- Increasing income tax - to reduce disposable income
- Restricting imports - to control imported inflation
- Reducing government spending - to reduce the money in circulation
- Subsiding production- in order to reduce prices of products
- Reducing tax on production which reduces cost of production hence reduced prices of goods
- Controlling wages and salaries - thus reducing production cost and disposable income
- Price control by the government to check on unreasonable prices 5x2 =10mks

(b) Principles that governs the Insurance Contract
- Insurable Interest - The insured should suffer financial loss upon occurrence of an insured risk
- Indemnity - One is restored back to the immediate financial position he/she was before the loss occurred
- Utmost good faith /Uberrima fidei - The insured and the insurer should disclose all the relevant material facts relating to the insurance contract
- Proximate cause - The cause of loss should be closely related to the risk insured
- Subrogation - After full compensation, the insurer become the owner of the destroyed property
- Contribution - In case the insured has more than one policies for the same risk, the insurer shares the loss proportionately upon the occurance of the risk 5x2 = 10mks

2 (a). Internal business environment factors that may lead to the success of a business
- Financial resources that art adequate to fund all business requirements
- Adequate physical resources - that are well utilised to avoid wastage
- A good business culture that is embraced by all
- Modern Technology /innovations to increase productivity
- Well trained /motivated human resources to increase productivity
- A good management style that is acceptable to the workers to enhance ownership 5 x 2 = 10mks

(b). Challenges of over-population
- Decrease per capita income - leading to decline in standards of living
- Increased social evils - in search of income
- Environmental degradation- due to over exploitation of resources
- Unemployment as job opportunities are few than job seekers
- Reduced savings and investments due to high dependency ratio.
- Low quality of essential services since the demand is high than resources
- Inflation as demand exceeds supply 5x2=10mks

3 (a) Reasons for trade restriction
- Protecting local industries from foreign competition
- Prevent dumping which may kill the economy
- Correcting unfavourable balance of payment by restricting imports
- Protecting cultural values which may be eroded through foreign interactions
- Control imported inflation as a result of overpriced imports
- Check importation of harmful goods which may be unhealthy for consumption
- Need to avoid overdependence on imports which may lead to political black -mail 5x2=10mks

(b) Merits of bonded warehouses to the importers
- Give them enough time to look for money to pay custom duty
- Rent space available saving them cost of building their warehouses
- Allows preparation of goods for sale for the convenience of consumers
- Give goods enough time to mature thus improving their quality
- Searching for market while the goods remain in the warehouse
- Goods are secured against theft
- Goods are safe from weather conditions 5x2=10mks

4 (a) Types of wholesalers
- General merchadise stock wide variety of goods
- General line stock many products of the same type of goods

- Specialised stock only one type of product in a particular line
- Mobile use vehicles to supply their goods at diffrent places
- Regional - operate within a certain geographical area
- Nationwide - Operate all over the country
- Lack jobbers - sells special goods to other wholesalers 5x2=10mks

(b) Benefits of national income statistics to a country

- Economic planning by allocating resources accordingly
- Making investment decisions by comparing the performance of different sectors
- Measuring standards of living by use of per capita income
- Measure of economic growth through comparing national income figures of different
- Attract foreign aid and investment especially when the economy is doing well
- Comparing standard of living of different countries by comparing the income figures. ***5x2=10mk***

5. (a)

KADU TRADERS
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DEC 2014

Rent	16540	Gross profit	45000
Electricity	1500	Commission	3000
Discount all.	2000		
Carriage Out.	5000		
Salaries	15460		
Net profit	11500		
	48000		48000

KADU TRADERS
BALANCE SHEEET
AS AT 31ST DEC 2014

F.A			
Premises	180,000	Capital	165000
Furniture	50,000 230,000	Additional inv	20000
		Net profit	11500
			196500
C.A			
Debtors	61540		
Bank	2000	L.T.L	
Cash	60000 123540	Bank loan	80,000
		S.T.L	
		Creditors	77040
	353,540		353,540

b Factors that will increase the supply of beans in a market

- Better prices which will attract more sellers
- Reduced costs of inputs which will encourage more farmers
- Modern technology which will increase the yield
- Reduced prices of substitutes making suppliers to turn to beans
- Ideal weather which will favour productivity
- Future expectation of price drop hence more supply to avoid the future low prices 5x2=10mks

6 (a) Role of stock exchange market

- Facilitate buying and selling of shares thus making it convenient for traders
- Encourages savings by channeling funds to viable investments

- Shows the performance of quoted companies through rise and fall of share prices
- Provides information to investors on protifatable companies
- Facilitates raising of funds by companies selling shares through the market
- Lists and delist companies when they dont meet required standards
- Provide the govenmetn with a market throughwhich it can raise revenue by selling securities

5x2=10mks

b) Ways in which non-bank financial institutions contributes to economic development in Kenya

- Mobilise savings for development purpose
- Advise investors on how to start and run businesses
- Provide revenue to the government through paying taxes
- Create employment which improves people's
- standard of living
- Provide loans to start and expand businesses
- They funds strategic areas which may not attract commercial banks
- They provide long term lending unlike commercial banks 5x2=10mks

KIRINYAGA WEST SUB-COUNTY EFFECTIVE '40' EXAMINATION

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BUSINESS STUDIES

PAPER 1

MARKING SCHEME

1. Ways of increasing effeciency of land as a factor of production
- Application of fertiliser on land
- Use of mechanisationin agriculture
- Land reclamation
- use of irrigation

2. Types of expenditure included in measuring national income using expenditure approach
- Personal expenditure - Government expenditure
- Investment - Export - Import

3. Characteristics of human wants
- Insatiable / unlimited / endless
- Competitive - Complementary
- Universal - Habitual

4. TAHIDI HIGH TRADERS
PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31ST DEC 2011

Dr			Cr
Carriege inwards	5000	Gross profit	12, 000
Salaries	5000	Dis. received	3,000
Insurance	1,000	Rent income	2,500
Electricity	2,000		
Net profit c/d	3,500		
	17,500		17, 500

$(10 \text{ X } {}^{1}/_{2} = 5 \text{ mks})$

5. Reasons why communication may not be effective
- Use of technical language
- In appropriate media used
- Poor timing
- Unwillingness to listen
- Unwillingness to listen
- Incase one is negatively biased on the seller

6. Differences between commercial banks and non- banking financial institutions
- Commercial banks - Non- banking financing institution
- Operates current accounts - Don't operate current accounts
- Give short term and medium loans - Gives long term loan only
- Participates in clearing houses - Don't participate in clearing houses
- Provide foreign exchange services - No foreign exchange services

7. Four displines of Business studies
- Accounting - Economics
- Office practise - Entrepreneurship

8. Importance of entrepreneurship
- creates employment opportunities
- promotes technology
- Reduces rural- urban migration
- Reduces foregn dominance
- provides variety of goods

9. Uses of the following office equipment
   a) Stapler - Pinning papers together
   b) Paper shredder - Cutting unwanted documents

c) Compter - Storing information
d) Franking machine - Printing postage impression on the envelops (4 mks)

10. Meaning of the following terms (3mks)
a) Charter party - Contract between the hirer and the owner of the ship
b) Full container load- Container fully loaded with one person consingment
c) Voyage charter - Contract for a particular route

11. Types of advertisement
- Primary demand advertisement
- Product advertisement
- Institutional advertisement
- Competition advertisement

12.

Resources	*Classification*
Hyro-electric power	Renewable
Iron	Non- renewable
Rubber	Renewable
Coal	Non- renewable

13. Clauses of memorandum of association
- Liability clause - Situation clause
- Objective clause - Name clause
- Declaration clause

14. Channels of distribution for Agricultural product
- Producer → consumer
- Producer → retailer → consumer
- Producer → wholesaler → retailer → consumer
- Producer → Cooperatives → marketing boards → wholesaler → retailer → consumer

15. Classification of taxes

Personal income	Direct
Custom duty	Indirect
Capital gain	Direct
Sales tax	Indirect

16. Trends in international trade
- Globalisation - E- Commerce
- Liberalisation - Export processing zone

17. Features of a co-opeartive societies
- Have legal entity - Have perpetual life
- Minimum number of 10 members
- Members have limited liabilities
- Managed by committee members (9)

18. Macro - environment factors that effect business operations
- Economic - Demographic
- Political legal factor - legal factor
- Technological

19. Circumstances under which credit sale may be appropriate to a trader
- When using it as a competing tool
- Where the seller wants to dispose off the surplus
- Incase the seller wants to increase the sales
- Where the seller wants to attract and retain the customer
- Where the buyer is credit worth

20. Ways in which inflation may be of benefit to a trader and growth of the economy
- Seller may earn more income
- Motivation to work - Increased production
- Better utilisation of available resources
- Incentives to investors

21. Challenges of planning in implementation stage
- Over - abitious - Lack of political will

- Lack of co-operation among the executive parties
- Inflation
- Failure to involve local people in planning (4 mks)

22. Transaction | Account to debit | Account to creditors

a) Sale of stock on credit	Debtor	Sales
b) The owner co-verted a private motor van into business use	Motorvan	capital
c) Returned goods to the creditor	creditor	Return Outward
d) Proprietor withdrew cash for personal use	Drawings	Cash

(8 X $^{1}/_{2}$ = 4 mks)

23.

Statement	***Source document***
i) The seller received 10,000 cash in settlement of a debt from the buyer	Receipt
ii) Supplier demand for payment of shs. 20000 for goods delivered	Invoice
iii) The buyer returned damaged goods worth shs. 5000 to the seller	Credit note
iv) Petty cashier paid shs. 200 for travelling expenses	Petty voucher

24. Causes of the shift of supply curve from

$S_0\ S_0 \longrightarrow S_1\ S_1$

- Increase in cost of production
- Poor technology
- Unfavourable government policies
- Withdrawal of firms from the industry

25. Items contained in partnership Act

- Equal capital contributions
- No salary to any of the partners
- Equal share of profits and losses
- No drawings by any partner

KIRINYAGA WEST SUB-COUNTY EFFECTIVE '40' EXAMINATION

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BUSINESS STUDIES

PAPER 2

MARKING SCHEME

1. a)

- **Utmost good faith**
  The person taking out insurance cover to disclose all the relevant information / facts relating the property or person insured
- **Proximate cause**
  For the insured to be compensated there must be a very close relationship between the loss suffered and the risk insured against
- **Contribution**
  If the insured has taken policies with more than one insurance company covering the same risk, in the event of loss the insurers contribute proportionately to indemnify the insured
- **Indemnity**
  The insured would be compensated in such a way that he/she is put back to the financial position he/she was just before the risk insured took place
- **Indemnity**
  The insured would be compensated in such that he /she was just before the rik insured took place
- **Subrogation**
  Whatever remains after the insured has been compensated becomes the property of the insurer

b)

- High taxation
- Price control
- Quatas / quantity restriction
- Withdrawal of subsidies
- Withdraw/ cancelling of licenses

2. a)

- Wideniong market
- Better utilization of resources
- Creates a pool of labour supply
- Enhances creativity
- Promotes labour mobility
- Stimulates investments

b)

- Homogenous products
- Many buyers and sellers with perfect knowledge of the market
- Free entry and exist of firms
- No government interferance
- Mobility of factors of production

3. a) i) WC = CA - CL
= 288,650 - 99720
= 188, 930

ii) ROC = $\frac{\text{Net profit}}{\text{Capital invested}} \times 100$
= $\frac{220,500}{422930} \times 100$ = 52.13%

iii) Borrowed capital = Long term loan
= 400, 000

iv) CR / WCR = $\frac{CA}{CL}$
= $\frac{288\,650}{99720} \times 100$ = 2.89%

v) Quick Ratio = $\frac{CA - stock}{CL}$
= $\frac{288650 - 124500}{99720} \times 100$ = 165%

b)

- Promotes balanced development in the country
- Reduce rural- urban migration
- Creates employment and improve standard of living in rural areas
- Leads to proper utilization of resources in the rural areas
- Promotes development of auxiliary services such as banking, transporting, transporting, health, communication e.t.c

4. a)

- Goods are secured or safe
- Stabilizing prices
- Meeting unexpected demand
- Enable the business to look for market
- Regulating the supply of goods in the market

b)

SOKO HURU 2 - COLUMN CASH BOOK

Date	Paricular	LF	Cash	Bank	Date	Particular	LF	Cash	Bank
2010									
Jan 1	Balances	b/d	4000	10000	Jan 2	Salaries		2000	
Jan 3	Debtor			12000	Jan 4	Cash	C		7000
Jan 4	Bank	c	7000		Jan 5	water bill			2000
					Jan 20	Furniture		10000	20000
Jan 31	Balance	c/d		7000	Jan 31	Balance	c/d	1000	
			13000	29000				13000	29000
Feb 1	Balance	b/d	1000		Feb 1	b/d			7000

5. a)

- Lack of standard measure of value
- Lack of store of value
- Lack of double coicidence of wants
- Lack of portability
- Indivisibility of commodities

b)

Dr **Sales Journal (SJ)** Cr

Date	Particular	Invoice	LF	Amount
Jan 1	Maina	101		100000
2	Wema Traders	102		50000
	To sales A/c			150000

Dr **Sales Return Journal (SRJ)** Cr

Date	Particular	Credit note	LF	Amount
Jan 3	Maina	206		20,000
Jan 4	Wema Traders	207		5, 000
	To sales return A/C			25,000

Posting to ledger Accounts

General ledger

Dr **Sales A/C** Cr

Date	Particular	LF	Amount sh.	Date	Particular	LF	Amount sh.
				Jan 4	Maina	SJ	150000

Dr **Sales Return A/c** Cr

Date	Particular	Amount sh.	Date	Particular	LF	Amount sh.
Jan 4	Total Debtors	25000				

Sales Ledger

Dr **Debtors A/C Maina A/C** Cr

Date	Particulars	LF	Amount sh.	Date	Particular	LF	Amount sh.
Jan 1	Sales		100,000	Jan 3	Sales Return		20,000

Dr **Debtors (Wema) A/C** Cr

Date	Particulars	LF	Amount	Date	Particulars	LF	Amount
Jan 2	Sales		50,000	Jan 4	Sales Return		50,000

6. a)

- Output per worker is greatly measured
- A worker engages in the activity he/she is best talented or suited
- Production is faster and efficient due to use of machines
- It saves time as workers concentrates on one activity
- High quality goods and services produced
- Less mental and physical effort is required
- Encourages invention and innovatio

b)

- Goods have price tags
- Prices are fixed
- Goods well arranged in shelves
- Offer a variety of goods
- Dont sell on credit

KIRINYAGA CENTRAL SUB-COUNTY JOINT EXAMINATION - 2015
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BUSINESS STUDIES
PAPER 1
MARKING SCHEME

1. Services offered by wholesalers to retailers.
- Offer transport facilities.
- Break bulk for benefit of retailers.
- May offer advice to retailer for example on offer available.
- Conduct sales promotion hence saving retailers the problem of having to do so.
- Avail goods at places convenient to retailers.
- They grade, sort, blend, pack and brand goods.
- Stock a variety of goods therefore the retailer does not have to move to different producers.

(Any 4 x 1 = 4 marks)

2. Benefits enjoyed by a trader who does not sell on credit.
- Does not suffer from bad debts.
- Does not spend money on debt collection.
- Does not incur cost of keeping records of debtor.
- He/she does not suffer cash flow shortage/working capital is readily available.
- Does not waste time following customers to pay. (Any 4 x 1 = 4 marks)

3. Features of a good filing system.
- Should occupy less space/compactness.
- Should be simple and easy to understand/simplicity.
- Should protect document from loss, misplacement, theft and destruction/safety.
- Should be capable of expansion/elasticity.
- Should be appropriate to the needs of the organization/suitability.
- Should not be expensive to start and to maintain/economical.
- Should be easy to retrieve information without disturbing other documents/ accessibility.(Any 4 x 1 = 4 marks)

4. Roles of an entrepreneur in production.
   (a) Starts the business/project.
   (b) Controls the production process.
   (c) Makes the decision on what to produce and when to produce it.
   (d) Acquires and pays for all the factors of production.
   (e) Bears all the risks
   (f) Enjoys the profit
   (g) Pays all the expenses
   (h) Owns the whole project

(Any 4 x 1 = 4 marks)

5. Reasons why a trader may prefer to transport his goods by train.
- If goods are heavy and bulky.
- If goods are not perishable.
- If the value of goods is high since cases of theft are rare.
- When goods are not urgently needed.
- When the distance is relatively long.
- In case of large quantities because it has large carrying capacity.
- Railway transport is cheap and economical over long distances.
- In case the trader wants to make advance plans for movement of goods because trains follow regular timetables.
- Railways stations have warehouses to store goods before they are collected by owners.
- Railway stations have many cargo handling facilities for loading and off loading of goods hence saves time.

(Any 4 x 1 = 4 marks)

6. Sources of monopoly power.
- The firm may have the sole right to a technique used in production.
- A firm may control a strategic input or entire raw material used in the production of a commodity.
- The initial capital investment required to set up a firm in a given line of production is very high and only one firm which can afford.
- The firm may grow very big that it enjoys extensive internal economies of scale hence able to reduce cost of production.
- The government may set up a parastatal and give it exclusive rights to produce.
- A group of firms merge into one huge firm by combining all their operations.
- If the firm has patent/copy rights which bans other firms from producing/selling the product.

(Any 4 x 1 = 4 marks)

7. Problems experienced by a trader who stores goods in a public warehouse.

- Charges levied are relatively high.
- Owner pays extra charges if goods overstay.
- Location may not suit the trader.
- Long procedure in documentation.
- Competition for space with other traders.
- Goods may get damaged.
- Trader may lose contact with customer since they get goods from rented warehouse. (Any 4 x 1 = 4 marks)

8. Injection into or leakages from the circular flow of income.

	Item	Injection/Leakage
(a)	Savings	Leakage
(b)	Taxes	Leakage
(c)	Government expenditure	Injection
(d)	Investments	Injection
(e)	Exports earning	Injection
(f)	Expenditure on imports	Leakages

(6 x ½ = 3 marks)

9. Balance Sheet

Tumaini Traders Balance Sheet
As at 31st December, 2011

	Shs			Shs	
Fixed Assets			Capital	960,000	✓ ✓
Motor vehicle	600,000	✓ ✓	Long term liabilities		
Equipment	400,000		5 year bank loan	350,000	✓
	220,000	✓ ✓	Current liabilities		
Current Assets	250,000	✓	Creditors	150,000	✓
Stock	60,000		Bank overdraft	70,000	✓
Debtors					
Cash					
	1,530,000			1,530,000	

(10 x ½ = 5 marks)

10. **Ledger Accounts**.

Furniture a/c

2010		Shs.
Jan 15✓	Rashid Traders ✓	100,000 ✓

Rashid Trader a/c

2010		Shs.
Jan 15 ✓	Furniture ✓	100,000

Kanji Traders a/c

2010		Shs.
Jan 20 ✓	Sales ✓	320,000 ✓

Sale a/c

2010		Shs.
Jan 15 ✓	Kanji traders ✓	320,000

(12 x ½ = 4 marks)

11. Type of inflation.

	Description	Type of inflation
(a)	A rise in prices due to an increase in money supply.	Demand - pull
(b)	An increase in prices due to an increase in the prices of factors of production.	Cost - push
(c)	A rise in prices as a result of buying expensive goods from foreign countries.	Imported inflation
(d)	A rise in prices due to uneven growth in some sectors of the economy.	Cost - push

(4 x 1 = 4 marks)

12. 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. (Any 4 x 1 = 4 marks)

13. Diseconomies of scale that a firm may face when it expands its operations.
- Difficult/complexity in management/managerial diseconomies.
- Increase in overhead costs of production, marketing and promotion.
- Slow decision making.
- Wastage of resource due to lack of close supervision.
- Lack of enough market to sustain capacity/marketing diseconomies.
- Staff laxity, apathy and poor morale which decrease productivity.
- Labour disputes and industrial unrest.
- Underutilization of resources if it is producing below capacity.
- Use of obsolete technology/technical diseconomies. (Any 4 x 1 = 4 marks)

14. Functions of the commercial banks.
- Accept deposits.
- Provide safer means of payment.
- Provide loan facilities/lending money.
- Provision of foreign exchange.
- Provide safe keeping for valuables.
- Provide financial information/advice.
- Provide money transfer facilities.
- Discounts bills of exchange.
- Acts as guarantors or referees.
- Acts as intermediaries between savers and borrowers of money.
- Provide trustee services.
- Credit creation. (Any 4 x 1 = 4 marks)

15. Benefits of running a sole proprietorship business.
- Decision making and implementation is fast.
- Owner exercises direct personal control on the business at all times.
- Owner has close and personal contacts with customers.
- The trader is accountable to himself/herself.
- Trader enjoys profit alone.
- Flexibility of business.
- Can keep business secrets/high level of confidentiality.
- Few legal procedures are required.
- Trader can get assistance from family members. (Any 4 x 1 = 4 marks)

16. Factors that a trader may consider when determining the appropriate means of transport.
    (a) Cost.
    (b) Reliability.
    (c) Nature of goods.
    (d) Security
    (e) Distance
    (Any 4 x 1 = 4 marks)

17. Changes that may take place in a country to indicate that it is experiencing economic development
    (a) Shift from agricultural sector to manufacturing sector.
    (b) Reduction of illiteracy level.
    (c) Increase in skilled manpower.
    (d) Improvement in health facilities.
    (e) Improved technology.
    (f) Increased entrepreneurial ability.
    (g) Improvement in research activities.
    (h) Improved infrastructure.
    (j) Increased in level of savings and investments
    (Any 4 x 1 = 4 marks)

18. 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. (Any 4 x 1 = 4 marks)

19. Book of original.

	Transaction	***Book of original entry***
(a)	Bought a computer on credit	General journal
(b)	Sold goods on credit	Sales journal
(c)	Returned goods previously bought on credit	Purchases returns journal
(d)	Goods sold on cash	Cash receipt journal/cashbook

(4 x 1 = 4 marks)

20. Advantages of written communication.
- Can be retained for future reference.
- It is suitable for confidential messages.
- Can be used as evidence.
- Can be addressed to many people.
- Message cannot be distorted.
- Can be used to communicate complicated messages.
- Suitable if the message is detailed.
- It is relatively cheap. (Any 4 x 1 = 4 marks)

21. Ways the government may regulate business activities in a country.
- Issuing licenses.
- Enacting legislation.
- Formulating policies.
- Setting standards.
- Issuing directives.
- Price controls.
- Taxation and offering subsidies.
- Fixing quotas. (Any 4 x 1 = 4 marks)

22. Explain the meaning.
    (a) Joint demand. Refers to goods and services that are consumed together and therefore demanded together e.g. pen and ink, car and petrol etc. (1 x 2 = 2 marks)
    (b) Excess supply. This is a situation where the quantity of goods and services supplied in the market by suppliers is more than the quantities the consumers are able to buy. (1 x 2 = 2 marks)

23. Circumstances in which a country may find it necessary to control imports.
- 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 deteriorate 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 (embargoes).
- Where there is need to preserve morals and culture the country.
- Where there is need to expand market for locally produced goods. (Any 4 x 1 = 4 marks)

24. Advantages of advertising to the producer. (4 marks)
- It informs existing and potential customers about goods and services available in the market, thus increasing sales.
- It gives information about changes to a product such as price, packaging and improvement to enhance quick decisions to buy.
- It helps to persuade existing and potential customers to buy the product.
- It helps to maintain the sales of an already existing product.
- It improves the good image of a company.
- It provides the necessary information about the product to potential customers, including price, use of the product, where to get the product and the benefits of using it, this expanding the market.
- It supplements the work of the salespersons hence reducing expenses on personal selling.

(Any 4 x 1 = 4 marks)

25. Calculation of:

(a) Cost of goods sold.

Gross profit = 0.15 ✓ x 300,000 ✓

= Shs.45,000 ✓

Cost of goods sold = 300,000 ✓ - 45,000 ✓

= Shs.255,000 ✓ (6 x $^{1}/_{3}$ = 2 marks)

(b) Closing stock.

Cost of good sold = Opening stock + Purchases – Returns outwards – Closing stock

225,000 ✓ = 60,000 ✓ + 180,000 ✓ – 5,000 ✓ - C

Closing stock = Shs.20,000 ✓✓ (6 x ½ = 2 marks)

KIRINYAGA CENTRAL SUB-COUNTY JOINT EXAMINATION - 2015
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BUSINESS STUDIES PAPER 2
MARKING SCHEME

1.
(a) Benefits of division of labour.
- Output per worker is greatly increased.
- Workers engage in the trade they are best suited/talented, leading to increased productivity.
- Encourages invention and innovation, one becomes a better worker after doing
- certain task repeatedly over sometime.
- Enhances the use of modern machines making production faster and more efficient.
- Enables a worker to acquire skills in a particular field.
- Less mental/physical effort is spent when one gets used to a particular job/less fatigue.(Any 5 x 2 = 10 marks)

(b) Factors considered when determining the chain of distribution.
- The nature of the goods e.g. perishable goods may require a shorter channel of distribution.
- Needs to keep control of the goods, if the producer wants to keep track from the beginning to the end he will distribute directly.
- Ability of the firm to access most of his customers/location of the market for scattered customers a longer channel may be used.
- Cost of the channel – Use one which the distributor can afford.
- Government policy where the government requires a particular channel to be used the producer will have no choice.
- The size of market where consumers are few a shorter channel may be appropriate.
- Nature of competition, stiff competition requires direct link with consumers. (Any 5 x 2 = 10 marks)

2.
(a) Factors that may cause a shift of supply curve S_1S_1 to S_2S_2.
- An increase in either costs of production or inputs such as raw material and labour will make producers to reduce production/force some producers out of market.
- In availability/inadequate factors of production.
- Decrease in price of a good produced jointly with commodity X.
- Increase in price of a commodity that may be produced in place of commodity X.
- Low levels of technology applied in production of the commodity.
- Increase in tax charged on commodity.
- Decrease in subsidies offered by government in production of the commodity.
- Future expectation that the price of the commodity will increase.
- Unfavorable climatic condition such was drought and floods especially if commodity is an agricultural commodity.

(b) Problems that a country which is under populated may experience.
- Limited labour supply – A small population may not provide enough labour for production.
- Limited market – A small population may not provide enough market for goods and services. Some business may end-up closing down.
- Underutilization of resources – Resources in the country may be left idle because of lack of people to use them.
- Uneconomical to provide public utilities – The available population may be scattered all over the country making it uneconomical for the government to provide public utilities.
- Lack of specialization – People in an under populated country may not engage in specialization leading to production of poor quality goods.
- Reduced phase of economic development for under populated countries, thereis less resources. This reduces peoples creativity and innovation that may retard economic growth and development. (Any 5 x 2 = 10 marks) 3.

