

Name _____ index No _____

Date _____

Candidates' signature _____

565/2

BUSINESS STUDIES

Paper 2

July/ August 2014

2 Hours

KANGUNDO DISTRICT FORM 4 MULTI- LATERAL EXAMINATION

Kenya Certificate of Secondary Education

BUSINESS STUDIES

Paper 2

2 hours

Instructions to candidates

1. Write your name and index number in the space provided above.
2. Sign and write date of examination in the space provided above.
3. This paper consists of six questions.
4. Answer any five questions.
5. Answers should be written in the space provided after question six.
6. All questions carry **equal marks**.
7. Candidates should answer the questions in English.

For examiner's use only

Questions	Maximum score	Candidates score
1	20	
2	20	
3	20	
4	20	
5	20	
6	20	
	Total score	

This paper consists of 13 printed pages

Turn over

1. (a) In most secondary schools in Kenya, principals are accommodated in their own offices. Explain five disadvantages associated with this kind of arrangement. (10 marks)
- (b) Explain five main source documents used in a business. (10 marks)
2. (a) Explain any five methods used by the government to restrict international trade. (10 marks)
- (b) Explain five principles of insurance. (10 marks)

3. (a) Chapa kazi traders had the following balances as at 31st March 2013.

	Shs.
Capital	20,000
Sales	140,000
Purchases	90,000
Closing stock	70,000
7 year bank loan	30,000
Insurance expenses	25,000
General expenses	12,000
Debtors	25,000
Creditors	75,000
Cash at bank	20,000
Cash in hand	10,000
Premises	95,000

Calculate

- (i) Mark up (2 mark)
 - (ii) margin (2 marks)
 - (iii) Rate of stock turn over. (2 marks)
 - (iv) Return on capital employed. (2 marks)
 - (v) Current ratio. (2 marks)
 - (b) Explain five reasons why the government emphasizes on training business people. (10 marks)
4. (a) The following balance sheet was prepared from the books of Makori traders.

Makori traders
Balance sheet
As at 31st Dec 2011

	Sh	sh		sh	sh
<u>Fixed assets</u>			<u>capital</u>		280,000
Motor vehicle	600,000		<u>long term liabilities</u>		
Furniture	80,000	680,000	bank loan (5 years)		500,000
<u>Current assets</u>			<u>short term liabilities</u>		
Stock	200,000		creditors	280,000	
Cash	60,000		bank overdraft	<u>20,000</u>	300,000
Debtors	<u>140,000</u>	<u>400,000</u>			
		<u>1,080,000</u>			<u>1,080,000</u>

The following transactions then took place in January 2012

- (i) Opened a bank account for the business and deposited shs 120,000 from personal sources.
- (ii) Paid part of the bank loan shs 40,000 by cash.
- (iii) Bought goods worth shs 50,000 on credit.
- (iv) Sold part of the furniture worth shs 10,000 in cash

565/2

BUSINESS STUDIES

Paper 2

July/ August 2014

KANGUNDO DISTRICT FORM 4 MULTI- LATERAL EXAMINATION

Kenya Certificate of Secondary Education

BUSINESS STUDIES

Paper 2

Marking scheme

1. (a) Disadvantages associated with principals being accommodated in schools.
 - (i) It doesn't allow for close supervision of workers.
 - (ii) It encourages unauthorized absenteeism by the staff.
 - (iii) Encourages misuse of office facilities such as telephone and internet.
 - (iv) It reduces interaction between management (the principal) and the rest of the staff members.
 - (v) A lot of time is taken by officers moving from one office to another.
 - (vi) It is costly to construct and maintain.

No splitting of marks (5 x2=) 10 marks

- (b) The main source documents that a firm / business is likely to use include.
 - (i) Purchase invoice – received by the firm from suppliers when buying goods on credit.
 - (ii) Sales invoice- Sent by the firm when selling on credit.
 - (iii) Credit notes – sent by the firm to customers who have returned the goods.
 - (iv) Receipt – used to acknowledge money received or payment mode.
 - (v) Debit notes- received by the firm from suppliers when goods purchased are returned to the original supplier.
 - (vi) Payment voucher – acts as evidence of payment to a named party.
 - (vii) Paying slip – evidence of money paid into bank accounts.
 - (viii) Cheque counterfoils- from the cheque book to show the cheques paid out.
 - (ix) Bank statement – a summary of the bank account from banks point of view.
 - (x) Remittance advice note- sent from a customer to their suppliers informing the supplier that they have paid their advice.

Point 1mark

Explanation 1mark 5 x2=10 marks

2. (a) Methods of trade restrictions country X would use.
 - (i) **Tarrifs**
These are taxes levied on imported goods. Tarrifs make imports more expensive in the domestic market which discourages people from buying them. It is meant to encourage consumption of locally produced goods.
 - (ii) **Customs goods.**
This includes both export and import duties. It is imposed on goods crossing a country's borders. Import duty raises the price of imported goods thus discouraging their consumption.
 - (iii) **Quotas**
This is restriction on the volume of commodities to be imported into a country over certain period. The government does this through licensing or through foreign exchange allocation.
 - (iv) **Total ban.**
This is when the government stops any importation of certain commodities that may be deemed undesirable to the social well being.
 - (v) **Embargoes.**

This paper consists of 5 printed pages

Turn over

An embargo is an official order that forbids the buying or selling of a commodity.

(vi) **Subsidies on production.**

These are grants that may be offered by the government to producers. It is aimed at reducing production costs that an industry is facing. Subsidies enable producers to make the prices of their products more competitive compared to imports.

(vii) **Foreign exchange control**

This is where the foreign exchange dealing is state controlled. The government may put restrictions on international trade by restricting the importer's ability to obtain foreign currency which is needed to pay for imports of certain goods.