(a) Benefits of a wholesaler operating warehouse.
- Affords security/safety to the goods from theft/damage/loss.
- Allows the distributor enough time to plan for the distribution of goods.
- Goods can be tested and checked if still in good conditions before use/sale.
- Goods not fully manufactured may be completed in a private warehouse e.g. packing, branding.
- Allows continuous supply of goods in the market/avoid shortages since the firm can add more stock depending on the amount of stock held at one time.
- Enables the wholesaler to pole up stock in anticipation of high seasonal demand.
- Can purchase stock in bulk and hence accrue the economies of scale.

- Assurance of space all the time since there is no competition.

(b) Methods of correcting B.O.P.

- Limiting imports by strict tariffs.
- Promoting exports by subsidizing exports produced using customs draw backs/export compensation.
- Devaluation of local currency which makes exports cheaper.
- Seeking financial assistance from international financial institutions.
- Releasing the foreign exchange reserves held by the central bank.
- Increase taxation/reduce government expenditure to reduce local inflation compared to other countries.
- Restricting foreign exchange allocation to a certain maximum. (Any 5 x 2 = 10 marks)

4.

(a) Insurance policies that may be beneficial to a hardware trader.

- Work men's compensation policy to cover workers who may be injured in the cause of their duties.
- Personal injury policy that covers the owner in case of injuries/incapacitation.
- Fire policy to cover the risk of fire
- Burglary/theft policy to cover theft of stock and damaged of doors and windows.
- Goods on transit policy to cover any loss of goods as they are transported.
- Fidelity guarantee policy to cover any loss caused by dishonest workers.
- Window/glass policy to cover any damage to windows and glass in the premises.
- Cash on transit policy to cover any loss of cash as its being transported to the bank. (Any 5 x 2 = 10 marks)

(b) Benefits M-banking.

- Can transfer his money between his accounts in the same bank or in different banks.
- Can check account balance to know how much he has in the accounts through sms.
- Pay bills e.g. electricity, worker's wages etc.
- Receive/check most recent transaction details.
- Can top-up mobile phone airtime.
- Convenient as he can use the service whenever he wants.
- Reduced transaction charge since the service is cheaper than transacting over the counter.

5.

(a) Negative effects of inflation.

- Discourages savings since people use their earnings on consumption.
- Increase in the interest rates hence high cost of borrowing.
- Low standards of living especially for people with fixed incomes because the value of their earning is eroded by inflation.
- Money lenders loose real value of money if the interest rate does not change accordingly.
- Social political/unrest especially among low income earners.
- Worsening balance of payment since exports become dean/expensive leading to fall in their demand.
- The gap between the rich and the poor widens the rich become richer at the expense of the poor.
- Hampers effective implementation of development plans since the cost becomes higher than precedented.
- Loss of coincidence and the local currency leading to the use of foreign currency. (Any 5 x 2 = 10 marks)

(b) Ali's ledge account.

Bank a/c

July 2009			July 2009		
1	B/d	50,000 ✓	13	C/d	64,000
6	Furniture				
13	Sales	4,000 ✓			
		10,000 ✓			
		64,000			64,000

Debtor's a/c

July 2009			July 2009		
1	B/d	30,000 ✓	9	Cash	11,000 ✓
			13	C/d	19,000 ✓
		30,000			30,000

Creditor's a/c

July 2009			July 2009		
13	B/d	66,000 ✓	1	B/d	50,000 ✓
			2	Purchases	16,000 ✓
		66,000			66,000

Purchases a/c

July 2009			July 2009		
1	B/d	20,000 ✓	6	Bank	36,000 ✓
2	Creditors	16,000 ✓			
		36,000			36,000

Furniture a/c

July 2009			July 2009		
1	B/d	35,000 ✓	6	Bank	4,000 ✓
			13	C/d	31,000 ✓
		35,000			35,000

Sales a/c

July 2009			July 2009		
13	C/d	10,000 ✓	13	Bank	10,000 ✓
		10,000			10,000

Cash a/c

July 2009			July 2009		
9	Debtor	11,000 ✓	13	C/d	11,000 ✓
		11,000			11,000

(20 x ½ = 10 marks)

6.

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

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

(Any 5 x 2 = 10 marks)

(b) Umeme Traders profit and loss account.

(i)

Umeme Traders
Profit and loss account
For the year ended 31st Dec, 2009

	Shs.		Shs.
Expenses			
Bank loan interest	1,440	Gross profit b/d	624,720
Discount allowed	170,400	Rent received	144,000
Electricity	30,240	Net loss a c/d	74,316
Furniture repairs	86,436		
Maintenance on premise	72,000		
Motor vehicle maintenance	360,000		
Sundry expenses	122,520		
Net loss b/d	74,316		
	843,036		843,036

(10 x ½ = 5 marks)

(ii)

Umeme Traders
Balance sheet
As at 31st Dec, 2009 ✓

	Shs.	Shs.	Capital & liability		Shs.
Assets			Capital	1,680,000 ✓	
Fixed assets					
Premises	648, 000 ✓		Less net loss	74,316 ✓	1,605,684 ✓
Motor vehicles	1,080,000 ✓				
Furniture	489,804 ✓	2,217,804 ✓	Liabilities		
			Bank loans	567,000 ✓	
			Creditors	272,400 ✓	839,400 ✓
Current assets					
Stock	87,000 ✓				
Debtors	140,280 ✓	227,280			
		2,445,084			2,445,084

(10 x ½ = 5 marks)

KAHURO/KIHARU DISTRICT JOINT EXAMINATION – 2015
BUSINESS STUDIES PAPER 1
MARKING SCHEME

1.
- They are too many / endless / unlimited.
- They keep on recurring.
- Resources to satisfy them are scarce.
- They change with time, age and gender. (*4 x 1 = 4 mks*)

2.
- Labour saving.
- Environmental friendly
- Can be constructed in areas where it is difficult to construct roads.
- Allows continuous flow of liquids. (24 hrs)
- Reduces road accidents and carnage.
- Reduces delays.
- Less maintenance costs.
- Not affected by adverse weather. (*4 x 1 = 4 mks*)

3.
- Availability of raw materials.
- Availability of cheap labour.
- Availability of government incentives.
- Developed infrastructure.
- Cheap land.
- Space for expansion.
- Government policy. (*4 x 1 = 4 mks*)

4.
- Homogeneity of products.
- Lack of foreign exchange.
- Retrogressive political ideologies.
- Poor infrastructure.
- Political instability.
- Language barriers.
- Differences in levels of development. (*4 x 1 = 4 mks*)

5. (a) Demand pull inflation.
   (b) Cost push inflation.
   (c) Imported inflation.
   (d) Profiteering oriented inflation. (*4 x 1 = 4 mks*)

6.
- Consumers will not be assured of a steady flow of goods.
- Quality of goods may be compromised.
- Prices of goods may be unstable.
- Consumers may not get goods in convenient quantities.
- Consumers may not enjoy lower prices as a result of economies of scale.
- Consumers will lack variety of goods.
- Lack of time utility. (*4 x 1 = 4 mks*)

7. Bank A/C

Date	details	Amount		Date	Details	amount
2011 January 2	Capital	10,000 ✓		2011 January 5	Cash	2000 ✓

Capital A/C

Date	details	Amount		Date	Details	amount
				2011 January 2	Bank	10,000 ✓

Cash A/C

Date	details	Amount		Date	Details	amount
2011 January 5 January 10	 Bank Ngithi	 2,000 ✓ 4,000 ✓		2011 January 16	Drawings	1000 ✓

Ngithi's A/C

Date	details	Amount		Date	Details	amount
				2011 January 10	 Cash	 4000 ✓

Drawings A/C

Date	details	Amount		Date	Details	amount
2011 January 16	 Cash	 1,000 ✓				

8.

Debit note	Credit note
- Used to correct undercharges. - Increases the amount on an invoice issued earlier. - The supplier debits the customer's account. - Issued when a customers fails to return chargeable/returnable items e.g. crates.	- Used to correct overcharge. - Reduces the amount on an invoice issued earlier. - The supplier credits the customer's account. - Issued when a customer returns chargeable / returnable items. (*4 x 1 = 4 mks*)

9.
- It is faster than regular mail.
- It is safe.
- There is proof of delivery.
- Parcels can be insured.
- A large variety of items can be delivered.
- There is personal touch. (*4 x 1 = 4 mks*)

10.
- Standing orders.
- Credit transfers.
- Cheques.
- Electronic fund transfer.
- Telegraphic money transfer. (*4 x 1 = 4 mks*)

11.
- Poor infrastructure.
- Mismanagement of resources.
- Poor investment plans and decisions.
- Members' ignorance or apathy.
- Corruption.
- Unqualified personnel.
- Insufficient funds.
- Political interference. (*4 x 1 = 4 mks*)

12.
- Overcharging / overpricing.

- Poor / inferior quality goods.
- Hoarding of goods.
- Wrong measurements e.g. underweight goods.
- Misleading advertisements / false advertising.
- Unhygienic goods.
- Breach of contact.
- Expired goods. (*4 x 1 = 4 mks*)

13. (a) Compensation = Sum insured x loss
Value of property.
= 8,000.000 x 6,000,000 ✓
12,000.000
= shs. 4,000.000 ✓ *(1 x 2 = 2 mks)*

(b) Nzundu = 8,000,000 x 4,000,000 ✓
12,000,000
= shs. 2,666,666.7 ✓
(*2 x $^1/_2$ = 1 mk*)

Nzundu = 4,000,000 x 4,000,000 ✓
12,000,000
= shs. 1,333,333.3 ✓
(*2 x $^1/_2$ = 1 mk*)

14.
- Good / stable political power.
- Good / well developed infrastructure.
- Adoption of modern technology in production.
- Adequate raw materials.
- Presence of optimal population.
- Good economic planning through research.
- Presence of good entrepreneurial culture. (*4 x 1 = 4 mks*)

15.
- When goods offered in the market are inadequate / not enough.
- When goods offered are of poor quality.
- Where goods are not available in the market.
- When prices charged for goods are high.
- When the services needed by consumers are lacking e.g. credit facilities, after-sale services etc.

(*4 x 1 = 4 mks*)

16.
- Does not allow specialization.
- Promotes individualism.
- Does not encourage invention and innovation since it does not make use of modern technology.
- Limits the choice of the producer since he cannot produce a significantly wide variety of goods.
- One waste a lot of time moving from one activity to another for there is no specialization.
- Does not provide surplus for selling in the market.
- Goods produced are generally of low quality since there is no competition for market.

(*4 x 1 = 4 mks*)

17.
- The attendance at the exhibition might have been low.
- The show goers may not have been potential customers.
- The quality of goods might not have been impressive.
- The goods might have been against the culture of that area.
- The level of income of the show goers might have been low.
- The competition by other manufacturers might have been stiff. (*4 x 1 = 4 mks*)

18.
- Increase in population.
- Increase in consumer's income.
- Good product promotion.
- Change in taste and preferences in favour of the product.
- Increase in price of the substitutes of the commodity.
- A fall in the price of jointly demanded commodities.

- Shortage in the availability of substitute commodities. (*4 x 1 = 4 mks*)

19.
- To raise government revenue.
- To discourage consumption of certain commodities e.g. beer, cigarettes.
- To protect local industries from competition from subsidized imports.
- To discourage dumping.
- To discourage location of firms in certain areas.
- To bridge the gap between the poor and the rich.
- To control inflation e.g. by increasing P.A.Y.E
- To maintain a surplus balance of payments e.g. by imposing high import duties.
- To protect the environment. (*4 x 1 = 4 mks*)

20. (a) Invoice sent / issued / outgoing.
(b) Receipts issued / cheques received / cash sale receipt issued.
(c) Credit notes received / incoming.
(d) Receipts received / cheques issued / cash sale receipt received / cash payment voucher. (*4 x 1 = 4 mks*)

21.
- Enhancing security against theft e.g. by employing guards and keeping property in a secure place.
- Ensuring users take physical care of the property assigned to them.
- Keep proper records of the physical property.
- Conduct regular stock taking of all physical assets.
- Insure the property.
- Do regular repairs, servicing and maintenance.
- Have the property well registered e.g. land to deter land grabbers. (*4 x 1 = 4 mks*)

22. (a) Rate of stock turnover = $\frac{\text{Cost of goods sold}}{\text{Average stock}}$

Cost of goods sold = Average stock X rate of turnover

C.O.G..S = $\frac{80,000 + 100,000}{2}$ x 3 times ✓

= $\frac{180,000}{2}$ x 3 = 90,000 x 3 ✓

= 270,000 ✓✓ (*4 x $^1/_2$ = 2 mks*)

(b) Gross profit = Sales - Cost of goods sold.

= 325,000 ✓ - 270,000 ✓

= 55,000 ✓✓ (*4 x $^1/_2$ = 2 mks*

23. (i) W = shs. 40,000
(ii) X = shs. 80,000
(iii) Y = shs. 54,000
(iv) Z = shs. 170,000 (*4 x 1 = 4 mks*)

24.
- Where heavy / high initial capital is required and other firms cannot afford.
- When a firm is in control of an important input in production.
- Where a firm is the only one with production rights i.e. copyrights / patent rights.
- Where different firms combine to form one firm.
- Where the market is small and can only be served by one firm economically.
- Where one firm can operate at low cost that other firms cannot survive.
- Where the government policy / legislation require only one firm to offer the good / service.
- Where a firm is enjoying economies of scale not enjoyed by other firms. (*4 x 1 = 4 mks*)

25. (i) External environment.
(ii) Internal environment.
(iii) External environment.
(iv) Internal environment. (*4 x 1 = 4 mks*)

KAHURO/KIHARU DISTRICT JOINT EXAMINATION – 2015
BUSINESS STUDIES PAPER 2
MARKING SCHEME

1. (a) Channels that can be used to distribute locally manufactured goods.
- Local producer => Agent => Wholesaler => Retailer => Local consumer.
- Local producer => Wholesaler => Retailer => Local Consumer.

- Local producer => Local consumer.
- Local producer => Manufacturer's Representative => Wholesaler => Retailer = Local Consumer.
- Local producer => Wholesaler => Local consumer.
- Local producer => Retailer => Local consumer. (5x2 = 10mks)

(b) Challenges that may be experienced by a new entrepreneur.

- 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 result in less quantity or poor quality products.
- Unfair competition.
- Inadequate manpower to run the business effectively.
- Poor pricing which might make the product to be too expensive to attract buyers or too cheap to sustain the business.
- Inadequate market. (5x2 = 10mks)

2. (a) Negative economic implications of given age distribution.

- About 45% of the total population consists of those below 15 years. This implies more expenditure has to be directed towards provision of education, health etc/
- There is high dependency ratio which adversely effects savings and investments of the working population.
- There is need to plan for creation of employment opportunities to cater for the expected increase in labour force.
- Industries are likely to produce mainly goods used by the young population at the expense of the needs of adult population.
- The country may be forced to import such goods as food and medicine which leads to balance of payments problems.
- There will be little or no exports as the majority of the population who are young consume everything. (4x2 = 8mks)

(b)

NYAITUYA
TRADING PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2005

Opening stock		60,000 ✓	Sales		720,000 ✓
Add: Purchases	340,000 ✓		Less: Sales returns	20,000 ✓	700,000
Less: Purchases Returns	18,000 ✓	322,000 ✓			
		382,000 ✓			
Less closing stock		52,000 ✓			
Cost of sales		330,000 ✓			
Gross profit		370,000 ✓			
		700,000			700,000
Rent paid	16,000 ✓		Gross profit b/f		370,000 ✓
Add: accrued rent	6,000 ✓	22,000 ✓	Commission received	9,000 ✓	
Advertising		24,000	Add due commission	5,000 ✓	14,000 ✓
Insurance paid	30,000 ✓				
Less: Advance	4,000 ✓	26,000			
Salaries owing	21,000 ✓				
Net profit c/f	291,000 ✓				
	384,000				384,000

(21 x 1/3 = 7mks)

NYAITUGA
BALANCE SHEET ✓
As at 31.12.2005

Fixed Assets		Capital	288,000 ✓
Furniture & Fittings	100,000 ✓	Less drawings	40,000 ✓

Premises		400,000 ✓	500,000	Add Net profit		291,000 ✓
539,000 ✓						
				Net capital		
Current Assets						
Debtors		54,000 ✓		Current Liabilities		
Cash in hand	15,000 ✓			Creditors	64,000 ✓	
Stock	52,000 ✓			Rent accrued	6,000 ✓	
Advance insurance	4,000 ✓			Salaries owing	21,000 ✓	91,000
Commission due	5,000 ✓	130,000				
		630,000				630,000

(15 x $^1/_3$ = 5mks)

3.

(a) Circumstances that make it necessary for companies to re-insure.

- Value of he property: when the value of property is great such as a ship, 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 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.

(5x2 = 10mks)

(b) Original Books of Entry

Purchases Journal

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

Purchases Returns Journal

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

Sales Journal

Date	Details	Invoice Number	Folio	Amount
March 2	Fuma Retailers			37,200 ✓
2	Tito Grocers			25,500 ✓
2	Wamba Traders			16,250 ✓
9	Tamu			5,500 ✓
9	Patu			18,200 ✓

26 26 26	Kamanja Orengo Wama traders			16,600 ✓ 19,260 ✓ 15,200 ✓
	Total posted to sales A/c.			153,710

Sales Returns Journal

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

(½ x 20 = 10mks)

4.

(a) Methods that can be used by a country to solve the problem of deficit balance of payment.

- Control of imports: A country can correct a deficit balance of payment by controlling imports using total ban, tariffs, quotas etc.
- Increase the volume of exports: a country can correct deficit by increasing / encouraging exports.
- Devaluation of home currency: this will encourage exports and discourage imports.
- Encourage foreign investment in a country so as to produce goods for export.
- Through import substitution: a country can put up industries to produce goods for home consumption instead of importing.
- Giving subsidies to local manufactures in order to increase exports
- Using foreign reserves: a country can exchange reserves and gold to offset its deficit.
- Borrowing from other countries: a country can borrow from another country so that such money can be used to offset a deficit balance of payment. (5x2 = 10mks)

(b) Differences between land and labour as factors of production.

Land	Labour
- Refers to all resources provided by nature used in production. - Is geographically fixed in supply (supply cannot be increased). - Productivity reduces with constant use hence reducing in quality. - Provides raw materials for production. - Quality may be improved through adding fertilizer and manure. - Rewards for land are in form of rent, rates and lease.	- Refer to human efforts in production. - Is both geographically and occupationally mobile. - Increased through growth of population. - Efficiency in production increases with constant application through experience. - Provides services in production. - Quality may be improved through training. - Rewards for labour are in form of salaries, wages, commissions and royalties.

(5 x 2 = 10mks)

5.

(a) Distinction between sets of goods and services.

(i) Free and economic goods
Free goods are those that are available in abundance as gifts of nature and have no price attached while economic goods are those that are scarce in supply and have money value.

(ii) Producer goods and consumer goods.
Producer goods are those produced to be used in producing others while consumer goods are goods that are readily usable by the final consumer.

(iii) Perishable and Durable goods.
Perishable goods are goods that go bad very easily unless stored using special facilities while durable goods are those that will continue giving service for a long time without spillage.

(iv) Public goods and private goods
Public goods are those that belong to no one in particular but are owed by the government on all of us collectively while private goods are owned by individuals or groups of individuals in their private capacities.

(v) Intermediate goods and finished goods.

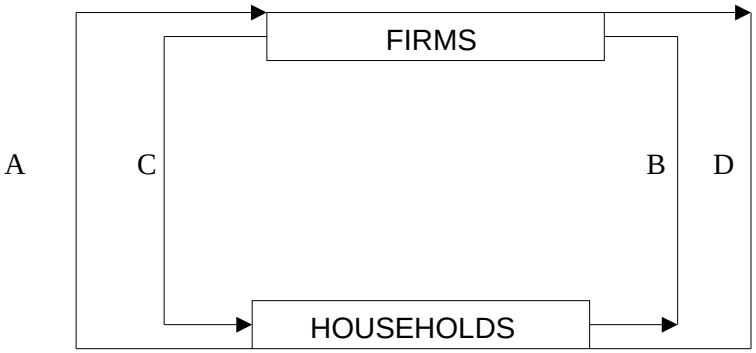
Intermediate goods are those that need to go through further processing before use while finished goods are final products that come out of production in the required form ready for use. (5x2 = 10mks)

(b) Ways in which an efficient road transport system may promote trade within a country.

- Goods will be transported easily to the market.
- Buyers and sellers will be able to move from one market to another easily.
- Goods will be transported from areas with excess supplies to areas with shortages / scarcity.
- Many areas of trade would be opened.
- Quick / fast deliveries would be ensured i.e. minimal delays.
- The cost of transport would be lower hence better profits to processors.
- It enables producers to specialize in what they can produce cheaply.
- Prices would stabilize due to steady / continuous supply. (5x2 = 10mks)

6.

(a) Flow of national income in a two-sector economy.



A – Households provide firms with factors of production.
B – Firms provide households with goods and services.
C – Firms provide households with income for factors of production.
D – Households provide firms with income after buying goods and services. (2x4 = 8mks)

Households (1mk)
Firms (1mk)

(b) Differences between a fixed deposit account and a savings account.

Fixed Deposit account	Savings account
- Money is not withdrawn before contract is over. - Larger amounts are needed to open. - Interest earned on it is higher. - Can be used as security for a bank overdraft. - For people with substantial amount of money. - Account is in force for a specified period of time.	- Money can be withdrawn at an agreed interval. - Smaller amounts required to open. - Interest is usually lower. - Cannot be used as security for a bank overdraft. - For small saves. - It is a running account as minimum balance is maintained.

(5 x 2 = 10mks)

KAJIADO COUNTY JOINT EXAMINATION – 2015
BUSINESS STUDIES PAPER 1
MARKING SCHEME

1. Factors influencing choice of means of transport.
- Cost of means
- Distance to be covered.
- Nature / Type of goods to be transported
- Value of goods to be transported
- Terminals
- Urgency of the goods
- Speed of the means. (1x4pts=4 marks)

2. Difficulties consumers face in the satisfaction of human wants.
- Resources being scarce.
- Human wants are too many/numerous/endless/ unlimited.
- Human wants are unsatiable.
- Human wants keep on changing with time/age/gender.
- Human wants keep on reoccurring.
- Some wants are habit forming.
- Are competitive (1markx4 points=4 marks)

3.

Activity	Level of production
Dress making	Secondary
Selling goods	Tertiary
Milking a cow	Primary
Cutting down trees	Primary

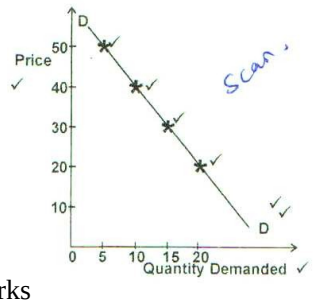
(1 markx4pts=4 marks)

4. Unethical practices in product promotion
- False pricing
- Not disclosing the side effects of the product
- Giving false/misleading information about products
- Offending consumers
- Exploiting vulnerable group e.g. children.
- Portraying rival business negatively. (1x4=4 marks)

5. Uses of an advice note in business
- Inform buyer (s) that goods have been dispatched.
- To alert the buyer to prepare to receive the goods.
- To alert the buyer to start making arrangements for payment for goods. (1 mark×4 pts=4 marks)

6. Advantages of using a short channel of distribution
- Buyer gets goods at low price(s)
- Gets goods while fresh/good quality.
- Direct/personal contact with the producer.
- Can get goods of his/her choice/specifications.
- Gets immediate feedback/response. (4 points×1 mark=4 marks)

7. Deriving a demand curve from the given demand schedule.



½ ×8 ticks=4 marks

8. Challenges facing consumers association in Kenya
- Inadequate finances/funds.
- Consumers are unaware of existence of such associations.
- Lack of consumer education /are not aware of their rights.

- Consumer apathy/unwilling to join associations.
- Unqualified personnel. 4 points ×1 mark=4 marks

9. External business environments that may lead to business success
- Political instability.
- Use of modern technology.
- Favourable government policy e.g. low taxation/availability of subsidies.
- High population.
- Favorable economic environment e.g. low interest rates/low inflation rates/high income. (1 mark×4=4 marks)

10.

Date	Details	Lf	Cash(shs)	Bank (Shs)	Date	Details	LF	Cash(shs)	Bank (Shs)
2011					2011				
Feb 1st	Bal b/d		23,500	11,500	Feb 2nd	Purchases		8,000	
Feb 4th	Sales		6,900		Feb 5th	Bank	c	2,500	
Feb 5th	Cash	c		2,500	Feb 7th	Drawings			3,000
Feb 10th	Siokino			6,000	Feb 10th	Bal c/d		19,900	17,000
			30,400	20,000				30,400	20,000
Feb 11th	Bal b/d		19,900	17,000					

11. Features of monopoly market structure
- One/single seller/producer/supplier
- Restrictions /barriers to entry into market.
- No close substitutes for the product
- Buyers have limited knowledge of market conditions. points×1=4 marks

12. Factors to consider when evaluating business opportunity.
- Availability of raw materials.
- Availability of market.
- Level of competition
- Government policy
- cultural values of people/community 4×1 mark=4 marks

13. Differences between public and private warehouse.

Public warehouse	**Private warehouse**
- Are for hire to members of public	- For exclusive use of owner
- Are large in size	- Small in size
- Located at entry point	- Located near the premises of owner
- Insurance is mandatory	- Insurance is optional
- Operated as an independent business	- Operated as a department of main business

14. Principles (guidelines) that govern the affairs of co-operative societies
- Democratic administration/management
- Open and voluntary membership.
- Education to member
- Dividends/surplus repayment
- Cooperation with other cooperatives
- Service motto. (4x1mark=4 marks)

15. Identify insurance term described.
- Assigning/assignment
- Double insurance
- Premiums
- Surrender value

16. Injections leakages
   a) Exports
   b) Government expenditure
   c) Investments
   d) Imports
   e) Taxes
   f) Savings (6ticksx1/2=3 marks)

17. *Determination of gross profit*

$$Average\ stock = \frac{opening\ stock + closing\ stock}{2}$$

$$\frac{640{,}000 + 800{,}000}{2}$$

$$\frac{1{,}440{,}000}{2} = 720{,}000$$

$$rate\ of\ stock\ turnover = \frac{cost\ of\ sales}{average\ stock}$$

$$3 = \frac{cost\ of\ sales}{720{,}000}$$

$$\therefore cost\ of\ sales = 720{,}000\ x\ 3 = 2{,}160{,}000$$

$$Mark\ up = \frac{20}{100}, Gross\ profit = \frac{20}{100}\ x\ 2{,}160{,}000 = shs\ 432{,}000$$ (8 ticks x$^1/_2$=4 marks)

18. Characteristics of money
- General acceptability
- Scarcity
- Portability
- Divisibility
- Durability (4pts x 1mk=4 marks)

19. Stating type of unemployment described.
- Residual unemployment
- Structural unemployment
- Cyclical unemployment
- Technological unemployment. (4point x1=4 marks)

20. Circumstances under which a firm would locate near a pool of labour.
- Where a firm is labour-intensive
- If a firm desires to save on wage bill.
- If a firm requires (highly) skilled personnel
- Where there is competition/scramble for labour. (4 pointsx1=4 marks)

21. Identifying type of errors being described
- Error of original entry.
- Error of commission
- Complete reversal of entry.
- Error of principle.

22. Reasons for imposition of taxes by the government.
- To raise revenue
- To redistribute incomes
- To discourage consumption of harmful goods.
- To correct a deficit in the balance of payment
- To protect infant industries
- To discourage importation of certain products. (4 pintsx1=4 marks)

23. Causes of cost-push inflation.
- High salaries/wage bills.
- High costs of raw materials/inputs
- Increase in indirect taxes
- Withdrawal of government subsidies
- High cost of importing fuel.

24. Measures that an organization may put in place to improve office etiquette.
- Enhancing team work
- Training them on office etiquette
- Providing conducive working conditions
- Appreciating outstanding/hard work employees.

25. Objectives of carrying out development planning.
- To eradicate illiteracy
- To create employment opportunities.
- To improve on health facilities/eradicate diseases.
- To ensure food security

- To conserve the environment. (4points x1=4 marks)

KAJIADO COUNTY JOINT EXAMINATION – 2015
BUSINESS STUDIES PAPER 2
MARKING SCHEME

1. Differences between commercial banks and non-bank financial institutions

Commercial banks	**Non-bank financial institutions**
- Provide current account facilities/issue cheques books - Provide short-term loans - Are regulated/supervised by the central bank/Banking Act - Lend money to all sectors/variety of purposes. - Provide foreign exchange services - Are members of clearing house/clear cheques through clearing house - Offer safety locker facilities	- They do not provide current account facilities/Do not issue cheques books. - Provide long term loans - Are regulated by different bodies/not regulated by central bank/regulated by various Acts other than Banking Act - Lend money for specific sectors/purposes. - They do not exchange foreign currency. - Are not members of clearing house/ do not participate in clearing cheques - They do not offer safely locker facilities.

(2x5=10 marks)

b) Circumstances where cash terms may be used.

- Where the amount of money involved is small/low
- Where it is the policy of the business.
- Where the seller urgently needs/requires cash.
- Where the credit worthiness of the buyer is in doubt.
- Where the buyer is new to the seller/not known to the seller.
- Where the seller is operating a mail-order business
- Where the buyer is not a regular customer. (2marksx5pts=10 marks)

2. a) Challenges encountered in the determination of consumer price index. (CPI)

- Choice of the base year where prices are stable
- Choice of basket of goods/services that are commonly consumed by many average families is not easy.
- Choosing a typical family that represents many average families is difficult as they do not live in the same region.
- Problem of allocating weights to goods/services in the basket to ensure correct/fair weighting.
- Different prices in different regions
- Inadequate data-many people don't keep records.
- Changing consumers tastes/preferences hence change in expenditure patterns (2markx4pts=8 marks)

b) Factors to consider when choosing a channel of distribution.

- The nature/type of goods: where goods are perishable, a shot/direct channel is preferred.
- Size of the market/geographical spread of consumers; where the market is large/spread intermediaries will be required/long channel would be chosen, and vice versa.
- Cost of distribution: producer would choose an affordable/cheaper channel.
- Government policy: producers would choose a channel that is in line/ comply with the government policy.
- Level of competition: Where the competition is stiff, a short channel is preferable, and vice versa.
- Availability of intermediates: where agents/intermediaries are not available, then the producer will use a short channel.
- Size of the firm/available resources:
- Where a firm may be able /have its own resources e.g. vehicles to take products to the consumers it will use a short channel and vice versa. (2 marksx6 points=12 marks)

3. a) Factors influencing on what goods/services to produce

- Level of competition-A firm may prefer to produce those goods that meet the least competition.
- Expected profits to be realized: a firm will prefer to produce those goods/services that would yield maximum/high profits.
- Availability of resources/raw materials so that firms can be able to produce the goods/service at a comparative cheaper rates.
- Demand/market for the goods/services- A firm will prefer to produce those goods/services whose demand/market is high in order to realize high/maximum profits.
- Cost of production/expense to be incurred: A firm will produce those goods/services for which there are less expenses/low costs of production.
- The government policy/taxes imposed subsides given-produce goods/services that attract favourable government policies.

b) Uses of general journal
- To record sale of fixed assets on credit.
- To record purchase of fixed assets on credit.
- Correction of errors
- Recording of opening entries
- Recording of closing entries.
- Writing off bad debts.
- Recording of issues.

4. a) Circumstances under which a country may restrict imports.
- Where the country needs to protect its infant industries.
- Where it needs to protect strategic industries.
- When it wants to promote the use of local/domestic resources
- When it wants to prevent dumping/avoid importation of inferior/low quality imports.
- Where there is need for protecting/preserving local/domestic cultural and social values.
- Where it wants to encourage consumption of locally produced goods/services. (2x5 pts=10 marks)

b) characteristics of a successful entrepreneurs.
- Risk-taker-he/she is not afraid of suffering losses
- Hard-working/being persistent/committed-He/she puts a lot of time in the business to ensure success.
- Goal-oriented/desire to achieve set goals
- A good decision maker-weights all possible options before choosing what to do.
- Innovative/initiative/creative always seeking for more business opportunities
- Always seeking for information/feedback that can improve business performance. (2marksx5pts=10mks)

5. a) Benefits of warehousing to consumers
- Consumers obtain/gets/ buy goods throughout.
- Stability in prices thus can plan ahead.
- Consumer will get goods/high quality since some goods improve in quality while in warehouse.
- Consumer will enjoy seasonally produced goods throughout the year.
- Will get goods that are of their requirements/specification/needs and that are well blended and packed.
- Will get goods that are not damaged as they are well secured.

b)

6. a) Roles of insurance in the development of the economy.
- Create confidence among the businesses/ business people enabling them take risks/risky ventures.
- Mobilizes saving which the business community borrows to start/expand businesses.
- Creates of employment opportunities
- Invest in real estate's/share and other securities.
- Advise/educate traders on matters pertaining to insurance.
- Compensate the insured when they suffer losses from the insured risks hence continuing with business operations. (3marksx5pts=10 marks)

b) Reasons for compiling income statistics
- So as to measure living standards of people in a country at a given time.
- So as to compare the standards of living between countries at a given time.
- Used in the calculation of per capita income.
- So as to attract foreign investment.
- So as to measure the rate of economic growth of the country.
- Used in economic planning. (2marksx5pts=10mks)

THARAKA SOUTH FORM JOINT EXAMINATION
KENYA CERTIFICATE OF SE CONDARY EDUCATION
BUSINESS PAPER 1
MARKING SCHEME

1. Positive external factors
- Fair competition
- Appropriate technology
- Stable political environment
- Stable economic environment
- Favorable government policy/legal framework
- Reliable supply system
- Weak consumer bargaining power
- Security
- Positive publicity
- Good physical infrastructure
- High population/market
- Favourable social-cultural environment. (any 4x1= 4 marks)

2. Reasons why consumers have to make a choice
- Unlmited needs/wide variety
- Limited income/ resources
- Government policy on goods/government restrictions
- Different taste/ preference/ fashion/quality
- Cannot be permanently satisfied (any 4x1=4 marks)

3. Why a sole proprietor remain small
- To meet needs of few customers
- Little capital for expansion
- No collateral to borrow funds for expansion
- Decision by owner to remain small
- Limited technology/ limited specialization
- Fear of risks associated with large business
- Need for personal attention to customers

4. Problems when government becomes a main investor.
- Discourage investment due to unfair competition
- Poor quality goods/ services due to lack of competition
- Limited choices for consumers
- Inefficiency leading poor productivity
- Burden to tax-payer due to continuous losses
- Lack of accountability/Transparency
- Unstable management/frequent changes in their management.
- Political interference leading to unethical practices.
- Bureaucracy/ Red-tape leading to rigidity. (any 4x1=4 marks)

5. Contra-entry-A transaction that affect both cash and bank accounts. (2 marks)
   Folio column-reference page on the relevant account. (2 marks)

6. Locating firm near source of raw materials
- Where raw materials are bulky/heavy
- Where constant supply of raw materials is required.
- Where raw materials are highly perishable/fragile
- Where competition of raw material is high.
- Where government policy dictates so.
- Where there is need to save on cost.
- Where firm could like to give constant advice. (any 4x1= 4 marks)

7.

a) Sales invoice/outgoing invoice
   b) Credit note
   c) Credit note
   d) Purchase invoice/incoming invoice. (any 4x1=4 marks)

8.

Neno Traders P& L a/c for the year ended 31/12/2014			
	Shs		Shs
Discount all.	✓ 740	G/pb/d	✓ 18,620
Carriage out	✓ 1,350	Rent rec.	✓ 3,430
G/Expenses	✓ 1,960		
Salaries/wages	✓ 5,700		
Net profit	✓ 12,300		
	✓ 22,050		

8 ticksx1/2=4 marks

9. Advantages of division of labour
- Increased output
- Development of individual skills.
- Quality goods
- Maximum use of machinery
- Development of new talents
- Encourage invention innovation
- Reduce training time (any 4x1=4 marks)

10. Ways of generating business ideas.
- Information from the media/accept example
- Trade fairs/shows/exhibitions
- Personal skills/hobbies/talents
- Formal/vocational Training
- Market research/ survey
- Using events/occasions e.g. wedding; sports etc.
- Identifying waste products
- Listening to what people say
- Identifying market gap/ niche
- Copying/ improving existing idea or producy.
- Combining business ideas. (any 4x1=4 marks)

11. Problems interfering to face to face communication
- Distance between communicating parties
- Where two parties do not speak same language
- Where language command is not of the same level.
- Where one party may be too domineering
- Noise
- Poor timing/mood
- Prejudice
- Unclear gestures
- Information over load (any 4x1= 4 marks)

12. Location bonded warehouse at point of entry.
- Prevent entry of harmful/dangerous goods
- Prevent exit of goods without legal authority.
- Easing inspection of imported goods
- Easing collection of custom duties
- Easing re-export of goods. (any 4x1=4 marks)

13. Ways in which households contribute to national income.
- Consumption of goods
- Payment of taxes
- Provision of labour
- Provision of savings for investments/capital
- Provision of land
- Provision of entrepreneurship.

14. Roles played by intermediaries
- Reducing transactions between producers and consumers
- Bulk breaking
- Accumulating (assembling bulk)

- Risk taking
- Provision information to producers about consumers
- Product promotion/advertising
- Provision of storage facilities
- Transportation
- Availing goods to consumers
- Guarantor to the government. (any 4x1=4 marks)

15. Services that central bank offer to the government.
- Accept deposits for safekeeping
- Issue currency on behalf of government
- Arrange and pay public debts on behalf of government.
- Advice the government on financial matters. (any 4x1=4 marks)

16.
a) Direct
b) Indirect
c) Direct
d) Indirect (any 4x1=4 marks)

17. $Trade\ discount = \frac{20}{100} xsh.100{,}000 = sh\,20{,}000$

$Cash\ discount = \frac{5}{100} x\left(sh\,100{,}000 - sh\,20{,}000\right) = sh.\,80{,}000$

`$\frac{5}{100} xsh.80{,}000 = sh.4000$

$Wet\ amount\ paid = sh.\,80{,}000 - 4{,}000 = sh.\,76{,}000$ (4 ticks x1=4 marks)

18. Factors hastening economic development
- Industrialization
- Infrastructure/social amenities
- Education and training
- Use of modern technology
- Good medical facilities
- Economic endowed/natural resources
- Strong entrepreneurial culture.

19. $compensation\ claim = \frac{\sum insured}{Actual\ value} xloss$

$, \frac{sh.800{,}000}{sh\,100{,}000} xsh\,1000.000 = sh\,800{,}000$ (4 ticks x1=4 marks)

20. Reasons for which traders observe ethics
- Avoid misleading consumers
- To ensure that consumers are not offended
- To avoid exploiting certain vulnerable groups/children
- To avoid negative influence on consumers
- To avoid portraying rival business negatively
- To create positive image/reputation
- To abide by laws of the country
- To avoid environment pollution/degradation (any 4x1=4 marks)

21. Factors determine the length of storage of documents.
- Cost of storage
- Information contained in the documents
- Need for future reference
- Purpose of documents (any 4x1=4 marks)

22.

CASH BOOK							
Date	Particulars	Cash	Bank	Date	Particulars	Cash	bank
Dec-1	Bal b/d	13,000✓	56,000✓	Dec 15	Creditors		8,200✓
2	sales	12,000✓		30	Rent	7,500✓	
27	debtors		24,500✓	31	Bal c/d	17,700✓	72,300
		25,200	80,000			25,200	80,000

(8 ticksx1/2=4 marks)

23. Causes of unfavorable terms of trade
- Appreciation of foreign currency
- Higher increase in the price of imports
- Low/fall in demand for exports
- Depreciation/Devaluation of local currency
- Competition from similar export products
- Increase/high demand for imports

24. Features of assets
- Fixed/current assets
- Must have been acquired in the past.
- Resources owned and controlled by business
- Items of value/measured in monetary terms

Future economic benefits

25. $\frac{16,000}{12,000} x 100 = 133\%$

$Increase (133-100) = 33\% \vee 0.33 (4\ ticks\ x\ 1 = 4\ marks)$

THARAKA SOUTH FORM JOINT EXAMINATION
KENYA CERTIFICATE OF SE CONDARY EDUCATION
BUSINESS PAPER 2
MARKING SCHEME

1. a) Problems in calculating the price indices

- Difficult to determine what should constitute the 'basket' as commodities selected are those consumed by average consumers.
- Difficult to determine a typical family or household as average consumers are preferred.
- Determining prices as they differ from one location to another.
- Selection of base year as it is difficult to get a fairly stable one.
- Difficult to ensure that correct weights are allocated to every item.
- Lack of adequate and accurate data on prices and consumer' expenditure.
- Changing tastes and preferences of consumer which change their expenditure patterns (5x2=10marks)
- b) Principles under which co-operative societies are managed.
- Democratic administration-one man one vote
- Co-operation with cooperatives-who are carrying out cooperative activities.
- Promotion of education to members turn seminars, workshops
- Provision of dividends to members from the profits realized.
- Voluntary open membership where members are free to join or leave the society.
- Limited interest on capital to members to participate. (any 5x2=10 marks)

2. a) i

PEN POINT ENTERPRISES
Trade, Profit and loss a/c✓
For the year ended 31/12/2014

	Shs		Shs
Purchase	650,000✓	Sales	1,000,000✓
Less closing stock	25,000✓	Sales Returns	10,000✓
Cost of sales	625,000✓		
Gross profit c/d	365,000✓		
	990,000✓		990,000
Expenses			
General expenses	120,000	Gross profit	365,000✓
Rent expenses	23,500	Discount rec.	✓9,000
Net profit	230,500		
	374,000		374,000

(12x1/2=6 marks)

PEN POINT ENTERPRISES
BALANCE SHEET ✓
As at 31/12/2014

	Shs		Shs
Premises	500,000✓	Capital	487,500✓
Motor vehicles	125,000✓	Less drawing	20,000✓
Stock	25,000✓		467,500
Debtors	75,000✓		
	990,000✓		
Cash at bank	30,000✓		
Cash in hand	3,500✓	Add Net profit	230,500✓
		Creditors	60,000✓
	758,000		✓758,000

2. b) Features of monopoly
- There is only one seller/supplier for the entire market.
- The products supplied do not have close substitutes in the entire market
- Difficult for other firms/suppliers to enter the market due to restrictions.
- Price are fixed by suppliers as he has control of output.
- Price discrimination where supplier sell the same product at different prices to different consumers
- The demand curve steeply is the same as that of the industry as monopolist is both the firm and the industry.
- A monopolist may exploit the consumer by restricting output and selling at higher prices.
- A monopolist may produce low quality due to lack of competition. (any 4x2=8 marks)

3. a) Evaluating a business idea.
- 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 product 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. (any 5x2=10 marks)

b) Choice of means of communication
- Speed/urgency/time-more urgent message will require a faster means
- Cost/affordability-one will choose a means that will be affordable
- Secrecy/confidentiality-confidential messages require appropriate means
- Distance/destination short distances require simple means
- Evidence/reference/record-when required written methods should be chosen.
- Reliability-means used should ensure that message reaches its destination.
- Accuracy-method used should not distort the message.
- Impression/effectiveness –method used should meet the desired impression/effect.
- Recipient literacy/language/status of recipient.
- Availability-one should go for a means that is available.
- Lengthy/nature/detailed message-long message require written communication. (5x2=10 marks)

4. a) High population growth being desirable
- Where there is need to increase market demand for goods/services.
- Where there is need to increase labour supply
- Where there is need to attract investors through increased consumption by high population.
- Where there is need to reap the benefits of specialization/division of labour.
- When there is need for technological advancement leading to high efficiency
- When there is need to use diverse talents leading to quality/quantity goods. (any 5x2=10 marks)

b) Circumstances under which a wholesaler becomes necessary.
- Where producer doesn't have enough capital to set up a distribution points.
- Where producers can't manage distribution outlets due to management problems/logistics.
- Where government policy requires that certain goods be distributed by middlemen
- Where producers lack transport mean-hence saving cost.
- Where the producer lacks storage for safety of goods/ to save storage cost.
- Where there is need to brand/prepare goods for sale to save cost.
- Where market is wide as producer may not be able to cover the whole market.
- Where there is need to advertising so as to save on cost. (any 5x2=10 marks)

5. a) Benefits of buying goods from departmental store.
- Access to specialized goods from relevant shops department.
- Personal attention to customers as they have access to relevant staff
- Access to auxiliary/after sales services which may be readily available within the store.

- One can save time by shopping under one roof.
- Use of debit/credit cards relieving one bother of carrying cash.
- Access to new products /information which one may not be aware off.
- Prices are relatively low enabling one to save/buy more.
- One can access variety of goods under one roof. (any 5 x2=10 marks)

b) Problems encountered in development planning.

- Inadequate/inaccurate information which render development plans unreliable.
- Lack of capital/financial resources hamper implementation of a well laid out plan.
- Dependence on external resources/funding which fluctuate/may not be released.
- Existence of large private sector where the state does not have direct control.
- Failure to involve local people at grassroots result in lack of support/rejection.
- Over ambitious plans which are unrealistic/unattainable lead to abandoned projects.
- Natural calamities/in foreseen occurrences where funds are diverted from planned purpose to be used in combating the calamity.
- Transfer of inappropriate plan/use of imported models which end up failing.
- Lack of political will/support frustrates implementation efforts or bring it down.
- Lack of commitment/cooperation among the executing parties may bring it down.
- Political instability/insecurity which hampers efforts planning.
- Shortage of qualified man-power making the government to rely on expatriates who are not knowledgeable on local conditions. (5x2=10 marks)

6. a)

THREE COLUMN CASH BOOK									
Date	Details	Dis. all	Cash	Bank	Date	Details	Dis. Rec	Cash	Bank
September					September				
1	Bal b/d✓		15,000		1	Bal b/d✓			40,000✓
4	Kabogo	✓200	✓	8,000✓	7	Bank C✓		4,000✓	
7	✓	0		4,000✓	8	Rent✓		4,000✓	3,000✓
14	Cash C✓				17	Furniture			
20	Sales✓		14,000		18	✓	526	10,000	
22	Njeri✓		✓	4,000✓	30	Kofi✓	✓	✓	
25	Kambu✓	1000	6,000✓	17,000	30	Back C✓		16,000	6,000✓
30	Capital✓	✓		✓		Bal c/d✓		✓	
	Cash C✓			16,000				1,000✓	
				✓					

(36ticks x $^1/_3$ =12 ticks)

b) Reasons why international trade is more difficult.

- There are laws and regulations which differ from one country to another.
- Lack of a uniform currency makes conversion of currency as requirements difficult
- Physical barriers separating countries lead to high transport costs.
- The possibility of using untrustworthy agents increases the risk involved.
- Long procedure and documentation complicate trade in some countries.
- There are sometimes difficulties in finding potential markets for goods in foreign countries. Differences in languages may make communication difficult.

GEM SUB COUNTY JOINT EVALUATION EXAM 2015
KENYA CERTIFICATE OF SE CONDARY EDUCATION
BUSINESS PAPER 1
MARKING SCHEME

1. Mention four ways in which the government participates in training businessman in the country.
   - ✓ Through organizing trade fairs shows and seminars.
   - ✓ By sponsoring businessmen to colleges/universities/schools/tertiary levels to gain more business knowledge.
   - ✓ Through direct training by Kenya Institute of Business Training (KIBT)
   - ✓ Through the use of commercial attaches who train exporters on new ideologies/technology/market requirements.
   - ✓ Through the use of science and technology congresses.
   - ✓ Through business studies curriculum in secondary schools.
2. State four factors that limit satisfaction of human wants.
   - ✓ Due to levels of consumers income.
   - ✓ Due to high of level of poverty/unemployment among most people.
   - ✓ Due to poor health of individual consumers.
   - ✓ The high commodity prices in the country/inflation.
   - ✓ The scarcity of commodities in the country which limits consumers choice.
   - ✓ Political instability/insecurity/civil strifes in the country which interfere with production.
   - ✓ Low levels of education in the country which limit creativity.
   - ✓ Inadequate cooperant factors of production in the country. (1 x 4 = 4 Mks)
3. Reasons for drawing development plans
   - ✓ To rank development projects in order of priority.
   - ✓ To ensure economic stability.
   - ✓ To identify resource gap which needs to be filled.
   - ✓ To identify complementary investment decisions.
   - ✓ To achieve fair and balanced distribution of resources in the country.
   - ✓ To achieve industrialization.
   - ✓ To source for loans and grants from overseas.
   - ✓ To promote/stimulate positive attitude.
   - ✓ To coordinate investments in the whole country.
   - ✓ To achieve economic stability.
   - ✓ To help mobilise different sectors of the economy for greater productivity. (1 x 4 = 4 mks)
4. Ways of acquiring monopoly power.
   - ✓ By increasing the scale of operation.
   - ✓ By acquiring the ownership of a source of a raw material.
   - ✓ By acquiring control over market channels.
   - ✓ Acquiring control over market channels.
   - ✓ By acquiring ownership of production right/patent/copyright.
   - ✓ By lobbying the government to get exclusive rights to produce a particular product.
   - ✓ By initiating mergers with and takeovers of other similar firms to increase the size of the firm.

   (1 x 4 = 4 mks)
5. Identify any four barriers of international trade that are imposed by the government.
   - ✓ Import quotas.
   - ✓ Import ban/total ban/embargoes.
   - ✓ Custom duties.
   - ✓ Import/export licensing.
   - ✓ Bottlenecks/red tapes/complicated producers.
   - ✓ Foreign exchange control.
   - ✓ Devaluation of domestic currency. (1 x 4 = 4 mks)
6. Reasons for offering after – sale services to consumers.
   - ✓ To show customers how to handle sophisticated products.
   - ✓ Keep track of the performance of the product.
   - ✓ Improving corporate image.
   - ✓ To attract customers.
   - ✓ To retain existing customers. (1 x 4 = 4 mks)

7. Circumstances under which land may discourage the location of firms.
   - ✓ Where the cost of land is very high.
   - ✓ Incase the land is too hilly to access.
   - ✓ If the available land is so limited that it does not leave space for future expansion.
   - ✓ Where the government restricts land use in certain parts of the country. (1 x 4 Marks)
8. (a) Calculate the cost of goods sold.

   $$\text{ROST} = \frac{Cost\ of\ goods\ sold}{Average\ stock}$$

   $$\text{Average stock} = \frac{800{,}000 + 1{,}000{,}000}{2}$$

   = 900,000

   Therefore

   $$\frac{Cost\ of\ goods\ sold}{900{,}000} = 3$$

   Cost of goods = 3 x 900,000

   = Shs. 2,700,000

   (b) Calculate the gross profit

   Gross profit = Sales – cost of goods sold

   = 3,250,000 – 2,700,000

   = KSh. 550,000
9. Highlight four differences between bill of exchange and promissory note.

Promissory note	Bill of exchange
✓ Drawn and signed by a debtor.	✓ Draw and signed by a creditor
✓ Does not need to be accepted.	✓ Must be accepted by debtor for it to be valid.
✓ The drawer and drawee are one	✓ The drawer is the creditor and drawee is the debtor.

(1 x 4 = 4 mks)

10. Solution to the problem of unemployment
    - ✓ Education system reforms.
    - ✓ Production methods to be adopted.
    - ✓ Regional development of informal sector.
    - ✓ Exploitation of natural resources.
    - ✓ Export promotion and import regulation.
    - ✓ Diversification of economic activities. (1 x 4 = 4 Mks)
11. Measures of solving the problem of demand – pull inflation.
    - ✓ Increasing bank rates.
    - ✓ Selling more government securities through OMO.
    - ✓ Increasing the compulsory deposits.
    - ✓ Lowering the cash ratio.
    - ✓ Morally persuading banks not to give a lot of cash. (1 x 4 = 4 mks)
12. Highlight four measures that the state is putting in place to bring sanity to the transport sector in Kenya.
    - ✓ Through the banning of night travels.
    - ✓ Through re-introduction of alcoblow.
    - ✓ Through insisting on licence for all PSV vehicles.
    - ✓ Ensuring that all matatu have yellow bands along the length of vehicle.
    - ✓ Through the use of speed cameras.
    - ✓ Through introduction of highway courts to try traffic offenders.
    - ✓ Through introduction of matatu saccos.
    - ✓ Through use of uniforms/identification documents by PSV operators.
    - ✓ Through use of double highways in Kenya. (1 x 4 = 4 Mks)
13. Outline the procedure involved in taking an insurance policy by the insured.
    - ✓ The insured fills in proposal form.
    - ✓ The insurer determines premiums to be paid.
    - ✓ The insured then pays the firm premium.
    - ✓ The insurer then issues cover note (binder) to the insured.
    - ✓ The insured then issues policy to be insured 30 days from payment of first premium.