(viii) **Administrative control**

The government may put certain minimum quality requirements for imports to be allowed such requirements may put off any world be exporters to the country.

(ix) **Regulatory trade restriction.**

This involves making imports and customs procedures very complicated and time consuming to discourage importers.

Point 1 mark

Explanation 1 mark

5x2=10 marks

(b) Principles of insurance.

(i) **Almost good faith** – All information provided by the insured to the insurer must be truthful

(ii) **Subrogation**- The remains or scrap of the property after the occurrence of the risk is usually taken by the insurer after the insured is compensated.

(iii) **Proximate cause**- There should be a close connection between the cause of the loss and the risk insured.

(iv) **Insurable interest** – One insures only that which bring a loss to him/her.

(v) **Indemnity**. One is only compensated back to his/her old financial position before the occurrence of the risk that led to a loss.

(vi) **Contribution** –allows to get compensation from two or more insurance companies covering the same risk. In such a case, each insurance company is required to pay a proportion of the insured amount.

Point 1 mark

Explanation 1 mark

5x2=10 marks

3. (a) (i) $\text{mark up} = \frac{\text{gross profit}}{\text{Cost of sales}}$

$$\begin{aligned} \text{Cost of sales} &= \text{opening stock} + \text{purchases} - \text{closing stock} \\ &= 160,000 + 90,000 - 70,000 \\ &= 180,000 \checkmark \end{aligned}$$

$$\begin{aligned} \text{Gross profit} &= \text{sales} - \text{cost of sales} \\ &= 240,000 - 180,000 = 60,000 \checkmark \end{aligned}$$

$$\text{Mark up} = \frac{60,000}{180,000} \times 100 = 33 \frac{1}{3} \% \checkmark$$

4 ticks x 1/2 = 2 marks

(ii) $\text{Margin} = \frac{\text{gross profit}}{\text{Sales}} \times 100$

$$\frac{60,000}{240,000} \times 100 = 25 \% \checkmark$$

Alternative method

$$\begin{array}{l} \text{Mark up} \\ \frac{1}{3} \end{array} \qquad \frac{\text{margin}}{3+1} = \frac{1}{4} = 25\%$$

4 ticks x 1/2 = 2 marks

(iii) Rate of stock turnover = $\frac{\text{cost of sales}}{\text{Average stock}}$

$$\text{Average stock} = \frac{\text{opening stock} + \text{closing stock}}{2}$$

$$\frac{160,000 + 70,000}{2} = \frac{230,000}{2} = 115,000$$

$$\text{Rate of stock turnover} = \frac{180,000}{115,000} = 1.565 \text{ times} \checkmark\checkmark$$

4 ticks x 1/2 = 2 marks

(iv) Return on capital employed = $\frac{\text{net profit}}{\text{Capital employed}} \times 100$

$$\begin{aligned} \text{Net profit} &= \text{gross profit} - \text{expense} \\ &= 60,000 - (25,000 + 12,000) \\ &= 60,000 - 37,000 = 23,000 \checkmark \end{aligned}$$

Capital employed = total assets – total liabilities.

Total assets

Premises	95,000	
Closing stock	70,000	
Cash at bank	20,000	
Cash in hand	10,000	
Debtors	25,000	220,000

Less total liabilities

7 year loan	30,000	
Creditors	75,000	105,000
		115,000 \checkmark

$$\begin{aligned} \text{Return on capital employed} &= \frac{23,000}{115,000} \times 100 \\ &= 20\% \checkmark\checkmark \end{aligned}$$

4 ticks x 1/2 = 2 marks

(v) Current ratio = $\frac{\text{current assets}}{\text{Current liabilities}}$

Current assets

Stock	70,000	
Debtors	25,000	
Cash at bank	20,000	
Cash in hand	10,000	125,000 \checkmark

Current liabilities

Creditors	75,000
-----------	--------

$$\text{Current ratio} = \frac{125,000}{75,000} = 5:3 \approx \checkmark\checkmark \quad 2:1$$

4 x ticks x 1/2 = 2 marks

(b) Reasons why the government trains people.

- (i) Expose them to modern development in management.
- (ii) Educate them on efficient methods of operating business such as advertising and book keeping.
- (iii) To identify current problems facing business and provide possible solutions.
- (iv) To impart proper business ethics such as good customers relations and honesty.
- (v) To educate them on how to utilize available resources to minimize costs while maximizing profit.
- (vi) To inform them on various available business opportunities within the environment.
- (vii) To expose them to government policies regarding business activities in the country.

No splitting of marks 5 x 2 = 10 marks

4. (a) Makori traders
Balance sheet
As at 31st January 2012

<u>Fixed assets</u>	sh	sh		sh	sh
Motor vehicle	600,000		capital		400,000√√
Furniture	<u>70,000</u> √	670,00	<u>long term liabilities</u>		
<u>Current assets</u>			bank loan (5 years)		460,000√
Stock	250,000√		<u>short term liabilities</u>		
Cash	30,000√√		creditors	33,000√	
Debtors	140,000		bank overdraft	<u>20,000</u>	350,000
Bank	<u>120,000</u> √	<u>540,000</u>			
		<u>1,210,000</u> √			<u>1,210,000</u>

Each mark (√) 1 mark 10 x 1=10 marks

(b) Source of business ideas

- Newspapers. One can get a business ideas from information articles and advertisement sections of the local newspapers.
- Shows and exhibitions. A business idea can be obtained from sales person and commodities exhibited.
- Magazines .these carry article from which one can obtain a business idea.
- Hobbies. Activities carried out for leisure can be converted into income generating activities.
- Vocational training and experience. A business may be developed from one's area off training.
- Survey. Finding out what consumers require through formal and informal surveys can lead to development of a idea.

Point 1 mark

Explanation 1 mark 5 x 2=10 marks

5. (a)Advantages of internet banking to customers.
- It provides access from anywhere.
 - It saves time visiting the bank and also transports cost.
 - It offers a variety of services such as paying bills, transaction information and transfer between accounts.
 - Can be used for access personal account details.
 - It can print out a statement.
 - Enables a consumer to keep up to date with the bank account.
 - It saves people from carrying cash to pay bills.

No splitting of points 5 x 2=10 marks

(b)Benefits the country derives from well drawn development plan.

- It enables appropriate resources allocation. This would ensure that there are neither idle resources nor some being used in the wrong manner.
- A development plan helps the government avoid duplication of project e.g. setting up the same industries in different parts of the country.
- It brings about balanced regional development so that all parts of the country can be developed.
- During implementation a development plan being done as expected.
- A well drawn and explained development plan enable the masses exert more effort in national development.
- It can be used to support foreign aid bargain. The country is better equipped when soliciting for foreign and as it is used to convince the donors to release funds for the project in the plan.

Well explained points = 5 x 2=10 marks

6. (a)Limitations of using capital income to compare standards of living in different countries.
- Inequality in income distribution per capital income in one country may be high but in the

hands of very few people yet another country may have a low per capita income, which is evenly distributed.

- (ii) Inappropriate application of national income per capita income in one country may be high but used in a way that does not benefit citizens which in other country it may be used to finance projects that directly benefit the masses.
- (iii) Effect on people's health. High per capita income in one country could be achieved at the expenses of the people's health.
- (iv) Different interpretations of national income one country may interpret her national income as gross domestic product at market price while another may interpret hers as net national product at factor cost.
- (v) non-marketed output. A country heavily relying on subsistence sector may appear to have low per capita income because of un-marketed output compared with another where such a sector is insignificant.
- (vi) Price structure. Price structure may be different in different countries e.g. food stuffs may be cheaper in one country compared to another.

Well explained point 5 x2=10 marks

- (b) Negative economic implication of an ageing population.
 - (i) Fall in demand for goods and services demanded by the youth.
 - (ii) Low labour supply leading to under-utilization of resources.
 - (iii) Increase in welfare costs e.g. the pension schemes and medical facilities are overstretched.
 - (iv) High dependency ratio where old people are dependent to import labour that affects the country's foreign exchange reserves.
 - (v) Less progressive as there would be low saving and investment.
 - (vi) Innovation and invention is hindered because old people tend to be conservative.

No splitting of marks 5 x2=10 marks

Name _____ Index No. _____

Candidate's signature _____

Date _____

565/2
BUSINESS STUDIES
PAPER 2
JULY/AUGUST 2014
2 ½ HOURS

KIBWEZI DISTRICT FORM FOUR INTER-SCHOOL EXAMINATIONS
Kenya Certificate of Secondary Education
BUSINESS STUDIES
PAPER 2
2 ½ HOURS

INSTRUCTIONS TO CANDIDATES

Answer five questions only

1. (a) Outline five factors that may make a producer not to sell his goods through a wholesaler. (10mks)
- (b) Nairobi Stock Exchange is an important security market in Kenya. Explain five ways in which it supports business and economic growth. (10mks)
2. (a) The economy of country X has been growing at a very low rate. Discuss any five possible reasons that could have limit the growth in that country. (10mks)
- (b) (i) Draw a labeled diagram illustrating a situation of excess supply and excess demand in the market (6mks)
- (ii) Outline four negative effects of fixing the price of a commodity below equilibrium price by the government. (4mks)
3. (a) Value Added Tax (VAT) is one of the indirect taxes used by the government to raise revenue. Explain five negative effect of this tax to the economy. (10mks)
- (b) The government has set up areas in major towns where businesses operate under the export processing zones (EPZ's). Explain five benefits of EPZ to the Kenya economy (10mks)
4. (a) Explain five functions of the Central Bank (10mks)
- (b) Highlight five duties of a Kenya commercial attaché in a foreign country (10mks)
5. (a) The following trial balance was extracted from the books of Juhudi Traders on 31 Dec. 2010

Juhudi Traders
Trial balance
As at 31/12/2010

	Dr	Cr
Accounts Capital		400,000
Sales		600,000
Purchases	200,000	
Debtors	20,000	
Creditors		60,000
Returns	25,000	15,000
Discounts	6,000	8,000
Carriage inwards	6,500	
Carriage outwards	15,000	
Salaries	10,000	
Stock 1 st Jan	18,000	
Motor vehicles	400,000	
Furniture	150,000	
House rent	49,000	
Commission	50,000	10,000
Electricity	43,500	
	1,093,000	1,093,300

Stock on 31 Dec 2010 was shs. 20,000

Required:

Prepare a Trading, Profit and Loss Account for the year ended 31 Dec 2010. (10mks)

(b) Outline five circumstances under which containers may be used for transportation of good. (10mks)

6. (a) Molo traders operates a wholesale business and the following relates to the transactions during the month of May 2010

Invoices issued during May 2010

May 5- Kibwezi retailers shs 30,000

10 - Pendo retailers shs 75,000

20 - Reko retailers shs 90,000

On May 12 – bought a motor vehicle from Nissan motors worth shs. 1,600,000 on credit

Invoices received during May 2010

May 1 - Meme suppliers shs 60,000

16- Kesho suppliers shs 80,000

20- Malimali suppliers shs 50,000

Credit notes issued during May 2010

May 12 – Kibwezi retailers shs 3000

25 – Pendo retailers sh 7,500

Credit note received during May 2010

May 12 – Meme suppliers shs 2000

On May 22 – Sold equipment worth shs 420,000 on credit to Wote ltd

Required:

Record the above transactions into books of original entry (10mks)

(b) Dosh company limited has located its new factory in a major town in Kenya. Explain five factors that may have attracted the factory to the town. (10mks)