14.

Transaction	Increase	Decrease
(a) Cash donation of Sh. 8000 deposited into business bank account	✓	
(b) Withdrew Sh. 2000 from bank for personal use		✓
(c) Profit of Sh. 3000 earned by the business	✓	
(d) A business made a loss of Sh. 4000 on sale of stock		

15. Business considerations taken into account when carrying out business opportunity evaluation.
    - ✓ Size of market.
    - ✓ Technology.
    - ✓ Availability of raw material.
    - ✓ Government policy.
    - ✓ Amount of capital required.
    - ✓ Level of completion the business is likely to face.
    - ✓ Possibility of expansion.
    - ✓ Difficulties in marketing.
    - ✓ Security.
    - ✓ Level of development of infrastructure.
    - ✓ Impact of business operations on the environment.
    - ✓ Level of risks involved in that kind of business.
    - ✓ The profitability potential of the business.
    - ✓ Culture and the traditions of the community where the business is located. (1 x 4 = 4 mks)
16. Outline four cannons of taxations
    - ✓ The cannon of flexibility/elasticity.
    - ✓ The cannon of economy.
    - ✓ The cannon of equity.
    - ✓ The cannon of simplicity.
    - ✓ The cannon of certainty.
    - ✓ The cannon of convenience.
    - ✓ The cannon of diversity. (1 x 4 = 4 mks)
17. Highlight circumstances under which the following chains of distributions are used

    (i) Manufacture → Consumer
    - ✓ When goods are perishable.
    - ✓ When goods are urgently needed.
    - ✓ When goods are sensitive.
    - ✓ When goods are few/small in quantity.
    - ✓ When procedure has his own retail outlet.
    - ✓ Where the government decides so.

    (ii) Manufacturer → Retailer → Consumer
    - ✓ When a producer has less finance to market his goods.

    (iii) Producer → Marketing board → Consumer
    - ✓ Where the producer has less finance to market his goods.

    (iv) Manufacture → Agent → Consumer
    - ✓ When the manufacturer exports products to foreign markets.
18. Reasons why most bank prefer a landscape office.
    - ✓ Easy supervision by the management.
    - ✓ Low construction cost.
    - ✓ Easy location of workers.
    - ✓ Minimises staff movement hence saving time.
    - ✓ Low maintenance costs.
    - ✓ Saving of floor space.
    - ✓ Cheap to decorate.
    - ✓ Decorations used to boost morale of the employees. (1 x 4 = 4 mks)
19. Factors that may lead to the demand curve to shift from D_0D_0 to D_1D_1
    - ✓ Decrease in consumer's income.
    - ✓ Increase in price of complements.

- ✓ Decrease in price of substitutes.
- ✓ Decrease in population.
- ✓ Increase in taxation i.e PAYE
- ✓ Poor/bad weather conditions for agricultural products.
- ✓ Negative tastes and preference/fashion.
- ✓ Uneven distribution of income.
- ✓ Unfavourable terms of sale i.e. low discount levels.
- ✓ Future expectations of price decrease. (1 x 4 = 4 Marks)

20. State four reasons why John would prefer to obtain a loan from his Sacco but from commercial banks.
    - ✓ Saccos charge low interest rates while commercial banks charge high interest rates.
    - ✓ Saccos offer sense of ownership to members which is not there in commercial banks.
    - ✓ No collateral are required by Saccos while commercial banks require collaterals.
    - ✓ Sacco loans are insured by CIS while commercial banks loans are not insured.
    - ✓ Saccos offer several types of loans while commercial banks offer one type of loan. (1 x 4 = 4 mks)
21. Sales Journal

Date	Particulars	Invoice No.	Ledger F	Amount
3	Waweru	007	SL	800
3	Ken	008	SL	600
3	Kwenyo	009	SL	700
4	Uwezo	010	SL	1500
6	Mary	011	SL	1200
9	Daka	012	SL	900
	Luanda	013	SL	400
9	Total posted to sales a/c (Cr)			6100

22. Circumstances under which a public warehouse may be ineffective
    - ✓ Where its location is not easily accessible.
    - ✓ If the storage equipment is inadequate.
    - ✓ Where the room for expansion is limited.
    - ✓ Where the handling facilities are inappropriate and inadequate.
    - ✓ Incase the warehouse does not meet the set legal requirement.
    - ✓ Where the warehouse does not have access to essential services.
    - ✓ Incase the secrurity/safety of the warehouse is poor. (1 x 4 = 4 mks)
23. Kisumu Traders
    Balance sheet
    As at 31st Dec. 2013

Machinery	20,000	Capital	24,000
Debtors	2,000	Creditors	3,000
Stock	1,500	Bank overdraft	500
Cash	4,000		
	27,500		27,500

24. Outline factors that a citizen would consider when holding money to pay day to day expenses.
    - ✓ Size of the family.
    - ✓ Level of income.
    - ✓ Level of inflation.
    - ✓ Interval between payments.
    - ✓ Prices of commodities.
    - ✓ Interval between incomes. (1 x 4 = 4 mkss)
25.

Transaction	A/C Debited	A/C Credited
(a) Bought stock on credit from Muthoni	Purchases	Muthoni
(b) Paid insurance premium by cheque	Insurance	Bank
(c) Bought a van by cash	Motor vehicle	Cash
(d) Returned goods to supplier, Owino	Owino	Purchase returns

GEM SUB COUNTY JOINT EVALUATION EXAM 2015
KENYA CERTIFICATE OF SE CONDARY EDUCATION
BUSINESS PAPER 2
MARKING SCHEME

1. a) Explain five ways in which the Nairobi Stock exchange supports business and economic growth in a country. (10 marks)

i. Provides market for existing shares/Boost investment in shares/securities – by facilitating transfer of shares from one shareholder to another.
ii. Help quoted companies raise additional capital through initial public offer (IPO)/selling/floating of new shares/introduction of new shares.
iii. Provides a measure of performance of quoted companies through (having) records of share price fluctuations.
iv. Provides a measure/indicator of economic performance by establishing the stock exchange index.
v. Provides information to potential investors by publishing data on performance of shares in stock exchange.
vi. Provides data to the government which is used in national/economic planning.
vii. Promotes good management of (quoted) companies by setting requirements companies must meet the criteria/threshold of being quoted.
viii. Lists/delists companies that meet/do not meet the criteria/threshold of being quoted.
ix. Mobilizes savings/Encourages saving habits by channeling funds to viable investments (thereby building confidence on performance of quoted companies)
x. Provides the government with the outlet for selling securities to obtain funds for its projects.
xi. Encourages share prices stability (through speculation) thereby promoting trading of shares/securities/avoiding wide variations in share prices.

Splitting 2 x 5 = 10 mks
Naming 1mk
Otherwise 2 mks

c) Horizon is an importer of assorted goods from different countries. Explain five advantages he may enjoy while his goods are stored in a bonded warehouse. (10 marks)

i. Enables him to look for market while goods are still being held in the bonded warehouse.
ii. He can prepare the assorted goods for sale while still in bond.
iii. Duty on imported goods would be passed on to the buyer if they are sold while still in the bonded warehouse.
iv. Goods are accorded security by the government as long as they are in bond.
v. It allows the importer to have sometime to arrange to pay the duty if he does not have enough money.
vi. Some goods may improve in quality (after sometime) e.g. wine, fruits, hence will be better/have more value.
vii. Some goods (may) lose weight while in the warehouse thereby lowering the duties payable.

2 x 5 = 10 marks

2. a) Explain five problems that can be encountered in an office as a result of computerization of operations. (10 marks)

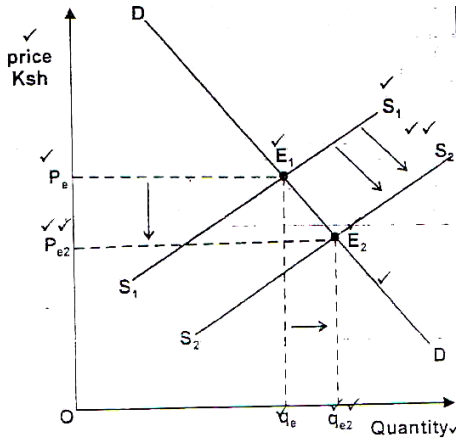
i. May lead to unemployment/loss of jobs/laying off of workers when computers replace worker.
ii. Require (reliable source of) electricity which is expensive/not guaranteed.
iii. They are costly to buy/install/maintain.
iv. (Computers are) prone to computer viruses which may lead to breakdown/malfunctioning of the computer (software)
v. Confidential information may land into unauthorized hands through hacking.
vi. Requires skilled/trained manpower which is costly/scarce/not guaranteed.
vii. There is need for back up storage which is expensive.
viii. It has adverse/side effects on health e.g. eye/problem due to prolonged/perpetual exposure. *(accept examples of health problem as a naming)*
ix. Boredom due to monotony of use of computers.
x. Inhibits/limits creativity/innovation since can't work without. *(2 x 5 = 10 mark*

b) Services rendered by retailers to consumers. (10 marks)

i) Avail goods – within easy reach of consumers.
ii) Offer wide range/variety of goods for consumers to choose from.
iii) Bulk breaking/Breaks bulk of commodities into smaller sizes which are convenient/affordable to consumers.
iv) Advisory services/offer advice to (consumers) on proper use/choice of commodities.
v) Offer after sales services (to consumers) without charging them/at reduced rates.
vi) Offer credit facilities to (customers) who can be trusted to pay/trustworthy/credit worthy.
vii) Ensuring continuous supply of goods needed by consumer/to minimize shortages.

viii). Stabilizing prices (of goods) by ensuring goods are always available/to enable customers to budget for their expenses/hence avoiding artificial shortages of goods.
Splitting
Naming 1 mk otherwise 2 mks for a fully explained point.
Any 2 x 5 = 10 mks

3 a) With the aid of a well labeled diagram, explain the effect on the equilibrium price and equilibrium quantity when the supply of vehicles increases. (10 marks)



✓ When supply of vehicles increases, supply curve shifts to the right from S_1S_1 to S_2S_2.
✓ A new equilibrium point E_2 from E_1 will be realised thus a new equilibrium price Pe_2 from Pe and a new equilibrium quantity qe2 from qe.

c) Outline five measures that the government of Kenya has put in place to protect consumers from unscrupulous business practice. (10 marks)

(i) **Setting up standards**
The Kenya Bureau of Standards (KEBS) sets national quality standards and ensures that commodities are of the required standards.

(ii) **Weights and Measures Act**
The government ensures that equipment used for weighing and measuring are correct and accurate.

(iii) **Licences**
Businesses cannot to started without a licence. This is to ensure there is control and legal type of carried out.

(iv) **Food and Drugs Act**
This ensures that producers and traders do not include any substance in the commodities that they to the consumers which might be harmful.

(v) **Price control**
The government may set a price beyond which a commodity should not be sold especially for essential goods and services.

(vi) **Rent and Tribunal Act**
Ensures that tenants are not overcharged by landlords. (2 x 5 = 10 mks)

4 a) Explain five problems experienced when computing national income using the expenditure approach. (10 marks)

i. Problem of double counting.
ii. Problem of differentiating between final and intermediate expenditure.
iii. Lack of records for subsistence sector/implying expenditure here are more approximations.
iv. Lack of clear/accurate/reliable records of expenditure in the private sector.
v. Problem of fluctuating exchange rates (incase of valuation of imports/exports) (5 x 2 = 10 mks)

4. (b)

Dr.		Bank A/C			Cr.
1/7/14	Bal b/d	35,000 ✓	6/7/14	Purchases	9,500✓
23/7/14	Sales	22,000 ✓	7/7/14	Creditors	10,600✓
26/7/14	Debtors	14,000 ✓	31/7/14	Bal c/d	45,900✓
		71,000			71,000

Dr.		Creditors A/C			Cr.
7/7/14	Bank	✓10,600	1/7/14	Bal b/d	✓66,600
31/7/14	Bal c/d	56,000			
		66,600			66,600

Dr.		Debtors A/C			Cr.
1/7/14	Bal c/d	✓28,000	26/7/14	Bank	✓14,000
				Bal c/d	14.000
		28,000			28,000

Dr.		Purchases A/C			Cr.
6/7/14	Bank	✓9,500	31/7/14	Bal c/d	9,500
		9,500			9,500

Dr.		Salaries A/C			Cr.
28/7/14	Bank	✓5,000	31/7/14	Bal c/d	5,000
		5,000			5,000

Dr.		Sales A/C			Cr.
31/7/14	Bal c/d	22,000	23/7/14	Bank	✓22,000
		22,000			22,000

M.A = 12 ticks x ½ = 6 marks

Fahari Traders
Trial Balance
as at 31st July 2014

Details	Dr.	Cr.
Capital		2000✓
Equipment	5600✓	
Salaries	5000✓	
Purchases	9500✓	
Sales		22000✓
Debtors	14000✓	
Creditors		56000✓
Bank	45900✓	
	80,000	80,000

8 ticks x ½ = 4 mks

5. a) Explain five effects of production activities on the environment and community health. (10 marks)

i. Air/water pollution – (this is) caused by industrial waste that is discharged into rivers thus affecting both human and aquatic life.

ii. Degrading the environment (excessive use of) of the environment such as over-exploitation of minerals leads to their exhaustion. This affects the balance in eco-system such as spread of malaria when open holes are filled with stagnant water.

iii. Soil erosion caused by clearing of forests.

iv. Overcrowding/poor housing/emergence of slums resulting from urban – rural migration. (2 x 5 = 10 mks)

c) Explain any five roles played by commercial banks to the business community. (10 marks)

i. They accept deposits/saving facilities to businessmen e.g. savings/current/fixed deposit accounts.
ii. They give loans/credit facilities to the business community in form of overdraft/secured loans.
iii. Commercial banks offer safety locker facilities/safekeeping of valuables (at some fee) to businesses e.g. title deeds/share certificates/log books/wills/jewels etc.
iv. The offer means of payment/money transfer facilities like standing orders/credit transfers/travelers cheques/credit cards/debit cards/cheques/letters of credit/electronic fund transfer/mobile money transfer.
v. Provide foreign exchange services to businessmen through (either) buying or selling foreign currencies (according to need)
vi. They give advice/advisory services to businessmen/firms about (viable) investments (sound) financial management.
vii. They provide trusteeship/act as trustees by undertaking to manage property/estates left behind by deceased clients (hence improving/expanding/continuing/supporting business operations.
viii. They act as referees/guarantors to clients who would wish to acquire/secure loans/buy goods on credit from elsewhere/financial institutions hence supporting business operations.
ix) They acts as intermediaries between savers and borrowers by accepting deposits from those who have excess money and lending to investors (hence supporting business activities)
x) The provide night safe keeping facilities for late bankers hence ensuring extended business hours (for maximum /optimal profits)
xi) Commercial banks acts as issuing houses thereby facilitating selling of new shares by various firms/companies.
xii) They undertake collection/receiving of money from debtors on behalf of their clients (thereby promoting investments habits/business activities)

6 a) Reasons that can lead to low rate of growth of a country. (8 marks)

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

c) I. Ramogi Traders

Trading, profit and loss A/C

For the year ending 31st Dec. 2013

Opening stock	100,000✓	Sales	800,000✓
		Less returns	
Add purchases	500,000✓	Inwards	90,000✓
	600,000	Net sales	710,000✓
Less returns outwards	26,000✓		
	574,000		
Add carriage inwards	40,000✓		
GAFS	614,000		
Less closing stock	120,000✓		
COGS	494,000		
Gross profit c/d	216,000✓		
	710,000		710,000
Carriage outwards	3,000✓	Gross profit b/d	216,000✓
Rent	60,000✓		
Interest expenses	10,000✓		
General expenses	7,000✓		
Net profit	136,000✓		
	216,000		216,000

16 x ½ 8 mks

II.

Ramogi Traders
Balance Sheet
As at 31st Dec. 2013

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

KERICHO WEST JOINT EVALUATION TEST
MARKING SCHEME
BUSINESS STUDIES PP1

1.
- Economics
- Commerce
- Accounting
- Office practice ***1mk each 4mks***

2.
- Business located in areas with good transport network are accessible to customers.
- Favourable climatic conitions that are conducive to workers.
- Good security is ideal for business performance.
- Access to auxillary services like banks.
- Good terrain is good for business location.
- Good terrain is ideal for landscaping to attract customers. ***Any 4 answers,1mk each 4***

3.
- Scarce in supply
- Have money value
- Are unevenly distributed
- Have utility
- Have alternative uses.
- Can change ownership
- Can be combined in various quantities to produce other goods and services.
- Can be complementary(may be consumed together) ***Any 4 answer,1mk each4***

4.
- Creates employment opportunities
- Leads to formation of capital
- Reduces rural-urban migration
- Produces goods and services thus substituting imports with locally produced goods.
- Improves on infrastructure
- Makes exploitation of local resources possible.
- Reduces foreign dominance of the economy
- Encourage promotion of technology.
- Helps promote entrepreneural skill ***Any 4 answers, 1mk each 4***

5.
- Enhancing security against theft eg.by employing watchmen,installing security lights and security systems nd fencing the business premises.
- Ensuring physical crae by people using the property.
- Keeping records of movement and usage of property.
- Regular physical shock taking of property.
- Taking insurance cover.
- Proper repairs,servicing and maintenance. ***Any 4 answers,1mk each 4***

6.
(a) L.P.O-Local Purchase Order
(b) E&O.E-Errors and omissions exempted
(c) C.W.O-Cash With Order
(d) I.O.U-I Owe You ***1 mk each 4***

7.

Preference shares	**Ordinary shares**
- Have a fixed rate of sharing dividends.	- No fixed rate of sharing dividends.
- Have a prior claim to dividends over ordinary share	- Claim to dividends after preference shares.
- Have no voting rights	- Have voting rights.
- Can be redeemable or irredeemable.	- Are not redeemable
- On liquidation,are paid before ordinary shares.	- On liquidation,are paid last.

Any 4 answers,1 mk each 4

8.
- Monitor the types of goods moving in and out of thecountry.

- Government is able to know thetotal number of business operating in the country.
- Ensures only legal business activities are carried out.
- Ensures that [professional standards are adhered to.
- Provisions of qulity goods to customers.
- Healthy competition
- It is a source of government revenue. ***Any 4 answers,1mk each 4***

9.

- Are slow
- Are inefficient
- Are unreliable
- Are not readily available(some places do not have post offices)
- Increased availability of other services providers**.** ***Any 4 answers,1 mk each4***

10.

- To transport large volumes of oil within a short time.
- It willhelp reduce road accidents due to removal of tankers from the roads.
- Is not affected by weather conditions.
- Can operate on 24hr basis unlike tankers.
- It will reduce road damage due to removed tankers.
- Environmental pollution caused by tankers will be minimized.
- Less congestion on roads.
- Will reduce pilferage of cargo.
- Is a cheaper way of transporting oil in the long run.
- Is not affected by terrain. ***Any 4 correct answers,1mk each 4***

11.

- Inappropriate location.
- Lack of proper trained personnel
- Lack of properly handling equipment.
- Absence of a clear operating procedure
- Lack of sufficient security
- Lack of proper storage equipment.
- Poor recording systems
- Poor transport and communications systems
- Failure to adhere to the legal requirement. ***Any 4 correct answers,1 mk each 4***

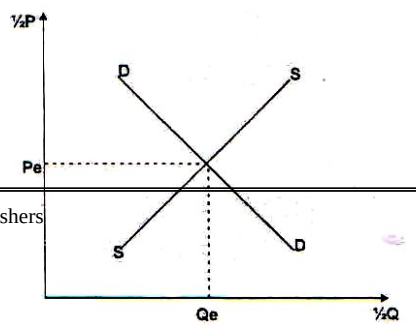
12.

- Voyage policy
- Time policy
- Floating policy
- Mixed policy
- Port policy ***Any 4 correct answers,1 mk each 4***

13.

- Showrooms are usually located away from town centres therefore not accessible to many people.
- Constructing or hiring showrooms is expensive.
- Requires security which might be expensive to provide.
- Customers may tamper with products in the showroom. ***Any 4 correct answers,1mk each 4***

14.



Where
½ DD-Demand curve
½ SS-Supply curve
I-PE-Equilibrium price
I-QE-Equilibrium quantity *Axes ½ mk each*

15.
- Firms may get skilled labour force.
- Ready market available from the surrounding industries.
- Firms may come together in order to dispose of their waste products easily and more cheaply.
- Improved infrastructure
- Shared research ***Any 4 correct answers,1 mk each 4***

16.
- Personal income
- Public income
- Retained profits
- Transfer payments + stock appreciation
- Earnings from exports ***Any 4 correct answers,1mk each 4***

17.
- Social economic considerations
- Health and education
- Epidemics /warfare
- Technological
- Biological disorders ***Any 4 correct answers,1 mk each 4***

18. KAPSOIT ENTERPRISES
Balance sheet
As at 31 Dec 2014

Fixed assets	sh		
Machinery	450,000	Capital	550,000√
Current assets		L/T Liabilities	
Debtors	120,000√	5yr loan	270,000√
Bank	180,000√		
Cash	70,000	ST Liabilities	
Stock	60,000	Creditors	60,000√
	880,000		880,000
		½ ×8=4 mks	

19. SHAMAR STORES
Profit and loss account
For the period ended 31st Jan 2015

Less expenses:sh		G.p b/d	186,200
Carriage out	15,500√	Add: Rent received	34,300√
Office expenses	19,600√		
Salaries	55,000√		
N.p yd	130,400√		
	220,500		**220,500**
½ ×8=4 mks			

20.

Commodities	Price per unit(Base year)	Index of Base year	Price in current year(2014)	Index in current year.
Maize meal	110	100	90	81.8√
Salt	25	100	20	
Milk	50	100	50	100√
Sugar	120	100	80	66.6√

		400		328.4✓
		Average $=\frac{400}{4}$ =100√		Average $=\frac{328.4}{4}$ =82.4√

½ mk each

½ ×6=3 mks

21.

- Purchase journal
- Sales journal
- Purchase returns journal
- Sales returns journal ***1mk each 4***

22.

- Tariffs-import duties have effect of increasing prices.
- Quotas-restriction on quantities or value of a commodity to be imported.
- Administrative bottle-necks-introducing complicated procedures to be followed in order to import.
- Foreign exchange control.
- Moral persuasion-appeals to importers to wilfully restrict the importance of a certain commodity or commodities.

Any 4 correct answers,1 mk each 4

23.

- Reduction of illiteracy
- Shift from dependence agricultural to manufacturing sector.
- Improvement in health facilities
- Low arête of unemployment.
- Increase in skilled manpower.
- Use of modern technology in production. ***Any 4 correct answers,1 mk each 4***

24.

- Types of A/c's provided
- Length of credit period
- Areas to be given finance
- Participation in cleaning house
- Provision of overdraft facilities ***Any 4 correct answers,1 mk each 4***

25.

- To raise revenue used by the government in providing goods and services.
- To discourage consumption of certain products.
- To discourage importation of certain products 30 as to protect local industries.
- To reduce inequality in income distribution
- To influence location of businesses.
- To correct unfavourable balance of payments. ***Any 4 correct answers,1 mk each 4***

KERICHO WEST JOINT EVALUATION TEST
MARKING SCHEME
BUSINESS STUDIES
PAPER 2

1. (a) Five ways in which the efficiency of a warehouse may be guaranteed. (Splitting 5×2=10 mks)

i. Ensuring the building/structure is appropriate for storing different types/kinds of goods.
ii. Ensuring that there are adequate/modern/appropriate facilities for handling goods eg.forklifts, cranes.
iii. Ensuring that the staffs are well trained/qualified /efficient for proper management/functioning of the warehouse.
iv. Ensuring that appropriate/proper security measures are in place for the security of goods stored/ personnel.
v. Ensuring that the warehouse is fitted with safety equipments/facilities for protection of goods/ personnel/ against damage/destruction caused by fire/adverse weather conditions e.g. first aid kits, fire extinguisher etc.
vi. Ensuring that all legal requirements have been met avoid operating against the law/illegally.
vii. Ensuring that proper recording facilities /systems are in place for recording movement of goods in and out of the warehouse.
viii. Ensuring proper storage facilities are provided for storing special goods e.g. refrigerators, cold rooms etc.
ix. Ensuring that the warehouse is located at strategic/convenient/accessible place for receipt/release of goods to users,
x. Should have proper/appropriate communication system for easy contact with suppliers/clients.
xi. Should be spacious enough to allow easy movements/accommodation of goods/personnel.

(b) Reasons why primary level of production is the major contributor of the Gross National Product (GNP) in developing countries. Splitting marks 5 x 2 = 10 Marks

i. Shortage of /inadequate capital which forces people to engage in primary level of production which does not require large capital investment.
ii. Most developing countries are highly endowed with natural resources hence a lot of emphasis is given to the primary level of production.
iii. Inadequate skilled manpower which forces people in developing countries to engage in primary level of production requires little skill.
iv. Lack of modern technology resulting to more primary production since it requires basic technology.
v. Heavy reliance in subsistence production hence little is provided in the secondary/tertiary levels of production.
vi. Most developing countries are endowed with good climate hence more emphasis on agricultural sector.

2. (a) Distinguishing characteristics between a Public Limited Company and Public Corporation.
(No splitting Any 5 x 2 = 10 mks)

Public Ltd. Co	Public Corporation
i. Formed under company's act.	1. Formed under act of parliament
ii. Privately owned by owned shareholders	2. Not owned by shareholders/owned by state.
iii. Managed by Board of directors elected by shareholders	3. Managed by Board of directors appointed by the government.
iv. Profits are shared by shareholders.	4. Profits/losses go to state.

3. A

4. (a) **Five steps of unemployment. Splitting 5 x 2 = 10 kms**

i. Frictional unemployment – people lose jobs and go on looking for new ones.
ii. Seasonal unemployment – caused by seasonal variation i.e. peak (high labour demand) off peak (decline in labour demand)
iii. Structural unemployment occurs when the demand for labour declines due to changes in production methods/decrease in supply of goods/services.
iv. Cyclical/unemployment – Occurs repeatedly at similar times i.e. cycles of economic activities that alternate from boom to recession.
v. Disguised unemployment occurs when the numbers of people employed exceed that are required.
vi. Involuntary unemployment – occurs when people are actively looking for jobs at existing wage rate but are not able get them.
vii. Real wage unemployment occurs when workers price themselves out of work/not ready to accept the wage rate.