565/2

BUSINESS STUDIES

PAPER 2

JULY/AUGUST 2014

KIBWEZI DISTRICT FORM FOUR INTER-SCHOOL EXAMINATIONS

Kenya Certificate of Secondary Education

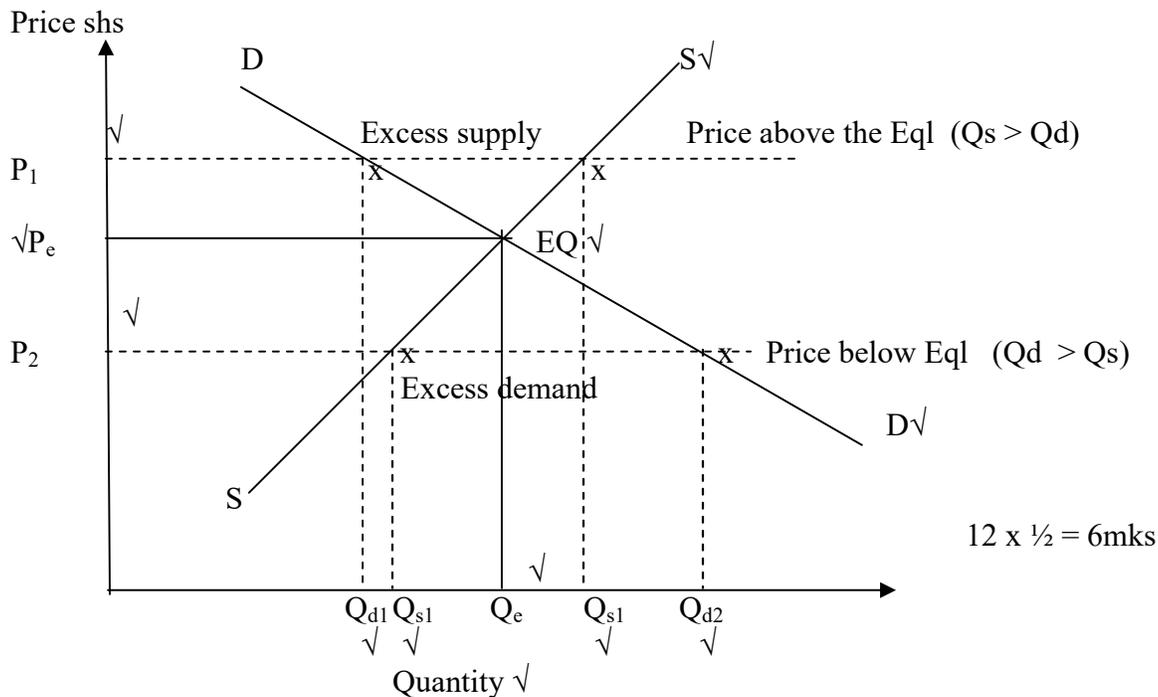
BUSINESS STUDIES

PAPER 2

MARKING SCHEME

1. (a) Factors that may make a producer not to sell his goods through a wholesaler
 - When consumers and retailers buy from producers in large quantity
 - Need to keep prices of goods low
 - When market is concentrated
 - Government policy
 - When production is in small quantity
 - When producer has enough storage facilities
 - When producers has enough capital to support distribution of goods
 - When producer has enough transport facilities
- (b) Ways in which Nairobi Stock Exchange support business and economic growth
 - Enables investors to buy and sell shares
 - Provides useful information in the media to investors who wish to trade in shares
 - Assists companies to raise capital through sell of new shares and rights issue
 - It fixes the prices of shares/securities of companies giving a true value of them in the market
 - Through this market individual/companion are able to invest in shares thus promoting the culture of saving in the country
 - Statistics collected by NSE provides an indicator on economic growth of Kenya
 - NSE safeguards investors interests by monitoring activities of those companies which are quoted
2. (a) Possible factors that can limit the growth of the economy in country X
 - Inadequate source of capital thus limiting investments and production
 - Under developed entrepreneurial skills limiting expansion and establishment of production units
 - High population growth rate leading to production of consumer goods and less of capital goods
 - Products in country X could be using old technology which restricts productivity of the economic resources
 - Country X could have experienced political instability creating unfavourable environment for economic growth
 - Underdeveloped infrastructure in country X leading to low production
 - High levels of illiteracy/ignorance of modern economic trends across the world

(b) (i)



12 x 1/2 = 6mks

(ii) Negative effects of fixing the price of a commodity below equilibrium price

- Rationing of commodities – due to demand being more than supply
- Smuggling – producers may choose to sell their commodities outside the country illegally due to low home prices
- Hoarding of commodities – sellers may choose to hide the product to wait for better prices in future
- Deficit/low production – producers will abandon the production of that commodity whose price is being controlled

1 x 4 = 4mks

3. (a) Negative effects of value Added Tax (VAT)

- Causes inflation by increasing the prices of goods/services
- It is regressive (non-discriminative) being heavier on the low income people than on the rich
- Uneconomical – it is difficult to administer
- Leads to misallocation of resources producers wishing to avoid assessment and collection may choose to produce other goods that do not attract VAT
- Reduces the consumers well-being – VAT increases prices of goods hence reducing purchasing power of consumers
- Uncertainty cause it is not easy to estimate the expected tax revenue from VAT
- Lack of contributors awareness – it is hidden in the price of goods/services
- Can be avoided by not purchasing the taxed commodity

(b) Benefits of the EPZ to the Kenyan economy

- Production is mainly for export this brings foreign currency to the country
- Provides direct employment opportunities to Kenyan's and to suppliers of inputs used in the industries
- Transfer of technology to the local investors
- Development of infrastructure in these areas has also benefited nearby areas
- Exploitation of local raw materials by the industries
- Exports from these industries can help to correct deficit in B.P
- Stimulate industrialisation in the country
- Attracted auxiliary services e.g. Banks in those areas

4. (a) Functions of the central Bank of Kenya
- Issue and control of currency
 - Credit control
 - Banker to the government
 - Banker to all commercial banks
 - Managing public debt
 - Lender of last resort
 - Advisor to government
 - Managing foreign exchange rate
 - Carrying out research and publishing journals.

Splitting of points is allowed
Well explained point 2 mks

- (b) (i) Searching and identifying new markets for Kenya's exports in the foreign country
(ii) Providing information to local producers on over seas markets, goods on demand and export procedures
(iii) Organizing international trade exhibitions and shows for Kenyan missions
(iv) Organizing educational tours and sales missions for local traders on standards and quality requirement in the country's they serve
(v) Publishing trade journals and magazines for the benefit of traders in the home country and the countries they serve
(vi) Keep statistics of products such as values packaging, sizes and methods of manufacturing
(vii) Select buyers, agents and distributors of the home country's exports

5. (a)

Juhudi Traders			
Trading profit and loss A/C			
For the year ended 31 Dec 2010			
		Sh	
	Op. stock	18,000 ✓	
Add.	Purchases	200,000 ✓	Sales
	Carr. In	6,500 ✓	Return in
		<u>206,500</u>	
Less.	Return out	15,000 ✓	
		191,500 ✓	
	GAS	209,500 ✓	
	Closing stock	20,000 ✓	
	Cost of sales	189,500 ✓	
	G.P c/d	385,500 ✓	
		<u>575,000</u>	
Less.	<u>Expenses</u>		
	Disc. Allowed	6,000 ✓	G.P b/d
Carr. Out		15,000 ✓	
	Salaries	10,000 ✓	Add. <u>Incomes</u>
	House rent	49,000 ✓	Disc. Rec
	Commission	50,000 ✓	Commission
	Electricity	43,000 ✓	
	NP	230,500 ✓	
		<u>403,500</u>	
		<u>403,500</u>	

Award ticks (✓) appropriately 20 x 1/2 = 10mks

- (b) – Where bulky goods/large volume are to be transported
- For ease/fast loading/off loading of goods is needed
 - To avoid damage to goods
 - Where goods are special as special containers are available
 - To avoid theft of goods
 - Where there is a need to save on insurance cost
 - Where the firm can afford the cost of containers
 - Where there is a need to save on space
 - Where it's the policy of the business to use containers

6. (a)

Sales Journal		
Date	Details	Amount
May 5	Kibwezi retailers	30,000√
10	Pendo retailers	75,000√
20	Reko retailers	<u>90,000√</u>
	√ Total posted to sales A/C (CR)	<u><u>195,000</u></u>

Purchases Journal		
Date	Details	Amount
May 1	Meme supplied	60,000√
14	Kesho suppliers	80,000√
20	Malimali suppliers	<u>50,000√</u>
	√ Total posted to purchase A/C (DR)	<u><u>190,000</u></u>

Sales Returns Journal		
Date	Details	Amount
May 12	Kibwezi retailers	3,000√
25	Pendo retailers	<u>7,500√</u>
	√ Total posted to sales Ret A/C (DR)	<u><u>10,500</u></u>

Purchases Returns Journal		
Date	Details	Amount
May 12	Meme suppliers	2,000√
	√ Total posted to purchases returns A/C (CR)	<u><u>2,000</u></u>

General Journal/ Journal Proper

Date	Details	Dr	Cr
May 12	Motor vehicle A/C Nissan Motors A/C✓	1,600,000✓	1,600,000✓
May 22	To record purchase of motor vehicle on credit Wote ltd A/C Equipment A/C	420,000✓	420,000✓
	To record sale of equipment on credit ✓		
		2,020,000	2,020,000✓

Award ticks (✓) appropriately 20 x ½ = 10mks

(b) Factors that may have attracted the factory to the town.

- (i) Availability of market
- (ii) Good transport network
- (iii) Well developed communication facilities
- (iv) Availability of a large pool of labour
- (v) Availability of social amenities
- (vi) Availability of power
- (vii) Security
- (viii) Auxiliary services

Name _____ index No _____

Date _____

Candidates' signature _____

565/2

Business Studies

Paper 2

July/ August 2014

2 ½ Hours

KILUNGU DISTRICT FORM 4 JOINT EXAMINATION

Kenya Certificate of Secondary Education

Business Studies

2 ½ hours

INSTRUCTIONS

Answer any five questions.

1. (a) Toyota motor company has embraced the use of E-commerce in its business transactions. Explain five benefits it would realize due to this move. (10 marks)
- (b) Explain the importance of the following documents used in home trade.
- (i) Delivery note. (2 marks)
 - (ii) Package note (2 marks)
 - (iii) Consignment note (2 marks)
 - (iv) Advice note (2 marks)
 - (v) Acknowledgement note (2 marks)
2. (a) The following are the balances for Wote distributors company for the year ended 31.12. 2012.
- | | |
|------------------------|---------|
| Capital | ? |
| Stock | 4000 |
| Drawings | 32000 |
| Furniture | 70,000 |
| Commission earned | 800 |
| Debtors | 13,000 |
| Sales | 180,000 |
| Bank | 23,000 |
| Carriage inwards | 1400 |
| General expenses | 5200 |
| Discount allowed | 8500 |
| Purchases | 160,000 |
| Creditors | 8000 |
| Wages | 4600 |
| Long term loan | 1800 |
| Rent income | 4800 |
| Cash | 6000 |
| Stock (31.12.2011) | 8000 |
| Carriage outwards | 1700 |
| Returns inwards | 910 |
| Returns outwards | 850 |
| Additional investments | 3800 |
| Land | 8500 |
| Over draft | 4100 |
- (i) Draw their trading profit and loss account. (6 marks)
- (ii) Draw their balance sheet and show the amount of their opening capital. (6 marks)
- (b) Draw four differences between personal selling and advertising. (8 marks)
3. (a) Unemployment has been cited as one of the economic problems facing Kenya. Explain five causes of unemployment in Kenya. (10 marks)
- (b) Explain five factors should consider when designing an office. (10 marks)
4. (a) Inflation is detrimental to economic growth and development to a country. Explain five factors to support this statement. (10 marks)
- (b) The following transactions relate to Mali Mali traders for the month of March 2014.
- 2 march : received sh 19000 cash from Mutua after allowing 5% cash discount.
- 3 March : paid Mueni sh 8,800 and Muli sh 11,000 in cash after deducting 12% cash discount.