(b) **Measures that should be taken to ensure that office machines are in good working condition at all times. (No splitting of marks 5 x 2 = 10 mks)**

i. Machines should be covered at all times not in use to prevent accumulation of dust.
ii. Machines should be wiped regularly to remove any dust.
iii. Power to machines should be switched off whenever the machines are not in use.
iv. Machines must be regularly serviced as per manufacturer's instructions.
v. Machines should only be repaired/serviced by qualified persons that ensuring proper servicing.
vi. Machines should only be operated by trained personnel/ensuring they are not destroyed by working with them.
vii. Movement of machines should be minimized/when moved due care should be taken.
viii. Machines should be assigned to particular persons for accountability.
ix. Only approved consumable materials should be used in the machines.

5. (a) **Benefits of endorsement policies**

- ✓ Chance of benefiting from funds if he does not die.
- ✓ Surrender value is high in endowment than whole life.
- ✓ Acts as a saving plan.
- ✓ Endowment policy begins to accrue its surrender value early.
- ✓ Insured can decide on maturity date.

(b) Ways through which developing countries may correct balance of payment deficit. (Splitting of marks 5 x 2 Mks)

i) Establishment of import substitution industries to produce goods that were previously imported hence reducing importation bill/costs.
ii) Imposing high import/custom duties/setting import quotas thus limiting the volume of imports.
iii) Imposing trade embargo/Total ban on imports hence curtailing importation.
iv) Borrow funds from international financial institutions/donor countries to finance the deficit.
v) Provision of subsidies to local producers making production costs to reduce hence local products cheaper than imported products.
vi) Creating administrative bottlenecks/cumbersome/complicated import procedures thus discouraging importation.
vii) Foreign exchange control thus limiting foreign exchange allocated for import procedures thus discouraging importation.
viii) Devaluation of local currency making imports expensive and exports cheaper thus increasing export earnings and discouraging importation.
ix) Provision of export compensation schemes thus increasing volumes of exports.
x) Establishing export processing zones that produce goods for export hence increasing volume of exports.
xi) Carrying out trade promotions abroad thus increasing volumes of exports.
xii) Reducing export duties thus making exports cheaper thus increasing their demand.
xiii) Providing customs drawback thus encouraging more production for exports.
xiv) Encourage foreign investments thus increasing capital inflow/foreign currency necessary for import payments.

6. (a) Errors that may affect the agreement of a trial balance (Splitting 5 x 2 = 10 mks)

(i) Errors of principle – occur when the right amount but in the wrong account e.g. purchase of furniture is debited in the purchase account instead of furniture account.
(ii) Error of commission – occurs when no records/entry of transaction is made in any of the ledger accounts.
(iii) Error of commission – occurs when a transaction is recorded in the wrong account but of the same class with the account where the entry should have been made.
(iv) Error of compensation the such an error is that it cancels out each other.
(v) Error of complete reversal of entries – occurs when account to be debited is credited and one to be credited is debited.
(vi) Error of original entry – occurs when the wrong amounts are entered in the right accounts and in the right sides of occurs.

SIGOWET

Trading, Profit and Loss Account

For the period Ended 31.12.2007

Opening stock		60,000	Sales		720,000
Add Purchases		340,000	Less sales Return		20,000
Less purchases returns		18,000			700,000
		382,000			
Less closing stock		52,000			
Cost of sales		330,000			
Gross profits		370,000			
		700,000			
Rent paid	16,000				700,000
Add Rent accrued	6,000	22,000	Gross profit b/f		370,000
Advertising		24,000	Commission received	9,000	
Insurance paid	30,000		Add (commission due)	5,000	14,000
Less advanced	(4,000)	26,000			
Salaries owing		21,000			
Net profit c/f		291,000			
		384,000			384,000

SIGOWET

BALANCE SHEET

As at 31.12.2007

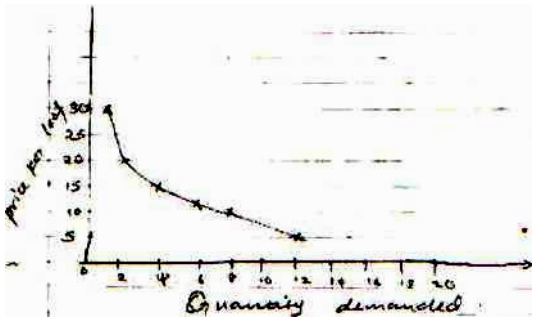
F.A			Capital	288,000
Furniture's and fitting		100,000	Less drawings	(40,000)
Premises		400,000	Add Net profit	219,000
		500,000		539,000
C.L			C.L	
Debtors	54,000		Creditors	64,000
Cash in hand	15,000		Rent accrued	
Stock	52,000		Salaries only	12,000
Advance insurance	4,000			
Commission due	5,000			
		630,000		630,000

LONDIANI SUB- COUNTY JOINT EXAMINATION- 2015
BUSINESS STUDIES
PAPER 1
MARKING SCHEME

1. - Better quality of goods and services
   - Leads to inventions and innovations
   - Leads to division of labour
   - Leads to surplus production
2. i) Labour
   ii) Land
   iii) Entrepreneur
   iv) Capital
3. - Human wants are unlimited yet resources are limited
   - Human wants are recurrent
   - Changing nature of human wants
   - Complimentary nature of human wants.
4. - Providing appropriate training of employees
   - Giving relevant tools and equipment
   - Giving incentives
   - Providing good working conditions
5. - Reliance on donor funding
   - Lack of domestic resources
   - Natural calamities
   - Over-ambitious plans
   - Inflation
6. - Road worthy vehicles to be licensed only
   - Regular inspection of vehicles
   - Trained and licensed people to be allowed to drive
   - Strict adherence to traffic laws
   - Improving road network by tarmacking more roads
7. - Real accounts
   - Private accounts
   - Nominal accounts
   - Personal accounts
8. - Compensation = $\frac{Value\ of\ the\ policy \times Loss\ suffered}{Actual\ value\ of\ the\ property}$

   $\frac{800{,}000 \times 800{,}000}{1{,}000{,}000} = Shs.640{,}000$
9. - Automatic teller machine A.T.M
   - Types of deposits
   - Use of computers
   - Credit facilities
   - Mobile banks
   - M-Banking /E –banking
   - Pesa point Money services
10. - Expensive to install
    - Limited to those who pass through the road
    - Prone to vandalism
    - Expensive to maintain
    - May abscure motorists
    - Not effective where customers need to examine the goods
11. - Eliminate wasteful competition
    - Enable the firm to diversify
    - Pooling of human resources
    - Enable the firm to operate large scale
    - Establish monopoly to control the market

12.



13. - Express
    - Post Restante
    - Business reply services
    - Speed post
    - Registered mail

14. CC =OC + I-D + P
    P= CC + D – (OC + I)
    P= 640,000 + 80,000 – (540,000 + 60,000)
    P = 720,000- 600,000
    P=120,000

15. - Involuntary /open unemployment
    - Disguised /hidden unemployment
    - Eratic unemployment
    - Seasonal unemployment

16. - Manufacturer –consumers
    - Manufacturer – Wholesaler –Retailer –Consumer
    - Manufacturer –Retailer –Consumer
    - Manufacturer –Government agent –Wholesaler –Consumer

17. - Through ordinary cheque
    - Using standing orders
    - Credit transfers
    - Using telegraphic money transfers.
    - Credit cards

18. - Increase in government expenditure
    - Effects of credit creation by commercial banks
    - Increase in money incomes
    - General shortage of goods and services
    - Increase in consumer expenditure

19.

Details	Dr	Cr
Capital		100,000
Cash	75,000	
Debtors	15,000	
Stock	25,000	
Sales		80,000
Return inwards	4,000	
Drawings	20,000	
Transport	60,000	
Bank overdraft		10,000
Purchases	45,000	
Creditors		50,000
Return outwards		124,000
	244,000	244,000

20. - Lack of enough capital to acquire the new technology from developed countries.
    - Ignorance from modern technology.

- Negative attitude towards modern technology
- Inadequate power supply
- Limited skills among employees to handle new technology.

21. Advantages of using a credit card
    - Enables the holder to get goods and services from specified sellers without paying immediately.
    - Convenient to carry around
    - Enables the holder to get money from specified banks
    - Increase the credit rating of an individual
    - Safer to carry around than cash.
22. - Provision of energy e.g solar, geothermal
    - Provision of raw materials
    - Creation of employment
    - Provide foreign exchange
    - Provide land for agriculture
23. - Pro-forma invoice
    - Debit note
    - Quotation
    - Invoice
24. - If the assured dies the beneficiaries will be paid
    - Assured benefits unless death precedes the expirery of dthe agreed period
    - Premium are paid only during an agreed period
    - It ensures financial stability of assured and dependants
25.

TWO CULUMN CASH BOOK
AS AT 31ST MARCH 2011

Dr

Date	Details	L.F	Cash	Bank		Date	Details	L.F	Cash	Bank
March 1st	Opening Bal		24,000			March 1st	Opening Bal			8,000
March20th	Cash 'c'			5,000		March 3rd	Rent		4,000	
March25th	Rent			1,000		March 10th	Purchases			8,000
March26th	Sales			7,000		March 20th	Bank 'c'		5,000	
March27th	Balance c/d			3,000		March 27th	Balance c/d		15000	
			24,000	16,000					24,000	16,000

Cr

LONDIANI SUB- COUNTY JOINT EXAMINATION- 2015
BUSINESS STUDIES
PAPER 2
MARKING SCHEME

1. a) **Causes of business success in Kenya.**
   - Availability of credit at cheap interest rates
   - Proper planning in marking
   - Fair competition in the market and fair inputs
   - Efficient management of the business
   - Availability of skilled manpower which leads to efficiency
   - Use of modern technology that simplifies the activities.
   - Favourable government policies and support that encourages entrepreneurs.
   - Availability of market due to high population
   - Proper pricing of products which increases sales
   - Appropriate products for the intended market
   - Political stability and security. 5x2=10mks

   b) Factors that causes a decrease in supply of a product
   - Increase in cost of production, which will increase the price of commodity /which may force some producers out of the business /resulting in total lower supply of commodity.
   - Shortage of factors of production, which will lead to reduced supply.
   - Decrease in levels of technology, leading to increased production costs/leading to reduced supply.
   - Adverse/ negative changes in government policy/ increase in taxes/ reduction of subsdies/ increased quotas/ increases price controls which increases cost of production /leads to reduced supply.
   - Future expectation of increase in prices People may hoard goods to await price increase leading to reduced supply.
   - Unfavourable natural factors, e.g Weather, diseases and pests affects quantity supplied /floods and earthquakes reduces supply of manufactured goods.
   - Wrong timing, Agricultural products are only available at certain times.
   - Withdrawal of firms from industry Leads to less supply of commodities.

2. a) Benefits of standard gauge railway
   - Open up interior and provide access to overseas markets for goods
   - Leads to urbanization (growth of towns)
   - Will influence land use
   - Employment opportunities
   - Influence demand of goods and services
   - Creation of new sustainable businesss.
   - Enhance local and regional commerce.

   b) Disadvantages of trade restrictions on other countries
   - Possible retaliation by other countries
   - Production of low quality commodities
   - High prices of locally produced goods
   - Less consumer choice
   - Danger of need for perpetual protection
   - Possible emergence of monopolies

3. a) Factors considered when choosing a medium of product promotion
   - Cost
   - Nature of the product
   - Target group
   - Objectives of the promoting firm
   - Methods used by competing firms
   - The law

b) Principles of good tax system

- Equity –Equal sacrifice towards payment /those with high incomes pay higher taxes and vice versa.
- Economical-Cost of collection should be minimal .The government should collect more an d spend less as administrative costs.
- Simplicity- should be easy to assess, collect and understand.
- Flexibility- Should be capable of being easily adjusted so as to be compatible with changing economic conditions.
  Diversity-Different types of taxes imposed so that the tax burden is on different groups of the society.
- Certain: Amount to be paid, time and method should be clear.
- Elasticity –Ability to increase or lower tax as need arise. Explanation 1mk

4. a) Roles of stock exchange market

- Assists investors to buy shares /providing ready market for buyers /investors
- It assists /help shareholders who want to disposed /sell off their shares/ provides ready market for sellers of shares
- It vets /evaluates/scrutinizes the standards of performance of companies that intend to be quoted in the market.
- It monitors the performance of the quoted companies.
- It assists companies that need money/funds to raise money/ float /sell new shares to the public.
- It complies /provides /publishes information to interested parties /public.

WANYAMA TRADERS
PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31ST DECEMBER 2011

DR		CR	
Bank Loan	1,400	Gross profit b/d	642,000
Discount allowed	10,00	Rent	200,000
Electricity	30,000		
Furniture repairs	20,000		
Maintenance costs	40,000		
Motor running expenses	20,000		
Sundry expenses	12,000		
Net profit c/d	708,000		
	842,000		842,000

WANYAMA TRADERS
BALANCE SHEET
AS AT 31ST DECEMBER 2011

Fixed assets	Kshs	Kshs.		Kshs	Kshs
Furniture	503,000		Capital	1,680,000	
Plant and machinery	100,000		Add:Net profit	708,600	
Premises	800,000				2,388,000
Motor vehicles	680,000	2,983,000	Long term liabilities		
Current Assests			Current liabilities		
Debtors	140,000		Creditors	272,400	
Stock	87,000	245,000	Bank loan	567,000	
Cash in Hand	18,000				
		3,228,000			3,2228,000

20x ½ =10mks

5. a) Benefits of buying goods in departmental stores

- Buying a variety of goods from different shops under one roof
- Sell goods at low prices
- Employ specialized staff thus provide quality services
- Open for long hours
- Offer adequate parking facilities.

b) Features of perfect condition markets

- Large number of buyers and sellers – the market has large number of buyers and sellers where each of them has no influence on the entire market.
- Homogeneity of the products- The products being sold by sellers are similar and identical and hence they cannot be differentiated.
- Perfect knowledge of the market –The buyers and sellers have perfect knowledge about price and quantity.
- Freedom of entry and exit – the buyers and sellers have freedom to enter and leave the market at will
- Uniformity of buyers and sellers –the buyers are identical to the eyes of the seller.
- No government influence – the market is believed to be a free market /economy where prices are determined through the force or demand and supply in the market.
- No market instabilities – there is no shortage nor surpluses
- No transport costs –it is assumed that the sellers do not incur any transport costs as they are located in one area.

Any 5x2=10mks

6. a)

PURCHASES JOURNAL

Date	**Details**	**Invoice No.**	**L.F**	**Amount**
2010				
1-4	**K.K** suppliers		PL_1	40,000
1-4	Onchoke		PL_2	8,000
5-4	Omari		PL_3	36,000
5-4	K.K suppliers		PL_1	15,000
		Total taken to	purchase A/C	99,000

PURCHASES RETURN JOURNAL

DATE	**Details**	**Invoice No.**	**L.F**	**Amount**
2010				
2-4	K.K Suppliers		PL_1	1,000
2-4	Onchoke		PL_2	1,500
		Total taken to	Purchases A/c	2,500

SALES JOURNAL

Date	Details	Invoice No.	L.F	Amount
2010				
3-4	Onyango		SL	50,000
3-4	Moturi		SL	30,000
		Total taken to	Sales A/C	80,000

SALES RETURNS JOURNAL

Date	Details	Invoice	L.f	Amount
2010			SR_1	3,000
4-4	Moturi	Total taken to	Sales Return A/c	3,000

PURCHASE A/C	
DR	CR
Total creditors 99,000	

K.K Suppliers A/C	
DR	CR
Purchases Returns 1,000	Purchases 55,000

Onchoke A/C	
DR	CR
Purchases returns 1,500	purchases 8,000

Omari A/c	
DR	CR
	Purchases 36,000

Purchases Returns A/c	
DR	CR
	Total Creditors 2,500

Sales A/c	
DR	CR
	Total debtors 2,500

ANYANGO A/C	
DR	CR
Sales 50,000	

Moturi A/c	
DR	CR
Sales 30,000	

Sales return A/c	
DR	CR
Total debtors 3,000	

b) Role of IMF in economy in economic development

- Promotes country's foreign exchange rate by preventing local currency from depreciating.
- Creates a conducive environment that enables countries to carry out international trade.
- Provides loans to clear balance of payment deficit
- Enhances good governance in a country
- Provides personnel /training /technical assistance
- Assists in identifying viable development projects /carrying out feasibility studies.

WESTLANDS JOINT EXAMINATION- 2015
BUSINESS STUDIES
PAPER 1
MARKING SCHEME

1.

	FACTOR	ENVIRONMENT
i)	Societal belief	External
ii)	Firm's physical properties	Internal
iii)	Political climate	External
iv)	Pressure groups	External

2. Roles that the Nairobi Securities Exchange plays in promoting economic development.
a) Facilitates buying and selling of securities and shares in investors.
b) Promotes savings by channeling funds to viable investments.
c) Provides useful information to investors.
d) Safeguards investors interests.
e) Avails variety of securities where investors can choose from.
f) Assists companies to raise capital through issue of new shares.
g) Creates employment.
h) It's a source of government revenue (through taxes).
i) Helps in measuring country's economic progress.

3. Method of determined prices of goods or services.
a) Auction: Here prospective buyers meet at a place with the seller and suggest prices/bids for the item on sale, finally the good/item is sold to the buyer who offer the highest price.
b) Haggling/bargaining: This is a form of price negotiation between the buyer and the seller. After a lengthy negotiation the two parties arrive at an agreed price at which the item is sold.
c) Government policy: This mainly happens when the government increases or decreases any form of taxation. An increase in tax will lead to an increase in prices and vice versa.
d) Price discrimination: This is where the seller has no fixed price for his products but charges customers based on how he assesses them. (e.g. if the customer appears to be well off, he will charge him more than the customs who is thought to be worse off.

4. Features of economic resources.
a) They are scarce/limited in supply.
b) They have money value.
c) Some economic resources are mobile while others are immobile.
d) They have alternative uses.
e) Different places are endowed with different economic resources.
f) They have the ability to create goods and provide services that satisfy human wants.
g) They can be put together in different proportion to create goods and services.

5. Ways in which the process of creation of goods may negatively impact on the health of the community.
a) Poor disposal of solid and plastic waste which results in spreading of diseases.
b) Psychological diseases such as stress, fatigue and poor social human relation arising from factors or industrial life.
c) Some production activities may result into workers getting hurt or losing their lives as they carry out their duties.
d) Production activities cause air, and water pollution that cause diseases to human beings.
e) Production activities cause global warming due to destruction of ozone layer by gasesreleased in the atmosphere by industries.

6. $C.P_1 = \frac{\text{Price of the commodity in current year}}{\text{Price of the commodity in base}}$

$\therefore$ $C.P_1 = \frac{100}{80} \times 100 = 125\%$

$2008_1 = \frac{115}{80} \times 100 = 143.75\%$

$2009 = \frac{140}{} \times 100 = 175\%$

80

7. Reasons that make consumers' initiated methods ineffective in protection consumers in Kenya.

a) Lack of proper registration on consumer protection.
b) Poor funding to undertake their operations.
c) Poor/inadequate government support to protect the consumers.
d) Ignorance by consumers on existence of avenues to follow to ensure they are not exploited.
e) Lack of adequate information by consumers about their rights.
f) Majority of consumers buy goods/individually.
g) Lack of strong bodies for collective bargaining.
h) Emergence of vigilante groups.

8. Ways in which filing benefit the business.

a) Filing ensures that documents are kept in a logical and systematic manner so that they are accessed easily when need arises.
b) Ensures that information is kept away from unauthorized persons.
c) Ensures that documents are not damaged or lost through careless handling.
d) Filing documents ensures that the information is preserved for future reference.
e) It promotes neatness and tidiness of the office because files are kept at a central place.
f) Helps in ensuring that space which is mostly limited is used more economically.

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

$= \frac{(102.000)}{651.000}$

$= 1.5:1$

10. Challenges facing containerization as a means of transporting goods.

a) It may not be suitable for goods with irregular shapes.
b) It requires special handling equipments which may be expensive.
c) Containers are expensive to acquire/hiring.
d) Use of containers for transporting goods could be misused by those who want to engage in illegal activities.
e) Require highly skilled personnel to manage the system which may be lacking/expensive to train or hire.
f) It is usually not convenient for those traders who may not have enough goods to fill a container.

11. Benefits derived from applying the concept of division of labour.

a) Saves time due to less movement from one task to another.
b) Increased production/output since workers/attendants are assigned tasks they are best at.
c) Improve workers skills by repeating the same task more frequently.
d) Use of machines would be possible leading to quality goods/services/faster service delivery.
e) There is less fatigue on a worker since they specialization of one task.
f) Leads to efficient use of tools/machines as they are used to perform particular tasks.

12. Factors that have positively influenced entrepreneurial practices.

a) Improved infrastructure/transport, electricity, water and communication network.
b) Increased government support and goodwill/access to credit/loans.
c) Enlightened society/cultural beliefs that have adopted to changes in the global world.
d) Relevant/revised education curriculum/courses that prepare learners to be successful entrepreneurs.
e) Favourable government policy/availability of subsidies/incentives.
f) Increased population providing ready market for goods and services.
g) Increased technology that has led to use of better machines that promotes faster production of goods and services.
h) Availability of adequate security.
i) Political stability.
j) Presence of role models in the society.

13. Account to be credited and account to be debited.

	Transaction	Debit	Credit
a)	Ruth, a proprietor, converted a private car into a business asset.	Car A/c	Capital A/c
b)	Bought furniture and paid by cheque.	Furniture A/c	Bank A/c
c)	Withdrew cash from the business bank account to pay for son's school fees.	Drawings A/c	Cash A/c

d)	Paid creditors by cash.	Creditors A/c	Cash A/c

14. Benefits of vision 2030 as a development plant to the Kenyan government.
a) Helps allocate resources appropriate to various sectors.
b) Used to solicit/mobilize financial support from donors.
c) Is an evaluation tool to progress made in realizing its objectives/reveals any challenges encountered in implementing the vision.
d) Provides long term view of making decisions on various sectors.
e) Enables the government achieve balance in regional development.
f) Helps avoid duplication of efforts to similar sectors.

15.

Rachel
Balance sheet
As at 8th January 2015

	Shs.		Shs.
Bank	47,000	Capital	20,000
Stock	1,000	Add: Profit	2,000
Cash	26,000	Equity bank loan	50,000
		Creditors	2,000
	74,000		74,0000

16. Documents used at the enquiry stage in home trade.
a) Letter of inquiry.
b) Catalogue.
c) Quotation.
d) Price list.

17. Reasons why a manufacturer would prefer to build his/her own warehouse.
a) Will enable him/her exercise some degree of control over the operations/owner is in full control.
b) Owner can design it to suit their specifications.
c) Can enhance special handlings storage and protection of goods.
d) Does not incur cost of hiring.
e) Owner is not tied to procedures of receiving and issuing goods.
f) May make major decisions without consulting anyone.

18. Reasons why Kenya government considers privatizing Kenyan Ports Authority.
a) To improve efficiency/service delivery.
b) To generate revenue for government through taxation.
c) To reduce government expenditure.
d) To attract foreign/private investors.
e) To reduce government control/tendency of monopoly.
f) To get rid of loss making parastatal/avoid looses arising from KPA.

19. a) Contra entry - Is an entry of transaction in a cashbook in which double entry is completed into the cashbook/An entry that appears on both sides of a cashbook/Shows movement of money within the business.
b) Trading account – Is an account/a statement prepared by a business to determine the gross profit/gross loss arising from trading activities of a given trading/accounting period.
c) Purchases ledger - a booklet that contains accounts of creditors only/contains record and value of goods/services bought on credit.

20. Mailing services offered by the post office
a) Speed post.
b) Post restante.
c) Express mail.
d) Registered mail.
e) Ordinary mail.
f) Business reply service.

21. Types of utility created in each of the following activities.

	ACTIVITY	TYPE OF UTILITY
a)	Roasting maize.	Form utility
b)	Delivering milk to school early in the morning.	Time utility
c)	Importing Mercedez Benz vehicles from Germany.	Place utility

d)	Keeping excess maize harvest in the store until summer.	Time utility

22.

a) Cost of goods sold

Average stock=

$$=\frac{\text{Opening stocking + closing stock}}{2}$$

$$=\frac{40,000 + 100,000}{2}$$

=Sh.70,000

Cost of goods sold = R.O.S.T.O × average stock

= (3 ×shs.70,000)

=Shs.210,000

b) Gross profit

G.P=Mark up × Cost of sales

$$=\frac{20}{100}\times \text{shs.}210,000$$

=Shs.42,000

23. Ways in which an entrepreneur can uphold business ethics.

a) Comply with laws and regulations/should be properly registered and licensed.
b) Ensure no discrimination in business in areas such as recruitment, promotion, training and assignment of duties.
c) Ensure fair play in competition (e.g. destroying competitor's product's giving false information about a competitor's product).
d) Ensure that the physical environment is not degraded during business activities.
e) Ensure the rights of employees are not violated.
f) Ensure that the operations of the business are carried out in a professional way. e.g. (using bribes in order to win contracts, hoarding foods awaiting their prices to go up).
g) Ensuring that consumers are not exploited by the business in areas such as pricing, quality, quantities etc.

24. Most current methods of product promotion by businesses.

a) Use of internet.
b) Use of mobile phones.
c) Use of promotion convoy.
d) Intensification of personal selling.
e) Increased usage of mass media.
f) Strengthening public relations function.
g) Increase in the use of completion and raffles.

25.

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

$$=\frac{1,800,000 \times 1,000,000}{2,400,000}$$

=Shs.750,000

WESTLANDS JOINT EXAMINATION- 2015
BUSINESS STUDIES
PAPER 2
MARKING SCHEME

1. a) Features that differentiate a co-operative society from a partnership form of business.

	Co-operative society		Partnership
i)	Operations are guided by the Cooperatives Act.	i)	Operations are guided by the partnership Act.
ii)	Membership is between 10 and infinite.	ii)	Membership is between 2 and 20 for non professional partnerships/50 for professional.
iii)	Main aim of formation is to serve the interest of members at minimal fee.	iii)	Main aim is to make profit.
iv)	Its operations are guided by by-laws.	iv)	Its operations are guided by the partnership deed/Act.
v)	Members liabilities are limited to their capital contribution.	v)	Liabilities of partners is Unlimited / At least one partner has unlimited liabilities.
vi)	Has a separate legal entity from owners/members, it can sue/be under its name/is incorporated.	vi)	Has no separate legal Existence from partners/ unincorporated.
vii)	Has perpetual existence/death of a member does not lead to dissolution.	vii)	Has a limited life as its life depends on that of partners.
viii)	Owned by members.	viii)	Owned by partners.

b) Problems encountered when measuring national income.
i) Deciding on what goods/services to include in measurement.
ii) Inaccurate data since most business do not keep proper records.
iii) Some activities earning income are considered illegal and may not be included in measurement of income.
iv) Determining the price/value of goods to use due to fluctuation in prices.
v) Valuing income/output from subsistence sector is difficult since it is not marketed.
vi) Valuing stock/work in progress is difficult.
vii) Problem/difficulties in differentiating primary inputs from intermediate goods which may lead to double counting.
viii) Problems of valuing government output as its not marketed.
ix) Inadequate capital to fund the activities.
x) Inadequate skilled personnel to carry out the process leading to poor data collection/analysis.
Mention 1
Explanation 1
2×5=10 marks

2. Channels of distribution to use in distribution of locally produced cereals.

PRODUCER/FARMER

WHOLESALER iv

iii Cooperative Cooperative
i

ii Retailer Wholesaler Marketing Board

Retailer Retailer
v vi

CONSUMER

No splitting 2×4=8 marks
NB: - Direction of arrow must be shown.

SALES JOURNAL

DATE	PARTICULARS	INVOICE NUMBER	LF	AMOUNT
2014				
March 1	Ochupe			200,000
March 1	Njeri			180,000
March 5	Mwangi			320,000
March 5	Abdallah			175,000
March 5	Ochupe			135,000
March 29	Njeri			220,000
March 29	Njau			150,000

SALES RETURNS JOURNAL

DATE	PARTICULARS	CREDIT NOTE NO.	LF	AMOUNT
2014				
March 8	Ochupe			2,800
March 8	Njeri			3,100
March 30	Njau			2,300

3. a) Measures that the government may take to reduce the level of unemployment in Kenya.
i) Diversification of the economy by encouraging establishment of different industries.
ii) Transforming agricultural sector/rural/sector to curb rural – urban migration.
iii) Transforming education/training sector to create relevant skills.
iv) Establishing an employment policy by the government to make it easy for people to get jobs.
v) Lending to assist the unemployed to start income generating activities.

vi) Exporting labour by assisting the unemployed to get jobs abroad.
vii) Encouraging the informal/Jua kali sector in order to promote self employment.
viii)Delocalization policy for balanced regional development.
ix) Population policy to control growth/curb/labour force.
x) Improvement of infrastructure in order to stimulate economic activities.
xi) Increased government expenditure to expand the size of the economy.
xii) Effective use of natural resources to increase production activities.
xiii)Income/wage policy to harmonize differences between regions/sectors.
xiv)Protect local industries against unfair competition.
xv) Attract investment through various incentives.
xvi)Reviving collapsed industries by injecting funds/selling them.
Mention 1
Explanation 1
2×5=10 marks

b) Describe five documents used in international trade.
i) Inquiry – letter sent by an importer to an exporter asking about the supply of goods/terms of sale.
ii) Order/indent – Used by importer to as the exporter to supply him with goods specified.
iii) Bill of lading – Document used by importer to claim for the goods when they arrive at the port of entry.
iv) Letter of credit – it's issued by the importers bank to the exporters bank to assure the exporter that goods will be paid for.
v) Import license – Issued by the authority to permit the holder to buy goods from abroad.
vi) Freight note – Shows transportation charges for goods.
vii) Airway bill – Issued by the air like. It's a document of title used by importer when claiming for goods at the port.
viii) Certificate of origin – Shows the country from which goods have been bought.
ix) Consular invoice – It's an invoice signed by consul to confirm that prices charged on goods are fair.
x) Proforma invoice – Issued by the exporter if he wishes to be paid before goods are delivered.
xi) Commercial invoice – Issued by the exporter to demand payment for goods sold on credit.

4. a) Ways in which insurance industry contributors to the development of Kenya's economy.
i) Government revenue – The government collects revenue by taxing the insurance industry/uses the revenue to provide public services.
ii) Creation of employment as many people are employed in the industry.
iii) Creating confidence. The companies encourage people to undertake risky businesses since they are assured of compensation.
iv) Investable funds. Money collected by insurers is made available to investors as loans for development.
v) Compensation offered by insurers enables the economy to continue developing.
vi) Encouraging a saving. Insurers mobilize long term funds from the members in public in form of life policies.
vii) Direct investment. Insurance companies invest directly into the economy e.g. in real estate.
viii) Policies provided in life assurance can be used as security to acquire loans for development/investment.

b) Benefits that accrue to an economy from public finance.
i) Provision of essential goods/services. The government is able to provide these goods from the funds collected.
ii) Control consumption of certain goods. The government can discourage consumption of certain goods in order to reduce their impact on people's health by taxing.
iii) Promote balanced regional development. Funds collected can be used to start up projects in areas that are under developed/discourage localization by heavily taxing firms in localized areas.
iv) Promotes economic stability funds collected are used to solve problems such as unemployment through increasing public expenditure.
v) Redistribution of wealth. This is done by the government taxing the rich and using the money to provide essential goods/service to the poor.
vi) Creates conducive business environment. Through public expenditure the government can develop infrastructure to enable businesses to thrive.
vii) Solve balance of payment deficit. Government taxation can be used to reduce importation hence solve the balance of payment deficit.
viii) Protection of local industries. Through taxing imports, they will become expenditure hence discourage their consumption people will hence buy local goods.

5. a) Features of a perfectly competitive market.

- Large number of buyers/sellers who operate independently.
- Buyers/sellers have perfect knowledge about the market e.g. prices, quantity.
- No government interference in terms of taxes or price control.
- No transport cost as buyers and sellers are located in one place.
- Free entry/exit into/out of the market as there are no barriers.
- Homogeneity of products. The products dealt in a person substitutes of each other and buyers cannot distinguish them.
- Perfect mobility of factors of production in areas of production where returns are highest.
- No excess demand a supply as sellers are able to tell all they bring to the market and buyers are able to buy all they require from the market.
- Buyers/sellers are price takers as prices are determined by forces of demand and supply.
- Uniformity of sellers/buyers. All sellers are similar in the eyes of the buyers and all buyers are the same in the eyes of the sellers therefore is no benefit of buying from one particular seller/selling to a particular buyer.

b) Factors that constitute a health external environment of a business.

- Political stability which will create a conducive environment for business to thrive.
- Favourable laws which will encourage people to engage in business activities.
- Reliable suppliers who will enable the business to acquire a constant supply of raw material.
- Many customers who will enable the businesses to sell their products.
- Fair competition that businesses will be able to cope with.
- Economic development which will improve life's of citizens enabling them to earn more and therefore increases their purchasing power hence provides a larger market.
- Advancement in technology which will enable business people to cut on their production cost/improve quality of their products.
- Favourable physical factors favorable climatic conditions will encourage business people to invest in an area sixe workers/employees will be attracted to such regions.

6. a) Factors that a firm may consider when choosing a method of communication.

- Cost/affordability – A firm will choose a means that is affordable.
- Confidentiality – If the information is confidential means that can provide/enhance confidentiality should be used.
- Reliability – Means used/chosen when ensure that the message reaches its destination.
- Distance – Short distance requires simple means.
- Need for future reference / evidence where future reference is needed, a means that can provide for future references should be used.
- Urgency – Where the message is urgent, fast means should be used.
- Accuracy – Means chosen should deliver the message in its original form.
- Length of message/nature of message/complexity of message. If message is long, written means should be used / if message is complex, more than one means should be used.
- Desired impression. Means chosen should create the desired impression e.g. colour is used to portray a good business image.

b)

Meme Traders
Profit and Loss A/c
For the year ended 31st December 2013

Dr.			Cr.
	Shs.		Shs.
Interest on loan	1,440	Gross profit	624,720
Discount allowed	170,400	Rent received	144, 000
Electricity	30,240	Net loss c/d	74,316
Repairs (furniture)	86,436		
Premises maintenance	72,000		
Motor vehicle maintenance	360,000		
Sundry expenses	122,520		
	843,036		843,036

Meme Traders
Balance sheet
As at 31st December 2013

ASSETS	Shs.	Cts	Current Liabilities	Shs.	Shs.
Current assets			Creditors		272,400
Debtors	140,280		Long term liabilities		
Stock	87,000	227,280	Bank loan		567,000
Fixed Assets			Capital	1,680,000	
Vehicles	1,080,000		Less Net loss	74,316	1,605,684
Premises	648,000				
Furniture	489,804	2,217,804			
		2,445,084			2,445,084

½ ×20=10 marks- ½ mark if title is missing/incorrect/incomplete.

NYERI COUNTY FORM FOUR JOINT ASSESSMENT
Kenya Certificate of Secondary Education
BUSINESS STUDIES
Paper - 565/1
July / August - **2015**

1. Components of Business studies as a subject (4 marks)
a) Accounting
b) Economics
c) Commerce
d) Typing with office practice
d) Entrepreneurship

2. Challenges the hospital faces due to incompetencies
a) Insecurity of documents / loss of documents.
b Access to documents and information to an authorized persons.
c) Difficult to retrieve or access documents.
d) Untidy documents / spoilage of documents.
e) Untidy / unpleasant office / untidy workplace
f) Poor communication.
g) loss of guarantee for future reference.
h) Lack of confidentiality / privacy / secrecy

3. Factors for increased used of pipeline transport (4 marks)
i) Reduces congestion on roads.
ii) Reduces damages on roads.
iii) Reduces rates of accidents on roads / fewer tracks on our roads.
iv) It is cost effective / cheap / economical.
v) Large volumes are transported
vi) Offers 24 hrs services.
vii) Environmentally friendly.
viii) Highly reliable (product reaches intended destination)
ix) Quick delivery of products (no delays)
x) Cheap to maintain (low wear and tear)
xi) Labour savings as it requires minimal man power.

4. Means of payment most suitable for situations. (4 marks)
a) Credit transfers
b) Bankers cheques / Bank drafts.
c) Standing orders / bankers order
d) EFT - Electronic Funds Transfer.

5. Ways of generating business idea (4 marks)
i) By building on ones hobbies, skills and interests.
ii) By identifying market gap / market niche.
iii) By improving on an existing business.
iv) By copying and combining two existing ideas.
v) Through reading newspapers, journals, books etc.
vi) Through recycling wastes materials.
vii) By carrying out market research / surveys.
viii) Listening to what people say
ix) By Brainstorming
x) Through vocational training and experience.
Note: way must come out clearly.

6. Factors leading to increase in demand for sodas in Mt. Kenya Region (4 marks)
i) Fall in buying price for the sodas.
ii) Increased prices of substitute soft drinks e.g. juices.
iii) Increased consumers incomes.
iv) Increased population / increased number of users.

v) Favourable season / hot or dry season.
vi) Favourable tastes and preferences.
vii) Favourable government policy.
viii) Future expectations of prices increases of sodas.
ix) Better or fairer income distribution.

7. Benefits a member enjoys from a consumer cooperative (4 marks)

a) Member can get loans easily at low interest rates.
b) Member can get genuine / original products.
c) Member can buy goods on credit.
d) Member can be offered dividends.
e) Member can be elected in management committee.
f) Member can access high quality goods.
g) Member can access a wide variety of goods.
h) Cheaper goods are accessible form the cooperative retails stores.
i) Member is assured of regular supplies from the store.
j) Incase of under performance of the good the member can appeal directly.

8. Reasons for the decline of fertility in Nyeri county (4 marks)

i) Delayed marriages.
ii) Increased participation of women in economic activities (more time at work)
iii) Craving for higher standards of living / better life.
iv) Small families becoming fashionable.
v) Improved health care, reduce death rates, no need for many children.
vi) Viable retirement benefits reduce need for many children.
vii) Emergency of HIV/AIDS reduce fertility rates.
viii) Drug and Alcohol abuse.
ix) Increased costs of living.

9.

KABAO TRADERS
BALANCE SHEET
as at 31st Dec. 2013

ASSETS	Shs	CAPITAL AND LIABILITIES	
Buildings	75,000	CAPITAL	Shs
Motor vehicles	63,000	Opening capital	138,500
Closing stock	18,000	Net profit	15,000
Debtors	49,000	Closing capital	153,500
Cash in hand	32,500	LIABILITIES	
		Equity Bank loan	30,000
		Creditors	54,000
	237,500		237,500

10 × ½ = 5 marks

10. Benefits of social media to business person.

a) Trader gets immediate feedback from customers.
b) Has wider coverage (can access wider market)
c) Able to target a specific customer.
d) Can advertise / promote his products.
e) Easy to convince / persuade the customers
f) Conve
g) Flexib
h) Can se
i) Adver

c)

11. Circur y be appropriate in comparing living standards. (4 marks)

a) Wher

b) If accounting systems are the same.
c) When living styles are the same / same tastes.
d) When inflation levels are the same.
e) When pricing systems are the same.
f) When income distribution in the two countries are the same.
g) Where same goods and services are used to get statistics.
h) Same cultural practices in the two county.
i) Where working conditions are the similar.
j) If economic structures are same.
k) If climates are the same in the two counties.

12. Computing the figures from the cashbook.
p - 25,000
r - 23,200
t - 80,000
q - 15,000
s - 68,000

13. Benefits of expanded trade with Asian countries.
a) Wider market for Kenya goods / surplus not wasted.
b) Wider varieties from Asian countries.
c) Access to cheaper and quality goods.
d) Increased government revenues.
e) More foreign exchange.
f) Acquire advanced technology
g) Creation of more employment opportunities.
h) Mobility of factors of production will be enhanced.
i) Get assistance during calamites.
j) Specialization increases.
k) Get Asian experts that train Kenyans.
l) Increased peace, and understanding.
m) More economic growth of development.
n) High quality goods are acquired.

14. Differ ion market structures.

	Mon	**Monopolistic**
i)	Only	Many producers and suppliers in the market
ii)	Deal	Deal with similar products that are very close substitute
iii)	Ther	There is stiff competition among the firms
iv)	The f	Many firms make the industry
v)	Supp	Each firm sets its own price
vi)	Ther	There is freedom of entry of new firms
vii)	Firm	Each firms makes normal profits in the long run
viii)	Cont	No control over the source of raw materials
ix)	Ther	Price discrimination is not possible

NB:- Diffe plit of marks. ***4 marks***

15. Class ***3 marks***
a) Rene
b) Non
c) Rene
d) Non-

e) Non-renewable
f) Renewable

16. Computing the figures.

a) Working capital
= CA - CL
= (2,350,000 - 1,300,000) ʉ
= 1,050,000 ʉ

2 × ½ = 1

b) Current ratio

$$=\frac{CA}{CL}=\left(\frac{2,350,000}{1,300,000}\right)=\frac{1.81}{1}=1.81:1$$

c) Capital employed
= CO + BC
= (2,500,00 + 1,430,000) ʉ
= 3,930,000 ʉ

d) Rate of return on capital invested

$$=\frac{NP}{CO}$$

$$=\left(\frac{500,000}{2,500,000}\times 100\right)=25\%\ or\ \frac{1}{4}$$

17. Preparing a

XYZ Co.
Trading Account
For the year ended 30th June 2015

	Shs		Shs
Opening stock	85,000	Sales	640,000
Purchases	430,000		
Cost of GAS	515,000		
Less: Closing stock	35,000		
Cost of Goods sold	480,000		
Gross profit c/d	160,000		
	640,000		640,000

8 × ½ = 4 marks

$$=\frac{25}{100}\times 640,000=160,000$$
G.P

Note: Candidate must come up with all the missing items in the trading
Opening stock must come first.

18. Classification of taxes.
a) Indirect
b) Direct

c) Indirect
d) Indirect
e) Direct
f) Direct ***6 × ½ = 3 marks***

19. Factors considered when establishing the warehouse. (4 marks)
a) Should be in an ideal location to receive and release goods.
b) Should have well trained and qualified staff.
c) Should have good inventory recording system.
d) Should be near a good transport of communication.
e) Should have the necessary equipment
f) Should be secure.
g) should be spacious (large enough)
h) Ensure legal procedures are followed.
i) Proper building and structure appropriate for the type of goods to be stored.

20. Factors that would assist a firm to expand.
a) Access to a large market
b) Access to wide capital sources.
c) Efficiency in management
d) Owner's decisions to expand
e) Use of appropriate technology
f) Established branch network
g) Intensive sales / marketing strategies.
h) Merging / amalgamation / combinations.
i) Enjoying economies of scales / natural growth.

21. Reason why extractive level is highest income earner in Kenya (4 marks)
i) Poor technology in the country to engage in other sector.
ii) Existence of vast / abundant natural resources.
iii) Favourable government support towards agriculture.
iv) Shortage of capital for manufacturing.
v) Limited skills that are required in secondary activities.
vi) Limited market for finished goods due to high poverty levels.
vii) Negative cultural behaviours that defer growth of secondary section.
viii) Favourable weather conditions favouring agricultural.

22. Effects of transactions on balance sheet totals
a) + (increase)
b) RC (Remains constant)
c) RC (Remains constant)
d) - (Decrease)

23. Calculate compensation ***4 marks***

$$Loss = \left(\frac{80}{100}\right) \times 1,500,000 = 1,200,000$$

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

$$= \frac{750,000}{1,500,000} \times 1,200,000 = Shs\,600,000$$

8 × ½ = 4

24. Features of a tied shop (4 marks)

i) Sell goods exclusively from one manufacturer.
ii) Prices are fixed for all goods / no bargaining.
iii) Prices are set by appointing manufacturer.
iv) No varieties of goods / no competing goods.
v) Same shop front and interior design.
vi) Manufacturer stocks the business for operator.
vii) Manufacturer advertises the goods on behalf.
viii) Manufacturer trains the operators and shop attendants.
ix) Financial by the appointing manufacturer.
x) Terms and conditions set by the manufacturer.

25. Indicating whether internal or external. (4 marks)

a) External
b) Internal
c) External
d) Internal
e) External
f) Internal
g) External
h) External

NYERI COUNTY FORM FOUR JOINT ASSESSMENT
Kenya Certificate of Secondary Education
BUSINESS STUDIES
Paper - 565/2
July / August - **2015**

1. a) Five benefits of constructing the SGR - Standard Gauge Railway line to the economy. (10 mark)
Speedy delivery of goods - ensures that goods are distributed faster to reach on time without delay
Large bulky goods - the means will carry more goods at once which reduce cost of transport.
Lowers the cost of transport - enables the producers to pay less and thus reduce their expenses for carriage. It is cheap method
Reduce damage of roads - most trucks will be replaced by trains and thus reduce cost of repairs on our roads.
Reduce road congestion - this helps to reduce traffic jams and accidents on roads.
Not affected by adverse weather - Thus offers continues services all seasons, both rainy and sunny.
Comfortable commuter services - passengers can be moved conveniently.
Reduced pollution - more environmental friendly
NB - ***Candidates must bring out the benefits***
1 mark stating 1 mark explanation.
2 × 5 = 10

b) **Factors that may lead to an increase in the level of National income of a country. (10 marks)**
High supply of human resources / high population : more workers earn more wages and salaries which increase the national income.
High quality labour force / qualified human resources such labour is paid higher salaries which increase the National income.
Better or improved technology / modern technical knowhow : this increases supply or production of goods which increases the GDP / better qualities and quantities of goods that earn high income.
High natural resource endowment / land / gifts of nature; increases production of goods, can generate more incomes.
More capital resources / man-made or artificial resources: availability of capital makes production easy and thus more output that generate more income.
More foreign investments into the country: more investments increases output which increases National income.
Good governance / political stability : This attracts more investments and savings and therefore more output. This increases incomes.
High level of entrepreneurial culture: This encourages hard work, more output and thus more incomes are earned
More export trade : - This increases foreign exchange earnings that is a major component in National income.
Candidates must show how the National incomes increase to be awarded marks.
1 mark stating 1 mark explanation otherwise 2× 5 = 10 marks

2. a) Qualities of a good advert. (8 marks)
- Salient features of the product should be emphasised so that the consumer can view it as superior / better than others.
- Information on cost / price should be disclosed so that the consumer is able to budget / assess his ability to afford the product.
- Any improvement / changes regarding the product should be disclosed e.g. special price offers / so that the consumer can be convinced to buy the product / take advantage.
- The source of the product should be disclosed so that consumers know where to go and purchase.
- Side effects of consumables should be disclosed as a government requirement / to safeguard health of consumers.
- Name of the producer should be disclosed to arouse interest of consumer (based on past experience)
- Brand name of the product should be disclosed so that the consumers know the name by which they can distinguish the product when buying.

NB- The importance of each quality should come out clearly in the candidates work, to be awarded marks.
2 × 4 = 8 marks

b).

Date	Details	F	D. allowed	Cash	Bank	Date	Details	F	D. Rec	Cash	Bank
2014 Nov.						2014 Nov.					
1	Balance b/d			130,000	,000	3	Motor vehicle				100,000
14	Fulana		1350	13,500		6	Tugon		850		16,150
14	Thabiti		2000	18,000		6	Midebwa		400		7,600
18	Bank	C1		10,500		18	Cash	C1			10,500
20	Olano		900		24,100	26	Bank	C2		100,000	
24	Sales				5,600	30	Balances c/d			72,000	235,450
26	Cash	C2			100,000						
			4,250	172,000	369,700				1,250	172,000	369,700
Dec 1	Balances b/d			72,000	235,450						

3. a) Methods used by the government to regulate business activities. (8 marks)

- Licensing : Gives the business people authority / permission to carry out business activities legally
- Fixing quotas : quantitative restrictions on goods that should be produced, consumed or imported at any given time.
- Imposing total bans : Prohibition / abolishing or stopping certain activities in the country.
- Setting of standards : quality and security standards for goods to be sold or consumed in the country e.g. KEBS
- Enforcing operating laws : making sure that the laws set are followed by citizens and producers.
- Enacting laws: passed by the parliament.
- Regular inspections: government officials from various department make regular check ups on goods, premises to ensures that standards are met
- Formulation of fiscal and monetary policies these help to regulate banking sector, and all other business activities.
- Giving guidelines and directives - issuing written down procedures to be followed so as business activities are regulated
- Establishi KEBS, Nema, etc

State 1 m

4 @ 2 = 8

b) Difference eties.

Priva erative societies

i) Mini mum ten members

ii) Max aximum membership

iii) Man aged by an elected management committee

iv) Requ ire the by-laws or The constitution for form ation

v) Shar eholding limited to 5% of the total share al

vi) Shar bers cannot transfer shares to anybody

vii) Exist onsultations for admission of new members of a

viii) Regi tered with the commissioner of cooperatives

ix) Cont rolled by cooperatives Act

4.a) Characteristics of money (8 marks)

- Acceptability : item used must be accepted by all the act as medium of exchange.
- Recognisability : money should be easily noticed at first glance for it to be used.
- Scarcity : money should be limited in supply to maintain its value.
- Stability of value : value should remain constant for a period of time without losing its value to create confidence.
- Durability : money should be long lasting without wasting out to be used for long period.
- Divisibility : money should be divided into small units without losing its value to be used for small payments.
- Portability : money should be light to carry to be used all over the country.
- Homogeneity : different units should be the same or uniform in size, weight and features.
- Malleability : should be easy to print notes and unit coins for use in the economy.
- Complexity : money should be difficult to forge or imitate.

b)

GAKOROMONE ENTERPRISES
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st DEC. 2009

	Shs		Shs
Operating expenses		Gross profit b/d	790,000
		Discount	
Office expenses	30,000	received	19,000
Discount		Commission	
allowed	12,400	received	15,000
Carriage			
outwards	20,000	Total / income	824,000
Office rent	45,000		
Stationery	10,000		
Total expenses	117,400		
Net profit c/d	706,600		
	824,000		824,0

i.

Gakoromone Enterprises
Balance sheet

ASSETS
FIXED AS
Land
Buildings
Equipme
TOTAL F.
CURRENT
Stock
Debtors
Cash
Total C.A

Notes: Title must be written in three lines to award a mark for Capital, Net Profit from P and L must be added first then drawings. No need for order. Both totals correct for b/s one mark

5.a) **Factors that influence a producer to sell directly to the consumer. (10 marks)**

i) Financial strength : Can use own retail outlets established in the markets / consumers.
ii) Number of established / regular customers : if the established number is low then direct sales are viable.
iii) Perishable goods : there is need to reach the consumers fast to avoid spoilage.
iv) Technical goods : so that he can demonstrate or explain how they are used.
v) Feedback required : in order to get quick response from the consumer about their feelings on the product.
vi) Scale of production : when the producer has a small amount of output, can sell directly.
vii) Need to keep prices low : Producers may want to control prices and keep them low by avoiding middlemen.
viii) Customers specification : If customers order goods directly, then direct sales are done.
ix) Concentrated markets : where large markets are concentrated and accessible, then direct sales can be done.
x) Government policy - when the government dictates that direct sales be done.
xi) Sensitive goods - to be handled by the producers themselves direct to consumers.
xii) Nature of the consumers - if customers can afford to buy large quantities then direct sales can be done.
xiii) Profit maximization : producers may want to by-pass middlemen to leap maximum profits from direct sales.
xiv) Level of competition - it there is stiff competition, the producer may sell directly to consumers to capture the market and outdo other products of competitors.
xv) When goods are quite expensive for middlemen, then the producer has no option but to shoulder all the sales direct to consumers.

state 1 mark. Explain 1 mark otherwise 2 marks. 2 × 5 = 10 marks

b) Principles of insurance: (10 marks)

i) Indemnity - reinstates, compensates the insured after loss.
ii) Insurable interest : The insured must suffer financial loss incase of occurrence.
iii) Proximate cause : there should a close relationship between the risk insured against the cause of the occurrence.
iv) Subrogation : after compensation, the insured takes over the rights of the insured on the subject matter / scrap / wreckage.
v) Utmost Good faith : Insured must disclose all relevant facts concerning the subject matter being insured.
vi) Contribution : Incase of double insurance, the insurers come together towards the amount of compensation.

Note : Principle must be stated then explained.