4 March: banked sh 5600 from office cash .

6 March: took sh 3800 cash for personal use.

9 March: Mutuku settled his account of sh 35,000 by cheque less 2% cash discount.

10 March: Kioko paid sh 38,000 by cheque to clear his account of sh 40,000

15 March: bought goods sh 23,500 and paid by cheque

Prepare Malimali traders

(i) Cash payment journal (5 marks)

(ii) Cash receipt journal (5 marks)

5. (a) Explain the meaning of the following terms as used in insurance.

(i) Comprehensive policy (2 marks)

(ii) Term assurance policy (2 marks)

(iii) Indemnity (2 marks)

(iv) Average clause (2 marks)

(v) Double insurance (2 marks)

(b) XY company operates as a monopolist in Kenya. Explain five factors that may have made the firm acquire monopoly power.(10 marks)

6. (a) Explain five characteristics of land as a basic factor of production. (10 marks)

(b) The table below shows the growth rate of GDP of country between 2009 and 2012.

Years	Growth rate of GDP %
2009	2%
2010	2.5%
2011	3.5%
2012	5%

Give five reasons that may account for the trend in GDP reflected in the table. (10 marks)

565/2

Business Studies

Paper 2

July/ August 2014

KILUNGU DISTRICT FORM 4 JOINT EXAMINATION

Kenya Certificate of Secondary Education

Business Studies

Marking scheme

1. (a) –Wide access to world market because many countries are connected to the internet.
 - No restriction /discrimination in transaction since both small and large business transact through internet.
 - save no time since it is a fast way of transacting business online and therefore urgent transactions can be out.
 - reduced paper work since dealings are online.
 - less cost of sending, receiving and storing information and product.
 - wide access of information on other products and business online to enhance operations.
- (b) – Delivery note - is an evidence of the delivery of goods sent by the seller to the buyers.
 - package note –helps the buyer to make a spot check on goods when they arrive.
 -Consignment note-Acts as evidence that the goods were actually transported.
 - Advice note- Alerts the buyer that goods have been dispatched so as to make arrangements to receive them, arrange for payments when goods arrive or inquire in event of delay.
 -Acknowledge note – confirms to the buyer that the order has been received and is being processed.
 (5 x2=10 marks)

2. (a) (i) Wote distributors
 Trading profit and loss A/c
 For the year ended 31.12.2012

	Sh		sh
Opening stock	8000√	sales	180,000√
Add purchases	16000√	less returns	910√
Add carriage inwards	<u>1400√</u>		
	169400		
Less returns outwards	<u>850√</u>		
CO GAS	168 550		
Less closing stock	<u>4000√</u>		
	164 550		
Gp c/d	<u>14540√</u>		
	<u>179090</u>		
<u>Expenses</u>		Gp b/d	<u>179 090</u>
General expenses	5200√	commission earned	800√
Discount allowed	8500√	rent income	4800√
Wages	4600√		
Carriage outwards	1700√		
N.p c/d	<u>140√</u>		
	<u>20140</u>		
		N. p b/d	<u>20140</u>
			140
			18 x1/3 =6 marks

This paper consists of 4 printed pages

Turn over

(ii)

Wote distributors

Balance sheet

As at 31.12.2012

Sh		sh	
<u>Fixed asset</u>		capital	138660√√
Furniture	70,000 √	add net profit	140
Land	850√	add investment	3800
	<u>78,500</u>		<u>142 600</u>
		Less drawing	32000
			<u>110,600√</u>
<u>C.assets</u>		<u>L.T.L</u>	
Stock	4000√	loan	1800√
Debtors	13000√	<u>C.L</u>	
Bank	23000√	creditors	8000√
Cash	6000√	Over draft	4100√
	<u>46000</u>		<u>12100</u>
	<u>124 500</u>		<u>124 500</u>

(b)

12 x 1/2 = 6 marks

Personal selling	Advertising
Make use of persons to pass message	Make use of non-personal means eg mass media to pass message.
There is immediate feed back	Feed back may be long term.
Has limited coverage	Has wide coverage
Appropriate for specific type of goods eg technical goods	Appropriate for a wide range of goods eg those consumed by the general public.
There is room to demonstrate the use of goods	Most media used for advertising do not cater for demonstration on use of goods.

4x2= 8 marks

3.

(a) – Rapid population growth which results to an increase in number of people without gainful employment.

- Changes in seasons particularly in the agricultural sectors / tourism sector.
- introduction of capital intensive methods of production replacing manual labour.
- Inadequate resources required for production to be carried out.
- The education system may not be appropriate for job creation since most people undergo training for collar jobs which may not be available.
- People may be too selective when choosing the jobs they want which may not be available in the market.
- mismanagement of resources/ corruption/ poor planning by the government may lead to unemployment due to poorly invested fund/embezzlement of funds .
- Introduction of new products that replace existing ones eg synthetic fibres to replace natural fibres
- over-reliance of few sectors of the economy as a source of employment

5 x2=10 marks

(b) –cost of construction should be affordable.

- size of the staff in order to avoid overcrowding or unnecessary free space.
- maintenance and running cost should be within reach.
- nature of thee organizations work to decide the most appropriate layout.
- effects on staff morale to avoid negative impact on performance.
- space available to determine if it is adequate.
- security for office/ personal property to avoid loss/damage.

- flexibility for ease of redesigning and reorganization.
- legal requirements to abide with the law.

5 x2=10 marks

4. (a) – discourages saving people tend to spend money they have rather than save due to the falling value of money.
- increase in interest rates to compensate lenders for the fall in value of money.
 - People with fixed income are hard-hit because of increased cost of living.
 - lenders loose. Lenders of money receive less value of the money they advanced to debtors.
 - May leads to social-political unrest due to high cost of living.
 - Worsen balance of payment. Exports become more expensive leading to fall in demand for export as people may prefer to buy cheaper imports.
 - Uneven distribution of incomes with he rich becoming richer.
 - Unemployed and low income earnest are hard –it since they may not be able to afford the basics due to rising prices.
 - Loss of confidence in the local currency which may necessitate change of currency.
 - Adverse effect on investment due to increased cost of operation.
 - Reduced job creation due to reduced production activities/ closure of firms.

5 x2=10 marks

(b) (i)

Cash payment journal

Date	Details	Discount received	Cash	bank
3.3.14	Mueni	1200√	8800√	
3.3.14	Muli	1500√	11,000√	
4.3.14	Bank		5600√	
6.3.14	Drawings		3800√	
15.3.14	purchase			23 500√
		2700√	29200√	23 500√

10 x 1/2 =5 marks

(ii)

Cash receipt journal

Date	Details	Discount allowed	Cash	Bank
2.3.14	Mutua	1000√	1900√	
4.3.14	Cash			5600√
9.3.14	Mutuku	700√		34 300√
10.3 .14	Kioko	2000√		38 000√
		3700√	19000√	77900√

10 x 1/2 =5 marks

NB. Details must be correct to award a tick .

5. (a)- Comprehensive policy- is a motor policy which covers all possible risks that may occur out of operating motor vehicle eg damage of the car, property and people in the car etc.(2 marks)
- Term assurance policy – is a policy a proposer insure his life against death for a short period eg one month.
 - Indemnity- is the exact financial compensation that is paid when the insured suffersloss/ is the restoration of the insured who suffers loss to his former financial position.(2 marks)
 - Average clause –provides that the insured can only recover such properties of the loss as the value of the policy bares on the value of the property insured.(2 marks)
 - Double insurance - is the insuring a property with more than one insurance company on the same risk.(2 marks)

5 x2=10 marks

(b) – Secretive production technique that denies other firms the use of the technique in production.

- Control over strategic raw materials this makes the firm to have sole access to raw materials used in the production of the commodity.
- Large initial capital that other firms may not be able to raise leaving the field to one firm.
- Greater economies of scale that enables the firm to produce at lower cost than the other firms.
- Legal rights of production on a particular product by the government shutting out competition.
- Amalgamation of firm to become only one hence eliminating competition.
- Size of the market. When the market is economically served by one firm other firms entering the market may make losses due to low sales hence the firm remain one.
- Copy right which bars other firms from producing the product.

5 x2=10 marks

6. (a) – It is a gift of nature since man has no ability to create it.

- It is fixed in supply since it can not be increased beyond what nature has provided.
- It is geographically immobile since it can not be moved from one geographical area to another.
- It is occupationally mobile since it can be put into different uses.
- Its productivity can be improved by increasing quantity and quality of capital.
- It is subject to the law of diminishing marginal returns.
- Quality of land is not homogenous since productivity of one piece of land is different from that of another.

5 x2=10 marks

(b) – Discovery of new resources in the country eg mineral resources.

- Maximum and optimal utilization of the existing resources in the country.
- Increased level of saving in the country leading to high capital formation and hence high national income.
- Discovery and adoption of better technology.
- Increased investments domestically from foreign and local investors.
- Increase in the productivity of the people in the country.
- Political stability in the country.

5 x2=10 marks

**565/2
BUSINESS STUDIES
PAPER 2
JULY / AUGUST 2014
2 ½ HOURS**

**KATHONZWENI SUB-COUNTY FORM IV PRE-TRIAL EXAMINATION
Kenya Certificate of Secondary Education
BUSINESS STUDIES
PAPER 2
2 ½ HOURS**

INSTRUCTIONS TO CANDIDATES

- Answer any 5 questions in the spaces provided after every question.

This paper consists of 13 printed pages

Turn Over

565/2
BUSINESS STUDIES
PAPER 2
JULY / AUGUST 2014

KATHONZWENI SUB-COUNTY FORM IV PRE-TRIAL EXAMINATION
Kenya Certificate of Secondary Education
BUSINESS STUDIES
PAPER 2

MARKING SCHEME

1. (a) - Adopting labour intensive methods of production e.g making roads using human beings instead of machines.

- Providing youth with loans / grants to start businesses.
- Offering courses in institutions which can lead to self-employment.
- Provision of motor cycles at fair prices which creates employment to them.
- Creating the ministry of sports and youth to deal with youth affairs.
- Looking for business opportunities outside the country for the youth.

Any other relevant point

- (b) - The age of the insured , an old person pays more premium than a young one for the same policy.
- Period of the policy – a policy which takes along period of time to mature is paid less premium than a policy which takes a short period to mature.
 - Health of the insured, a health person pays less premiums than a sickly person for the same policy.
 - Occupation of the insured, a person working in a risky occupation pays higher premium than a person working in a less risky occupation e.g policeman and a teacher.
 - Income of the insured, a person with a higher income pays more premium than a person with less income.

Any other relevant point

2 marks each (10 marks)

2. (a) Ways in which commercial banks enhance development of business activities in the economy.

- (i) The banks accept deposits of money for safe-keeping.
- (ii) Are sources of finance to business people in form of loans.
- (iii) Assist in issuing letters of credit to enable business people access goods from other countries.
- (iv) Provide convenient means of payment such as credit transfer and standing orders which facilitate business activities.
- (v) Provide advice on financial and investment matters for sound decision making for business people.