1 stating 1 explanation 5 @ 2=10 marks

6.a) **Services offered by wholesalers to manufacturers.** (10 marks)

i) Linkage : Wholesalers acts a link connecting manufacturers to retailers and consumers.
ii) Storage : offers warehousing facilities to manufacture ensuring continuous production.
iii) Transportation : wholesalers helps in moving the goods from factories to the markets using their own vehicles.
iv) Breaking of bulks - Wholesalers buy in large quantities and divides into smaller quantities convenient for both retailers and consumers.
v) Stabilization of prices : helps to keep steady supply of goods in the markets and helps the producers to earn stable incomes.
vi) Financing : pays for orders of goods in advance and also pays promptly for deliveries financing the manufacturers.
vii) Advertising / product promotion : offers advertising of goods relieving the manufacturer of advertising costs.
viii) Preparation of goods for sale : wholesalers, select, sort, blend, grade, brand goods on their own behalf relieving the manufacturers of such costs.
ix) Market Research: carries research, collects information vital for manufacturers.
x) Advice : wholesalers advice the manufacturers on the need in the market.
xi) Relieves the manufacturer of marketing risks e.g. fire, falling prices, baddebts, thefts, etc.

state 1, explain 1 = 2 × 5 = 10 marks

6. b)

PURCHASES JOURNAL

Date	Details	Invoice No	F	Amount (shs)
Jan 2	Neighbours Traders		PL1	
16	Iron Traders		PL2	1
24	Maisha Ltd		PL3	1
	Total posted to the purchases a/c in the General ledger (Dr)			3

SALES JOURNAL

Date	Details	Invoice No	F	A (s
Jan 4	Make make Traders		SL1	
18	Fireline Traders		SL2	1
25	Hot sun Traders		SL3	
	Total posted to the sales a/c in the General ledger (Cr)			2

SALES RETURNS JOURNAL

Date	Details	Invoice No	F	A (s
Jan 9	Make make Traders		SL1	
22	Fireline Traders		SL2	
27	Hot sun Traders		SL3	
	Total posted to the Return Inwards a/c in the General ledger (Dr)			

PURCHASES RETURNS JOURNAL

Date	Details	Invoice No	F	A (s
Jan 12	Make make Traders		PL1	
23	Fireline Traders		PL2	
30	Hot sun Traders		PL3	
	Total posted to the Purchase returns a/c in the General ledger (Dr)			

KENYENYA DISTRICT JOINT EVALUATION TESTS (K
Kenya Certificate of Secondary Education

BUSINESS STUDIES
Paper - 565/1
July / August - 2015
MARKING SCHEME

1. Four essential elements of a warehouse to be considered when constructing one (4mks)
- Should be located in an area where there is adequate supply of goods to be stored.
- Should be designed in consideration to the size and type of goods to be stored.
- There should be adequate security in the area
- The place should have good infrastructure e.g, good transport and adequate supply of electricity.
- Communication network in the area should be effective.
- He should consider whether there are trained employees who are also knowledgeable in warehousing

4 × 1 = 4 marks

2. Four reasons why a seller would send a credit note to a buyer
- Where there is an overcharge in an invoice .
- When the original invoice had indicated items that were not supplied
- When the buyer returns empty crates that had been charged in the earlier invoice.
- When the buyer returns some goods to the seller.
- If the buyer was entitled to a discount which was not given/taken care of in the invoice. ***4 × 1 = 4 marks***

3. Four characteristics of money
- Acceptability
- Durability
- Portability
- Stability
- Malleability
- Cognisability
- Scarcity
- Difficult to counterfeit ***4 × 1 = 4 marks***

4. i) Negative
ii) Positive
iii) Negative
iv) Negative ***4 × 1 = 4 marks***

5. Reasons for increasing number of small scale businesses in Kenya
- Small firms have low running costs compared to large firms
- They require little legal formalities to form.
- East to manage and control
- Market may be small
- They are flexible and can be changed with easy
- Some goods / services can only be provided by small firms e.g. hair dressing.
- Have personal contact between the owner and customers. ***4 × 1 = 4 marks***

6. Uses of the named documents
- Certificate of trading : Authorizes the business to commence its business activities.
- Certificate of incorporation: shows that a company has been fully registered as a separate legal entity
- Memorandum of Association; shows the relationship between the company and outsiders.
- Articles of Association; shows the rules and regulations to be used in the internal operation of the company.

4 × 1 = 4 marks

7. Four ways the government can use to service its public debt
- Sale of government property
- Borrowing from other sources.
- Sales of shares held in Business organisations
- Budget allocation
- Negotiating for write offs. ***4 × 1 = 4 marks***

8. Four limitations of after- sale services as a method of sales promotion.
- The cost of after sale services is finally passed on to the buyer.
- The dealer may create monopoly, hence exploit the buyer / the buyer is tied up to one trader.
- The dealer can run out of spare parts, hence causing delays in operations.

- The service charge can be unrelated to the actual work: done and usually too high.
- A lot of time / money will be spent if the customer and supplier are far apart,
- It may be inconveniencing / unnecessary where the dealer requires the goods to be bought from his premise.
- The service may be given when the product is still new and has few problems. ***4 × 1 = 4 marks***

9. Four reasons why employers are expected to provide their employees with insurance cover.

- It is a legal requirement
- To motivate workers to provide quality goods and services.
- To cater for their medical expenses when they are hospitalized.
- To ensure that employees have financial security later after retirement.
- To encourage the saving habit among employees. ***4 × 1 = 4 marks***

10. Four factors to be considered when deciding on the type of office layout to use.

- The cost of construction and maintenance.
- Size of staff to be accommodated in the office.
- Nature of work to be carried out in that particular office.
- Nature and rank of staff to be accommodated in that particular office.
- The floor space available.
- The need to maintain a good work flow among the workers.
- Government directive if any.
- Climatic conditions of the area.
- Ease of communication. ***4 × 1 = 4 marks***

11. Four effects of fixing maximum prices at P_1.

- There will be excess demand.
- There will be less supply in the market.
- Black market situation may develop I some traders may secretly sell at higher prices.
- Some suppliers will be unwilling to supply at low prices .
- v) There will be hoarding of goods. ***4 × 1 = 4 marks***

12.

Sales A/c

	1/1/14	Debtor	15,000

Debtors A/c

1/1/14	Sales	15,000	2/1/14	Bank	5,000

Bank A/c

4/1/14	Debtors	20,000	3/1/14	Creditors	3,000

Creditors A/c

3/1/14	Bank	3,000	2/1/14	Bank	5,000

Purchases A/c

2/2/14	Creditors	5,000			

8 × ½ = 4 marks

13.

a) Sales

Cost of sales

$$Mark-up=\frac{Gross\ \ profit}{Cost\ \ of\ \ sales} \qquad Mark-up=\frac{Gross\ \ profit}{Cost\ \ of\ \ sales}$$

$$\frac{20}{100}=\frac{GP}{180,000} \qquad \frac{20}{100}=\frac{GP}{180,000}$$

= opening stock + purchases-closing stock
= 25.000 +190.000 -35.000
= sh. 180,000
Gross profit = sh.36,OOO
Hence, Sales
=cost of sales +Gross profit
= 180,000 + 36,000
= sh, 216,000

$$Mark-up=\frac{Gross\ \ profit}{Cost\ \ of\ \ sales}$$

$$\frac{20}{100}=\frac{GP}{180,000}$$

b)

Cost of Goods Sold
= Opening stock +Purchases -Closing stock
= 25,000 + 190,000 - 35,000
= shs 18,000

14.

Nyabwari Traders
Profit and loss account
For the year ended 30th September 2013

Expenses	Shs		Shs
Bad debts	28,000	Gross profit b/d(180,00-130,000)	50,000
Wages	24,000	Discount received	4,000
Rent	12,000	Net loss c/d	21,000
Carriage out.	11,000		
	75,000		75,000

15.

Kambi Traders
Balance sheet
As at 30th June 2014

	Shs	Shs		Shs
Furniture		450,000	Capital	550,000
Stock	60,000		3 year loan	270,000
Debtors	120,000			
Bank	180,000		Creditors	60,000
Cash	70,000	430,000		
		880,000		880,000

16. Four benefits Kenya derives by engaging In international trade.

- It is able to dispose off its surplus products/wider market
- It is able to get what it cannot produce.
- Its industries will operate at maximum capacity due to expanded market
- The citizens will have a wider choice of goods.
- May lead to Kenya acquiring new technology, knowledge and skills.
- Creation of more employment opportunities .
- Tax revenue is increased .
- promotes international peace.
- Earning foreign exchange.

- Promotes specialization.
- Get assistance in times of calamities. ***4 × 1 = 4 marks***

17. Four sources of public finance in a country

- Taxes on services/goods/incomes.
- Fines on wrong doings.
- Government borrowing internally and externally / short and long term loans from banks.
- License fees charged by the government on people running businesses
- Sale of bonds/treasury bills/ Sale of government assets like Land.
- Grants Aid from donor agencies. ***4 × 1 = 4 marks***

18. Four reasons why most traders are reluctant in extending credit to their customers.

- When it is their policy of selling strictly on cash basis.
- The stock level may be too low to sell on credit
- Traders may not have adequate information on new customers.
- Where the customers may require a lot of goods that the traders may not approve.
- Lack of security.
- The referees may fail to recommend the customer for credit facilities' ***4 × 1 = 4 marks***

19. Four circumstances under which a trader prefers transporting goods through water rather than air.

- Where goods are bulky
- Where goods are heavy to carry
- Where the goods are not urgently required
- Where goods are flammable e.g. petrol.
- Where he/she wishes to reduce on transport cost.
- If it is a government policy.
- Where goods are not perishable. ***4 × 1 = 4 marks***

20. Four characteristics of economic resources

- Are limited in supply/Scarcity
- Have monetary value
- Are unevenly distributed
- Are capable of alternative uses.
- Can be combined in various proportions to produce more useful goods.
- Have utility! ability to satisfy human wants.
- The are transferable from one place to another.
- They are complimentary.
- Their quality can be improved. ***4 × 1 = 4 marks***

21.

CASH BOOK

Date	Details	Cash	Bank	Date	Details	Cash	Bank
2014				2014			
April 1	Bal b/d	120,000		April 1	Bal b/d		10,000
April 2	Debtors		80,000	April 2	Electricity bill	2,500	
April 30	Bank (C)	40,000		April 30	Cash (C)		40,000
					Bal c/d	157,500	30,000
		160,000	80,000			160,000	80,000
April 30	Bal b/d	157,500	30,000				

22. Four essential elements of communication.

- Sender/communicator
- Message
- Medium/channel
- Feedback. ***4 × 1 = 4 marks***

23. Reasons for high poverty level among many African countries

- Lack of right technology for production/ to exploit available resources.
- Some countries do not know that resources exist
- Lack of skilled man power to exploit the available resources
- Inadequate capital required to exploit the available resources

- Lack of political goodwill to exploit resources.
- Political instability
- Poor leadership and governance. ***4 × 1 = 4 marks***

24. Four methods the government may adopt in its effort to control high population growth rates.

- Promote use of family planning methods
- Educate/sensitize the public about the advantages of small families.
- Discourage early marriages
- Improve the economic status of people so that families stop seeing children as financial security at old age.
- Improve medical facilities so as families stop having many children since they will be sure of the survival of the few children they may have.
- Reduce incentives given to families for having many children e.g, maternity leaves.
- Impose the upper limit of the number of children a family may have.
- Establish NSSF for old age people/improve on the social security programme. ***4 × 1 = 4 marks***

25. Methods used to differentiate products in monopolistic competition

- Packaging of products
- Branding of products
- Wrapping of products
- Colouring of products ***4 × 1 = 4 marks***

KENYENYA DISTRICT JOINT EVALUATION TESTS (KDJET)
Kenya Certificate of Secondary Education
BUSINESS STUDIES
Paper - 565/2
July/August - 2015
MARKING SCHEME

1. a) Problems faced by an organization that adopts an enclosed office plan

- Wastage of time. Alot of time is taken by employees / staff when moving from one office to another to get information / documents.
- Encourages absenteeism as it is difficult for close monitoring / supervision of members of staff who operate from different offices.
- Misuse of office facilities / resources as members of staff may use them on private / own uses than that of an organisation.
- Wastage of space . There may be wastage of space since only one / a few officers occupy the whole office.
- Little inter-personal relationships since the workers meet rarely and this may cause resentment.
- Encourages laxity / idleness in office. Officers may idle about / do their own personal work during official working hours as it may not be easy to monitor them closely.
- May lead to breakdown of communication among members of staff since they are in different offices.
- No close supervision of workers since the management / administration may not be in view of workers at all times.
- Work flow is slowed due to movement of workers from one office to another to get something done.
- High cost of maintenance / running as the organisation will spend more funds / resources in decorating / equipping different offices.
- Expensive to construct since it requires more rooms for different categories of workers. ***5 × 2 = 10 marks***

b) Functions of intermediaries.

- Breaking bulk - They buy in great quantities and sell in small quantities as desired by their customers.
- Accumulating bulk - They buy the same product in small quantities from many small producers and then offer them in large quantities to buyers who may require in such quantities.
- Risk takers - They take all the risks associated with the distribution of goods from the producers to consumers e.g. damage, theft etc.
- Product promotion - They pass relevant information about products to consumers that stimulates their demand.
- Storage facilities - They assist in storing goods until demand for them arises.
- Transport / distribution services - They move goods from producers to their warehouses / customers.
- A wide range / variety of goods - They buy different types of goods from various manufacturers and thus enabling buyers get a wide range of goods to buy.
- Ensuring steady supply. They ensure steady supply of goods to consumers at all times by keeping them in their warehouses and release them when demanded.
- Market research - they determine where to sell the goods / services on behalf of producers. ***5 × 2 = 10 marks***

2. a) Discuss macro-environmental factors that influence business operations in a country

- Economic environment - when a buyer's ability to purchase increases the business is likely to sell more while if the buyer's ability decreases, the sales volume decreases.
- Demographic / the size of population. A growing population creates a wider market for goods / services leading to high sales while a declining population reduces market for goods / services resulting to low sales.
- Political factors - political stability creates conducive environment for business activities leading to large sales volume while political instability hinders business activities leading to low sales
- Legal factors - favourable laws / policies promotes business whereas unfavourable laws / policies reduces business performance
- Suppliers - Regular supply of goods promotes business while irregular supply hinders good performance.
- Cultural environment - business activities which are in favour of peoples' culture succeeds while activities against peoples' culture cannot do well
- Competitors / competition environment - a business that faces fair / no competition performs better while a business that faces stiff competition performs poorly.
- Customers - a business that attains customer loyalty does well while a business without customers loyalty cannot do well.
- Physical environment - Good infrastructure / climate supports good performance of business while poor infrastructure / climate discourages business activities / hinders good performance.
- Technological environment - use of advanced technology in operations results to better performance while use of outdated technology leads to poor performance.
- Intermediaries - Availability of intermediaries enables the business to reach the intended customers while lack of intermediaries may make the business fail to reach some intended customers.
- The publics - media houses / lobby groups may campaign for business products to promote its sales while when they campaign against business products may lead to boycotts by customers. ***5 × 2 = 10 marks***

2 b) Circumstances under which signs are used in communication

- Where there is language barrier.
- When giving direction for example road sign
- Where there is alot of noise
- When one or both parties are deaf / dumb.
- When the sender wants to emphasize a point
- When communicating a secret message
- When the people communicating are far apart but can see each other.
- When silence is vital e.g. in hospitals, courts etc. ***5 × 2 = 10 marks***

3. a) Measures that the Kisii county government may take to attract investors to invest in the county.

- Develop infrastructure in the county for easy transport of raw materials / goods / workers to industries / market.
- Provide adequate security . This is to ensure business properties / owners are secure from attacks / theft.
- Cheap land - should give free / at low costs land to investors to invest.
- Loan / credit facilities - avail loans to investors at low interest rates so as to acquire funds for investments.
- Social amenities / facilities such as schools, hospitals, for investors welfare / recreational.
- Giving economic incentives such as low taxes / subsidies to attract more investors.
- Simplifying procedures in starting and running businesses to enable investors meet the legal requirements.

5 × 2 = 10 marks

b)

Sales Journal

Date	Particulars	Amount
2/7/2012	Chui	24,000
"	James	32,000
24/7/2012	Chui	16,000
"	Tom	22,000
"	Josephant	26,000
	Total credit sales to Cr to Sale a/c	120,000

Purchases Journal

Date	Particulars	Amount
6/7/2012	Baraka Traders	80,000
17/7/2012	Tonui	68,000
17/7/2012	Peter	62,000
	Total credit purchases to Dr. to purchases a/c	210,000

Sales Returns Journal

Date	Particulars	Amount
13/7/2012	Chui	4,000
30/7/2012	Tom	4,000
	Total sales return to Dr. to Purchases return A/c	8,000

Purchases Returns Journal

Date	Particulars	Amount
21/7/2012	Baraka Trader	12,000
21/7/2012	Tonui	6,000
	Total purchases returns to Cr. to purchases return A/c	18,000

4. a) Functions of the central bank of Kenya

- Issuing of currency - it prints notes and mints coins for use in a country
- A banker to the government by providing banking services such as accepting deposits / transfer of money etc on behalf of the government.
- A banker to commercial banks by providing banking services to these banks in form of giving loans / accepting deposits etc.
- Credit control - It controls the level of money supply in the country through the use of monetary tools e.g. cash ratio, margin requirements, open market operations etc.
- Acting as lender of last resort to the commercial banks / government / by giving them short-term credit / loans when they are unable to raise it from else where.
- Providing clearing house facility to commercial banks through which they settle their inter-bank debts.
- Controlling foreign exchange in the country by controlling the issuance of foreign currency.
- Managing public debt by borrowing money on behalf of the government and settling such debts when they become due.
- Providing management services to ailing banks. When commercial banks are found ailing, the central bank takes over their management so as to protect the interest of the depositors /customers.
- Regulating commercial banks by licensing them /issuing guidelines on how they should operate.

5 × 2 = 10 marks

b) Differences between whole life and endowment policies.

	WHOLE LIFE POLICY		ENDOWMENT POLICY
i)	Sum assured paid after death	i)	Sum assured paid after an agreed period of time
ii)	Premiums are paid throughout the insured person's life	ii)	Premiums paid for an agreed period of time
iii)	Benefits go to the beneficiaries / dependants not the assured	iii)	Assured may benefit unless death comes before the maturity date of the policy
iv)	Aimed at the financial security of dependants	iv)	Aimed at the financial security of both the assured and dependants
v)	Premiums paid may be lower depending on age	v)	Premiums paid may be higher depending on age.

NB: Well matched differences

5 × 2 = 10 marks

5. a) Causes of inflation in county 'A'

- Increased money supply due to increased credit facilities by banks / other financial institutions.
- Increased government expenditure if the increase is very large the level of money supply in the country may be quite high leading to increased demand for goods /services.
- Increases in wages without corresponding increase in output of goods / services due to trade union pressure / increases the disposable incomes of consumers leading to an increase in their demand for goods and services.
- Increased costs of inputs such as energy / raw materials, leading to increase in cost of production and turns increases in prices of products.
- Increased taxation by the government increases the cost of production, forcing sellers/ producers to pass the increased burden to consumers in form of high prices.
- High costs of imports of both capital and finished goods leading to overall increase of prices of domestic products.
- Shortages in domestic supply / goods and services which requires importation of high priced goods/ services leading to increased prices in the domestic market.
- Balance of payments surplus increases disposable income to increased demand and consequential increase in prices for goods /services. ***5 × 2 = 10 marks***

b)

i) **Optimum population**

- Refers to population that is large enough to effectively utilize the economic resources that are available in the country / where per capita income is at the highest level possible.

ii) **Under population**

- Is where the number of people / population is less than what can adequately utilize the available resources / where the population is too small to exploit the existing resources fully.

iii) **Overpopulation**

- Is where the number of people / population is greater than the resources available to sustain it / people are beyond the optimum point leading to over-stretching of a country's resources.

iv) **Population growth rate.**

- Is the rate at which the population of a country increases per year as a result of increased birth rate/ increased migration in the country.

v) **Declining population**

- Is where death rate exceed birth rate. ***5 × 2 = 10 marks***

6. a) Benefits to a country that is a member of International Monetary Fund. (IMF)

- Get short term loans / funds to finance deficits in their balance of payments.
- Receive support of personal that improves the level of local expertise.
- Get access to advice on financial issues such as monetary and fiscal matters.
- May be relieved in debt repayment so that it can use such funds to improve the living standards of her people
- Maintained currency reserves in IMF enables a country to buy foreign exchange to be used to import goods/ services.
- May be assisted in stabilizing it's currency and hence keeping inflation in check.
- May be assisted in training it's personnel
- Gets a forum through which it consults / cooperates on matters concerning international trade.
- Gets financials support to alleviate poverty. ***4 × 2 = 8 marks***

6.a)i)

Kakamega Stores'

Trading, profit and loss account

Dr. for the year ended 31st Dec. 2008 Cr.

	Shs		Shs
Opening stock	12,500	Sales	95,000
Add: Purchases	70,000	Less: Return inwards	1,500
	82,500	Net sales	93,500
Less: Return outwards	2,400		
Cost of goods available for sale	80,100		
Less: Closing stock	6,500		
Cost of goods sold	73,600		
Gross profit c/d	19,900		
	93,500		93,500
Bad debts	4,000	Gross profit b/d	19,900
Salaries	16,800	Net loss c/d	6,100
General expenses	5,200		
	26,000		26,000
Net gross b/d	6,100		

b) Kakamega Stores'

Balance Dr. as at 31st Dec. 2008 Cr.

	Shs		Shs
Fixed assets		Capital	88,800
Fixed assets	82,000	Less: Net loss	6,100
		Net capital	82,700
Current assets		Current liabilities	
Debtors	10,500	Creditors	11,300
Cash in hand	2,500	Bank overdraft	7,500
Stock	6,500		18,800
	19,500		
	101,500		101,500

BELOW ARE REVISION EXERCISES

KISII CENTRAL FORM FOUR JOINT EVALUATION
Kenya Certificate of Secondary Education
565/1
BUSINESS STUDIES
Paper 1
July/August 2015

1. Indicate four types of business activities in a business environment. (4 marks)
2. Give four characteristics of labour as a factor of production. (4 marks)
3. State four factors that influence entrepreneurial practices in Kenya. (4 marks)
4. Ombongi and Ondieki are operating a business together, however Ondieki is not feeling comfortable with the business, he is thinking of going solo. Why will you support Ondieki's decision? Give four reasons. (4 marks)
5. Outline four circumstances under which it would be appropriate ot use sign language. (4 marks)
6. List four forms of personal selling. (4 marks)
7. Journalise the following transaction which took place in the business of Omwamba Onyango during the month of June 2015.
June 1 Sold an old furniture ot Ojuang' for 20,000 on credit. (2 marks)
" 2 Sold an old vehcile on credit to Nyaura secondary school for shs 900,000 (2 marks)
8. Highlight four ways through which central bank can expand the supply of money in the economy. (4 marks)
9. State the benefits that a country like Kenya may derive from preparing a proper development plan. (4 marks)
10. Supermarkets are likely to sell goods at lower prices than small scale retail shops. What are the possible reasons for this. (4 marks)
11. John is a mitumba and chemicals business man who always prefer containers in transporting his Mitumba and chemicals. Why do you think John prefers his mode of transport system. (4 marks)
12. Ondimu insured his vehicle with Bima insurance for shs 45,000, with Kenya insurance for shs 25,000 and with Jopima insurance for shs 30,000. After a few months the vehicle had an accident and sustained a partial loss of Kshs 30,000. Calculate how much Ondimu will be compensated by each company towards the claim. Give the reason for sharing. (4 marks)
13. Errors are supposed to be identified when balancing a trial balance. List four types of errors not disclosed by the trial balance (4 marks)
14. Study the following table.

Year	Quantity supplied (tonnes)
2010	150
2011	100
2012	70
2013	50

Give four reasons to account for the trend above (4 marks)
15. Outline four challenges faced by human beings in the process of satisfying their wants. (4 marks)
16. Highlight four advantages of delocalization of firms in an economy. (4 marks)
17. Highlight four factors that may limit the exploitation of natural resources in a country. (4 marks)
18. The following information was obtained from the records of Obiri traders as at 31 August 2010

	Shs
Land	50,000
Stock	90,000
Debtors	10,000
Prepaid Rent	15,000
KCB Loan	140,000
Salaries due	10,000
Creditors	170,000

From the items above determine the net worth of a business. (4 marks)
19. Kiplimo's shop sells all its goods at a margin of 20%. For the year ended 30th June 2012, its trading activities were as follows;

	Shs
Sales	9,500
Purchases	8,000
Closing stock	2,000
Net profit	2,000

Calculate
a) Mark-up percentage. (2 marks)
b) Opening stock (2 marks)
20. Highlight FOUR roles played by the broker in the chain of distribution. (4 marks)

21. State whether each of the following constitute internal or external environment of a business. (4 marks)

		Environment
	Human resource	
	Socio cultural beliefs.	
	Business management team	
	Government policies	

22. Highlight FOUR features that distinguish cooperative movements from other forms of business units. (4 marks)

23. Outline four characteristics of an open air market. (4 marks)

24. Complete the following table. (4 marks)

	Description	**Type of employment**
	When people lose jobs and go looking for new ones	
		Real wage
	Affects people such as those who are physically / mentally challenged	
		Disguised / hidden

25. Outline four reasons that account for the differences in terms of trade between countries. (4 marks)

KISII CENTRAL FORM FOUR JOINT EVALUATION
Kenya Certificate of Secondary Education
565/2
BUSINESS STUDIES
Paper 2
July/August 2015
Answer any FIVE questions.

1. a) Explain FIVE roles played by entrepreneurs in the economy of a country. (10 marks)
b) Business should be socially responsible to their employees. Explain FIVE ways in which the business should fulfil this obligation. (10 marks)

2. a) Explain FIVE measures that the government of Kenya may take to solve the problem of unemployment in the country. (10 marks)
b) Discuss FIVE negative effects of inflation to the economy of a country. (10 marks)

3. a) Manoti had the following information relating to transactions undertaken in his business during the months of January and February 2015

Jan 2 John started a business with 1,200,000; cash Kshs 400,000 and deposited kshs 800,000 into business bank account
Jan 5 Bought a motor vehicle for kshs 500,000 paying immediately by cheque.
Jan 10 Bought office supplies wroth kshs 65,000 from copy cat suppliers. He paid shs 20,000 in cash and balance was to be paid later.
Jan 30 Paid salaries to his employees Kshs 45,000 by cheque.
Feb 1 Bought land from Suneka best property at a cost of 1,350,000. He paid shs 650,000 by cheque and the rest later.
Feb 5 Paid insurance premium of kshs 10,000 cash for protection against fire and theft.
Feb 10 Paid the amount owing to Suneka best property by cheque
Feb 27 Paid February Salaries of kshs 45,000

Required
i) Post the above transactions to their respective appropriate ledger accounts.
ii) Prepare John's Trial balance as at 28th February 2015 (12 marks)

b) Explain FOUR ways in which prices of goods and services are determined in Kenya. (8 marks)

4. a) Explain four factors that may be considered in determining an appropriate channel of distributing goods. (8 marks)
b) The following trial balance relate to the business of Ouru Hyper stores as at 31st Dec. 2014.

Ouru Hyperstores
Trial Balance
as at 31st Dec. 2014

	DR	CR
Capital		150,000
Returns	4,275	5,388
Sales		1,000,000
Discount received		6,139
Creditors		61,040
Rent Income		12,000
Purchases	625,388	
Land and Buildings	120,000	
Discount allowed	4,829	
Drawings	27,459	
Opening stock	28,284	
Furniture & fittings	25,000	
Cash in hand	2,675	
Cash at bank	41,122	
Motor vehicles	56,000	
General expenses	45,000	
Telephone & postages	20,561	
Lighting & heating	22,134	
Carriage outwards	140,020	
Debtors	71,820	
	1,234,567	1,234,567

Closing stock 68,964
Required
Prepare Ouru Hyper Stores Trading, Profit and Loss Account for the year ended 31st Dec. 2014 and a balance sheet as at 31 / Dec / 2014. (12 marks)

5. a) Explain five circumstances when personal selling would be effective (10 marks)
b) Explain five factors that make it difficult for Kenyans to purchase houses through building societies. (10 marks)

6. a) Briefly explain the following terms
i) Bill of lading
ii) Bill of Exchange
iii) Proforma invoice
iv) Export processing zones
v) Standing order. (10 marks)
b) In the year 2014, Kenyan economy was reported to have grown by 4.8%. However the growth has not been felt by the common citizens. Discuss five indicators of underdevelopment currently experienced by Kenyans.(10 marks)

KIMA JOINT EVALUATION TEST - 2015

Kenya Certificate of Secondary Education
565/1
BUSINESS STUDIES
Paper 1
July/August 2015
Time 2 hours

1. Outline four characteristics of debentures as a source of finance for a company. (4 marks)
2. State four negative effects of inflation that Kenyans are facing today. (4 marks)
3. State four negative effects of unemployment. (4 marks)
4. State the effect of each of the following transactions on the balance totals using a tick (ü) (4 marks)

	Bought machinery on credit	
	Withdrew cash from business for personal use	
	Purchased stock in cash	
	Paid outstanding loan by cheque	

5. Outline four circumstances under which deferred payment is accepted to a trader. (4 marks)
6. Mr. Okemwa insured his probox whose value was 800,000 for shs 550,000 against the risk of fire outbreak. While on transit, there was a mechanical problem and the probox caught fire and was burnt causing a loss of 400,000. Calculate how much Okemwa was compensated. (2 marks)

7. Highlight four characteristics of underdevelopment. (4 marks)
8. Identify four market gaps whose existence can create a business opportunity for an entrepreneur. (4 marks)
9. The following transactions relate to Kawira trades, Jan 2014.

Jan	1	Started Business with shs 20,000 cash and shs 15,000 at bank
	2:	Withdrew shs 10,000 form bank for office use.
	3 :	Paid Ndovu a creditor shs 2,000 by cheque.

Required
Record the above transactions in the relevant ledger account. (4 marks)
10. State four reasons why national income statistics may not be appropriate for comparing living standards between two countries. (4 marks)
11. Highlight four ways through which an efficiency transport system may promote trade. (4 marks)
12. Indicate in the spaces provided the type of warehouse that relate to the following descriptions.
a) Used to store locally produced goods until excise duty is paid .....
b) Used to store non-dutiable goods originating from within or outside the country .....
c) Warehousing designed to suit one's particular needs .....
d) Mostly situated at entry points and available at a fee .....
13. Outline four causes of a breakdown in communication. (4 marks)
14. State four functions of an entrepreneur in the development of a country. (4 marks)
15. The information below relates to the books of Anne Traders during the period ended 30th June 2014.

	Shs
Gross profit	120,000
Rent received	12,000
Discount allowed 6,000	
Carriage on sales 15,000	
Insurance	12,500
Wages	48,000
Discount received	7,500

Prepare Anne's profit and loss account for the period ended 30th June 2014.
16. State four uses of a bill of lading in international trade. (4 marks)
17. Other than the forces of demand and supply, state four other methods of determining the price of a commodity.
18. Highlight four disadvantages of using credit cards. (4 marks)
19. Highlight four non-monetary measures used by a firm to motivate its employees. (4 marks)
20. Mention four roles played by intermediaries in the channel of distribution. (4 marks)
21. Record the following information of Oraro traders in the two column cash book and balance it off.
2012

June 6:	balances were as follows
	Cash Kshs 60,000
	Bank Kshs 15,000 (Cr)
June 10	Sold goods worth Kshs 18,000 and received a cheque.
June 12	deposited Kshs 20,000 in the bank account.
14	Withdrew Kshs 5,000 for personal use.

22. For each of the following descriptions identify the corresponding method of product promotion.
23. Highlight four features for the perfect competition market structure.
24. Outline four problems associated with a rapidly growing population. (4 marks)
25. State four circumstances when a firm would be located near the source of raw materials. (4 marks)

KIMA JOINT EVALUATION TEST - 2015
Kenya Certificate of Secondary Education
565/2
BUSINESS STUDIES
Paper 2
July/August 2015

Answer any **FIVE** questions.

1. a) Explain five principles of insurance. (10 marks)
b) Explain five instruments of monetary policy used by the central bank to reduce money supply in the economy.
2. a) Discuss four limitations that one may experience in running a business as a sole proprietor. (8 marks)
b) The following balances were extracted from the books of Masaba traders ltd for the year ended 30th June 2010.

ITEM	Kshs
Stock 1.7.200980,200	

Discount received	7,500
Furniture	3,000,000
Motor vehicle	690,000
Returns inwards	5,800
Returns outwards	20,800
Debtors	316,800
Creditors	510,400
Purchases	1,120,000
Carriage on sales	12,700
Carriage on purchases	40,000
General expenses	75,700
Sales	1,880,000
Repairs	230,000
Water bills	250,000
Cash	80,000
Capital	4,000,000
Bank	520,000
Bank overdraft	2,500

Additional information

Stock on 30.06.2010 was 120,000

Required:

Prepare

i) Trading profit and loss account for the year ended 30/06/2010

ii) Balance sheet as at 30th June 2010.

3. a) Explain five measures that can be used to achieve delocalisation. (10 marks)

b) Explain five methods which are used by the government to restrict importation of goods to a country .(10 marks)

4. a) Explain five reasons why most businesses are moving away from a closed office layout. (10 marks)

b) Differentiate between private limited company and public limited company (10 marks)

5. a) Highlight five factors that may increase the quantity of carrots supplied in the market. (10 marks)

b) The following transactions took place in business of Duka Moja Traders during the months of May 2013.

May 2: Purchased office furniture on credit for shs 20,000 from Mwanza furniture Ltd.

4 : Sold an old duplicating machine for shs 25,000 to Umoja traders on credit

8 : Bought a new motor vehicle for shs 900,000 from BMW Motors ltd, paying shs 50,000 in cash and the balance was to be settled at a later date.

10: Sold and old vehicle on credit to Mboga traders for shs 300,000

15: Sold an old furniture to Kombo for shs 8,000 on credit.

Prepare a general journal. (10 marks)

6. a) African countries are categorised as underdeveloped economies. Explain five characteristics of such economies. (10 marks)

b) Explain five reasons that may have contributed to the popularity of savings and credit co-operative societies (SACCOs) among the employed. (10 marks)

KANGEMA/MATHIOYA FORM FOUR JOINT EVALUATION

Kenya Certificate of Secondary Education
565/1
BUSINESS STUDIES
Paper 1
July/August 2015

1. Highlight four internal business environment that are necessary for the smooth running of a business. (4 marks)

2. Highlight four reasons why the government license businesses. (4 marks)

3. Outline four features of Economic development. (4 marks)

4. Outline four factors that may limit a country's ability to attain its budgetary estimates. (4 marks)

5. Highlight four reasons why its important to make choice while satisfying human wants. (4 marks)

6. State four reasons why short message services (sms) is replacing letters as a way of communication (4 marks)

7. The following features relate to warehousing . Indicate the most suitable type of warehousing described.

	Feature	Type
	Used to store goods until excise duty is paid	
	Most located at strategic points and available at a fee	
	Used to store non-dutible goods from within or outside the country	
	Usually designed to suit one's specifications	

8. The following information relates to Gaturu Traders for the month of July 2013

July 1 Bal b/f
Cash 280,000 (Dr)
Bank 80,000 (Cr)
July 4 Received cheque shs 150,000 from a debtor
July 9 paid Kevin shs 40,000 by cheque for goods bought at shs 66,000 and the balance in cash
July 10 Sold stock worth shs 20,000 cash

Enter the above transaction in relevant cash book. (4 marks)

9. The table below shows the price for a 2kg packet of Unga for various month in the year 2010

Month	Price (shs)	Consumer price index
January	100	
February	80	
March	120	
April	140	

Calculate the consumer price index using January as the base year for various months. (4 marks)

10. Name the factors of production the following resources relate to . (4 marks)

	Resource	**Factor of production**
i)	Receptionist	
ii)	Machinery	
iii)	Wind	
iv)	Owner	

11. State four advantages of promoting goods using radios. (4 marks)

12. Outline four negative effects of over population in a nation. (4 marks)

13. Highlight four ways in which HIV/AIDS has negatively affected entrepreneurship in Murang'a. (4 marks)

14. Antony had the following balances at the end of the trading period on 31st Dec. 2014

	Shs
Cash	40,000
Creditors	140,000
Premises	400,000
Fixtures	180,000
Bank loan	160,000
Vehicles	100,000
Debtors	70,000

Prepare his balance sheet at the end of the trading period. (4 marks)

15. Murang'a Traders had the following information for the month ending 31st Jan 2015.

	shs
Opening stock	200,000
Closing stock	300,000
Purchases	500,000
Margin	20%

Prepare Murang'a Traders trading account for the month ending 31st Jan 2015. (4 marks)

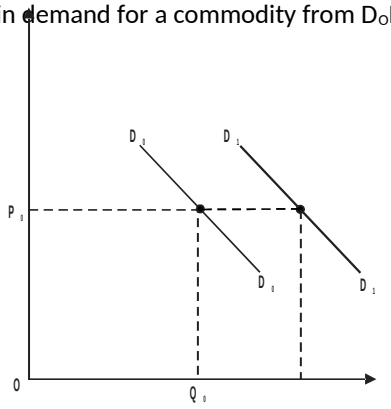
16. The national income is measured using the expenditure method given .State what each of the following letter represent.

i) C .....

ii) I .....

iii) G .....

17. The figure below shows a shift in demand for a commodity from D_OD_O to D_1D_1



State four possible causes of this situation. (4 marks)

18. List four characteristics of direct production. (4 marks)

19. Highlight four factors that may influence the decisions on what goods and services to produce. (4 marks)

20. State four roles of intermediaries in the chain of distribution. (4 marks)

21. Kariuki has introduced computers in his business operations. Outline four benefits that he may experience. (4 marks)

22. Match the following description of errors with the type of errors made when keeping books of accounts. (4 marks)

	Description	**Error type**
	Occurs where errors in both the debit and credit balances are equal	
	Occurs where a transaction is not recorded at all in the books	
	Occurs when entries are made in the wrong class of accounts	
	Occurs where both the debit and credit entries are made using similar but erroneous figures.	

23. Draw a well labelled kinked demand curve in an oligopoly type of market. (4 marks)

24. The following was obtained from Elias books for the year ended 31st Dec. 2013

	shs
Drawings	82,000
Profit	170,000
Additional investment	58,000
Capital 1/1/2013	240,000

Calculate Elias capital as at 31st Dec. 2015 (4 marks)

25. Beth Muya insured her property whose value was shs 1,000,000 for shs 600,000 against the risk of fire. Later fire broke out and the property was burnt causing a loss of shs 500,000. Calculate her compensation. (4 marks)

KANGEMA/MATHIOYA FORM FOUR JOINT EVALUATION
Kenya Certificate of Secondary Education
565/2
BUSINESS STUDIES
Paper 2
July/August 2015
Answer any FIVE questions.

1. a) Explain FIVE means of payment a trader may use to settle debts. (10 marks)

b) Explain FIVE reasons that may necessitate a country to adopt trade protectionism measures. (10 marks)

2. a) Discuss FIVE factors that may limit the use of containers as a method of transporting goods in East Africa. (10 marks)

b) With the aid of a diagram, explain the effect of increase in supply to the equilibrium price and quantity of a commodity. (10 marks)

3. a) Highlight FIVE differences between co-operatives and public limited companies. (10 marks)

b) The following information relates to Mathioya Traders for the month of January 2013

Invoices Received

Jan	6	Muthoni Ltd	shs 70,000
"	12	Kimani Traders	shs 150,000
"	18	Lucy Enterprises	shs 50,000

Invoice Issued

Jan	5	Faida Traders	shs 12,000
"	10	Endelea Ltd	shs 100,000
"	15	Kaluworks Ltd	shs 120,000

Credit note Issued

Jan	5	Faida Traders	shs 12,000
"	13	Endelea Ltd	shs 6,000

Credit note Received

Jan	7	Muthoni Ltd.	shs 5,000
"	14	Kimani Traders	shs 1,000

Additional information

Jan	8	Sold machinery on credit to Kwao Retailers for shs 50,000
Jan	9	Bought electronic equipment on credit from Highland Retailers shs 8,000
Jan	10	Brought shs 5,000 into the business from own sources.

Required

Record the above transactions in the appropriate journals. (10 marks)

4. a) Explain five current trends and emerging issues in office management. (10 marks)

b) The following information was obtained from Jane Githatu Enterprise for the year ending 31/12/2014

	shs
Stock (1/1/2014)	18,000
Purchases for the year	200,000

Carriage on purchases		6,5000
Carriage on sales	15,000	
Turnover		600,000
Return Inwards		25,000
Return Outwards	15,000	
Discount Received		8,000
Commission received		10,000
Discount allowed	6,000	
Rent		49,000
Commission paid	50,000	
Electricity		43,500
Salaries		10,000
Stock on 31/12/2014		20,000

Prepare Jane Githatu's Trading, Profit and Loss account for the year ended 31/12/2014 (10 marks)

5. a) Explain five reasons why a firm may be located near the source of raw material. (10 marks)

b) Explain five measures that Kenyan government can use to increase the amount of money in circulation.

6. a) Explain five factors that may lead to business success. (10 marks)

b) Explain five uses of national income statistics. (10 marks)

MAKUENI COUNTY KCSE 2015 PREPARATORY EXAMINATION 2015

Kenya Certificate of Secondary Education

565/1

BUSINESS STUDIES

Paper1

1. Highlight **four** reasons why businesses exist in the society. (4 marks)

2. Outline **four** internal business environment factors that may negatively affect the operations of a business. (4 marks)

3. Outline any **four** difficulties faced in satisfying human wants. (4 marks)

4. State **four** ways in which an entrepreneur contributes to the production of goods. (4 marks)

5. State **four** benefits of business ethics. (4 marks)

6. A modern office requires a computer to carry out multiple functions. Highlight any **four**. (4 marks)

7. State the meaning of the following: (4 marks)

(i) Quoted companies
(ii) Preference shares
(iii) Initial public offer
(iv) Stock brokers

8. On 1st February 2012, Eliza bought 300 torches at Sh. 40 each from Basbul Traders. A trade discount of 20% was offered, with a cash discount of 3% if payment was made within 21 days. Calculate what Eliza paid if payment was made on 15th February 2012. (4 marks)

9. Highlight **four** factors that have led to the inability of consumer organizations to protect Consumers. (4 marks)

10. Give four reasons why a manufacturing firm would be located in an area served by a good road network. (4 marks)

11. Outline **four** ways in which non-verbal communication is beneficial. (4 marks)

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

13. Omari's house valued at Sh. 1,200,000 was insured against fire for Sh. 900,000 under the "with average clause". Fire occurred and damaged the house, causing a loss of Sh. 500,000. Determine the value of compensation due to Omari. (4marks)

14. Give **four** reasons why a manufacturer may offer after-sales services to his customers. (4 marks)

15. Using a diagram, show the effect of an increase in the supply of a commodity while the demand remains constant. (4 marks)

16. For each of the following types of accounts, indicate by DR or CR the side of the record for increase and

decrease.

Type of Account	Increase	Decrease
Asset		
Capital		
Revenue		
Expense		

17. The following information relates to the business of Mazingira Traders.

	Sh.
Opening stock	280,000
Closing stock	42,000
Rate of stock turnover	4 times
Mark-up	25%

Calculate the: (4 marks)

(i) cost of goods sold.

(ii) gross profit.

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

19. List **four** factors that determine the size of a country's national income. (4 marks)

20. Outline **four** methods that can be used to solve the unemployment problem in Kenya. (4 marks)

21. Record the following transactions in the relevant ledger accounts of Kioko's business. (4 marks)

(a) Jan 20th, the owner took stock worth Sh. 1,500 to his friend

(b) Jan 22nd, bought M-Van Sh. 80,000 on credit from Nissan Motors Ltd

(c) Jan 25th, withdrew Sh. 100,000 from the bank for office use

(d) Jan 28th, purchased stock of goods worth Sh. 5,000 by cheque

N/B: No balancing is required.

22. Why do most businessmen prefer to operate a Current account? (4 marks)

23. Public revenue is used to provide goods and services. Outline **four** sources through which a government can raise this revenue. (4 marks)

24. State **four** uses of a general journal (journal proper). (4 marks)

25. State **four** measures that the government can take to control the activities of monopolies.

MAKUENI COUNTY KCSE 2015 PREPARATORY EXAMINATION 2015
Kenya Certificate of Secondary Education
565/2
BUSINESS STUDIES
Paper 2

1. (a) Explain **five** features of oligopoly market structure. (10 marks)

(b) Explain **five** functions of money. (10 marks)

2. (a) Discuss factors that may influence the growth of a business unit. (10 marks)

(b) Apex Co. Ltd, a manufacturer, exhibited their goods in a local trade show. However, the sales did not increase significantly thereafter. Outline **five** reasons that may have led to the lack of significant increase in sales.

3. (a) Explain **five** characteristics of general/property insurance. (10 marks)

(b) Describe **five** ways in which the Government of Kenya may influence the demand for products. (10 marks)

4. (a) Explain **five** factors to be considered when choosing a channel of distribution. (10 marks)

(b) The following information relates to Jumuia Traders. On 1st January 2014, the business had Sh. 150,000 in hand and Sh. 60,000 in the bank. During the month, the following transactions took place:

January

3 Paid wages Sh. 10,000 in cash

5 Peter, a debtor, settled his account of Sh. 22,000 by cheque of Sh. 21,500

6 Paid rent in cash Sh. 12,000
9 Withdrew Sh. 15,000 from bank for office use
11 Paid James a creditor Sh. 30,000 by cheque in full settlement of his account after deducting 6% cash discount
19 Cash sales banked Sh. 52,000
22 Received cheque of Sh. 12,000 from Naomi after allowing her a cash discount of Sh. 500
25 Purchased office equipment of Sh. 11,000, paying by cash
31 Deposited all the cash into the bank except Sh. 10,000

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

5. (a) The following is the trial balance for Matope Traders for the year ended 31/12/2005.

Matope Traders
Trial Balance
as at 31/12/2005

	Dr (Sh.)	Cr (Sh.)
Sales		1,000,000
Sales returns	10,000	
Premises	500,000	
Purchases	650,000	
Discount received		9,000
Motor vehicle	125,000	
Creditors		60,000
Capital		487,500
General expenses	30,000	
Drawings	20,000	
Cash at bank	30,000	
Debtors	75,000	
Salaries	90,000	
Rent expenses	23,500	
Cash in hand	3,000	
	1,556,500	1,556,500

Stock at 31/12/2005 = Sh. 2,500

Required:

(i) Prepare trading, profit and loss account for the year ended 31/12/2005.
(ii) Extract a balance sheet as at 31/12/2005. (10 marks)

(b) Explain **five** causes of serious budget deficits in developing countries. (10 marks)

6. (a) Outline **five** measures that a government may take to improve the volume of export. (10 marks)

(b) Describe **five** reasons why per capita income is not reliable in determining the standard of living of a country.

KANDARA SUB COUNTY SECONDARY SCHOOLS
FORM FOUR 2015 JOINT EXAMINATION
Kenya Certificate of Secondary Education
565/1
BUSINESS STUDIES
Paper 1
July/August 2015

1. Outline four factors that may lead to the success of a business. (4 marks)
2. Give four features of mail order stores. (4 marks)
3. Outline how each of the following types of utility is created in production. (4 marks)
i) Time.
ii) Place
iii) Possession
iv) Form .
4. Highlight four features of a public corporation. (4 marks)
5. Outline four reasons why an investor would want to establish a new industry where other industries are existing. (4 marks)
6. In the spaces provided below; indicate whether the following factors would cause a shift of the demand curve or movement along the demand curve. (3 marks)

	FACTORS	EFFECT
i)	Change in income of consumer	
ii)	Change in price of product	
iii)	Change in population	

7. Outline four circumstances under which sign language would be used in communication. (4 marks)

8. The following balances were extracted from the books of accounts of Onyango traders.

	Shs
Opening stock	50,000
Sales	360,000
Gross profit	25% of sales
Closing stock	70,000

Calculate

a) Cost of goods sold. (2 marks)

b) Rate of stock turnover. (3 marks)

9. Give four negative effects of a high rate of inflation to a country. (4 marks)

10. State four factors that determine fertility rate in a country. (4 marks)

11. Highlight four benefits of using electronic filing system. (4 marks)

12. Outline four strategies the government of Kenya can put in place to reduce road carnage. (4 marks)

13. The following are types of advertising:
Product advertising, competition adverting, informative advertising and institutional advertising. In the table below, match each type with its appropriate description. (4 marks)

	TYPE OF ADVERTISING	DESCRIPTION
a)		Promotes the name of the manufacturer
b)		Persuades the consumers to buy a product
c)		Creates awareness about a product
d)		Promotes a particular brand of a product

14. The following information was obtained from the records of Kandara traders as at 31st December 2010

	Kshs
Machinery	200,000
Stock	30,000
Creditors	27,000
Cash at Bank	40,000
Debtors	50,000
Long term loan	160,000

Required

a) Prepare a balance sheet as at 31st December 2010. (4 marks)

15. Outline any four macro environmental factors giving their positive effects on a business. (4 marks)

16. The following is an extract of a Cash book.

Date	Details	Cash	Bank	Date	Details	Cash	Bank
2007		shs	shs	2007		shs	shs
1/1	Bal b/d	**A**		1/1	Bal b/d		**B**
5/1	Sales	21,500		25/1	creditor	20,000	80,000
16/1	Debtors		**C**	31/1	Bal c/d	**D**	130,000
		46750					360,000

Determine the figures represented by A, B, C and D. (4 marks)

17. State four features that would make a warehouse ineffective. (4 marks)

18. Highlight four circumstances under which a producer would choose to distribute his goods through wholesalers. (4 marks)

19. State four advantages enjoyed by a customer who uses M-banking. (4 marks)

20. State four benefits of international trade to the consumers (4 marks)

21. Outline four characteristics of General insurance (4 marks)

22. The following transactions were extracted from the books of Sarah traders for the month of March 2006.
March 10: Purchased goods on credit worth Kshs 200,000 from Salim traders.
March 25: Sold goods on credit worth Kshs 420,000 to Shah traders.
Record the above transactions in the relevant ledger accounts below. (4 marks)

23. For each of the following subsidiary books, indicate the source document used. (4 marks)

	Subsidiary book	**Source document**

a)	Purchases journal	
b)	Sales journal	
c)	Cash book	
d)	Sales returns journal	

24. Outline four reasons why Kenya may not be a fully industrialized nation by the year 2030. (4 marks)
25. Outline four reasons why a government imposes taxes. (4 marks)

KANDARA SUB COUNTY SECONDARY SCHOOLS
FORM FOUR 2015 JOINT EXAMINATION
Kenya Certificate of Secondary Education
565/2
BUSINESS STUDIES
Paper 2
July/August 2015

Answer any FIVE questions.

1. a) The use of motor cycle transport is becoming very popular in both rural and urban areas of Kenya. Explain five limitations a business that relies on its use is likely to encounter. (10 marks)
b) Outline five factors that an organization should consider when deciding on the type of an office layout to adopt.
2. a) Using a diagram explain the effect of an increase in supply on the equilibrium price and quantity. (10 marks)
b) Explain five factors that may influence the level of national income of a country. (10 marks)
3. a) The following trial balance was extracted from the books of Maingi traders on 31st December 2014.

Maingi Traders
Trial balance as at 31st December 2014

	Dr Shs	Cr Shs
Sales		300,000
General Expenses	30,000	
Commission		10,000
Rent	5,000	
Motor vehicle	300,000	
Furniture	120,000	
Cash in hand	25,000	
Creditors		90,000
Debtors	60,000	
Purchases	200,000	
Returns	10,000	5,000
Capital		350,000
Discounts	8,000	3,000
	758,000	758,000

Additional Information.
Stock on 31st December 2014 was valued at shs 30,000

Prepare

i) Trading, profit and loss a/c for the year ended 31st December 2014. (7 marks)

ii) Balance sheet as at 31st December 2014. (5 marks)

b) Outline four tools of monetary policy that the government of Kenya may use to control inflation in the economy. (8 marks)

4. a) Explain five reasons why the government of Kenya has put policies that encourage establishment of business in the rural areas. (10 marks)

b) Explain five factors that may promote entrepreneurship in Kenya. (10 marks)

5. a) Explain five roles played by commercial banks in Kenya. (10 marks)

b) Outline five differences between ordinary shares and debentures. (10 marks)

6. a) On 1st January 2009, Tom had shs 200,000 in hand and shs 40,000 bank overdraft. During the month, the following transactions took place.

January 3 : Cash sales shs 30,000

4 : Paid electricity bill shs 3,200 in cash

7 : Received the following cheques from debtors after they had deducted a cash discount of 2% in each case.

Kamau shs 1,372

Omollo shs 9,800

Koech shs 2,940

10: Paid the following creditors and in each case deducted 2% cash discount.

Juma shs 2,000

Njue shs 5,000

Dida shs 1,000

11: Cash sales directly banked shs 10,000

13: Took shs 15,000 from office to the bank

16: Sold goods worth shs 6,000 on credit to Kiyiapi

19: Took shs 9,000 from the business to pay school fees for his children

29: Received shs 14,000 from Kimani in settlement of his account of shs 15,000.

28: Paid the following creditors by cheque deducting 10% cash discount in each case.

Halima shs 4,000

Asha shs 7,000

Prepare a three column cashbook and balance it off. (12 marks)

b) Explain four circumstances under which a business person would prefer written communication. (8 marks)