(b) Problems associated with determining consumer price index (CPI)

- (i) Determining a basket of goods – It's not easy to decide on what goods are commonly used by households.
- (ii) Determining the base year not easy to come up with a year in which prices were fairly stable

to serve as a base year.

This paper consists of 4 printed pages

Turn Over

- (iii) Price differences on goods – Similar goods may be priced differently in different places e.g rural and urban areas.
- (iv) Determining a family unit / household – Different families / live in different places e.g rural and urban and therefore picking a typical family may not be easy.

3. (a) - Widen market for its goods and services.
- May lead to specialization reducing cost of production.
 - Provision of quality goods and services to its citizens due to specialization.
 - Leads to promotion of peace between its partners.
 - It leads to creation of employment to its citizens.
 - Member states have a benefit of common bargaining with non-member countries.

Any other relevant point

2 each max = 10 marks

- (b) - Perfect competition market has many buyers and sellers who are similar while a monopoly market has one seller and many buyers.
- Perfect competition market has close substitutes of goods while in a monopoly goods are not close substitutes (only one)
 - In perfect competition market there is free entry and exit of firms while in monopoly there is no free entry and exit in firms.
 - In perfect competition market, prices are determined by forces of demand and supply while in a monopoly, prices are determined by the supplier
 - In perfect competition market, there are no transport costs while in a monopoly, there is transport cost.
 - In perfect competition market, there is no price discrimination while in a monopoly, price discrimination is possible.

2 marks each max = 10 marks

4. (a) Problems that farmers encounter when they sell their produce through marketing boards.
- (i) Payments – Farmers usually get their payments after along time after they deliver their produce.
 - (ii) Unfair deductions – Boards usually make deductions from the payments without explaining why such deductions are made.
 - (iii) Bureaucracy – The procedure the farmers have to follow in delivery of produce and getting payments is sometimes cumbersome and time wasting.
 - (iv) Collection of produce – Sometimes collection of produce is delayed leading to deterioration of produce quality / unnecessary losses.
 - (v) Differentiation - Lack of distinction between quality of produce from different areas may disadvantage those farmers who produce high quality produce.
 - (vi) Pricing – Farmers have no say in determining prices.
 - (vii) Corruption / fraud – Farmers loose money via dishonest deeds e.g cheating in weight.
 - (viii) Management – Many of the boards are poorly managed.
 - (ix) Political interference – May affect adversely the running of the boards

10 x 1 = 10 marks

- (b) Factors that influence the decisions on what goods and services to produce.
- (i) Availability and utilization of resources – are there necessary resources and are they fully utilized.

(ii) Methods of techniques of production. Should the methods be labor-intensive or capital-intensive.

2

(iii) The needs and tastes of the consumers that form the market.

(iv) Costs of production.

(v) Goals and interest of the investors – what do they wish to achieve .

(vi) Efficiency of production - Whether to produce more of some goods / services without producing less of others

5. (a) Sales journal

Date	Particulars	Invoice No.	Folio	Amount
1/10/05	Mutuku			1,800 √1
2/10/05	Moraa			(150 x 300) = 45,000 √1
3/10/05	Mutile			(25 x 3000) = 75000√1

Purchases Journal

Date	Particulars	Invoice No.	Folio	Amount
3/10/05	Kima wholesalers			7,600 √1
15/10/05	Mwanaisha			(60 x 40) = 2,400 √1
30/10/05	Mayengo traders			4,000 √1

General Journal

Date	Particulars	Folio	Dr	Cr
10/10/05	Mbithi A/C Machine A/C Being sale of machine.		20,000 √1	20,000 √1
25/10/05	Motor vehicle A.C Gari motors A/C Being purchases of motor vehicle on credit		250,000 √	250,000√1

Mark each entry total 10 marks

(b)

Dr		Sales A/C		Cr	
			1/10/05	Muutku	1,800 √ ½
			2/10/05	Moraa	45,000 √ ½
			5/10/05	Mutile	75,000 √ ½

Dr		Purchase A/C		Cr	
3/10/05	Kima traders	7,600 √ ½			
15/10/05	Mwanaisha	2,400 √ ½			
30/10/05	Mayengo	4,000 √ ½			

Dr		Mbithi A/C		Cr	
10/10/05	Machine	20,000 √ 1			

Dr	Mwanaisha A/C				Cr
			15/10/05	Purchases	2,400 √ 1

Dr	3 Mayengo A/C				Cr
			30/10/05	Purchases	4000 √1

Dr	Gari motors A/C				Cr
			25/10/05	Motor vehicle	250,000 √

Dr	Machine A/C				Cr
			10/10/05	Mbithi	20,000√

Dr	Motor vehicle A/C				Cr
25/10/05	Gari motors	250,000 √1			

Dr	Mutuku's A/C				Cr
1/10/05	Sales	1,800 √1			

Dr	Moral A/C				Cr
1/10/05	Sales	45,000 √1			

Dr	Mutile A/C				Cr
5/10/05	Sales	75,000 √1			

Add 2 bonus marks if all accounts are correct max 10 marks

6. (a) Ways in which entrepreneurs contribute to the production of goods and services.

- (i) They identify and set up viable businesses.
- (ii) They provide the required capital to carry out production.
- (iii) They provide or assemble all other factors of production.
- (iv) They bear all the risks associated with production.

(b) Purposes of public finance.

- (i) Provision of public utilities such as education, health and infrastructure.
- (ii) Redistribution of wealth between the rich and the poor through building of low-cost housing, health care and education.
- (iii) Provision of public services such as health care, security and relief food.
- (iv) Creation of conducive business environment through taxes and subsidies, as well as incentives to investors.
- (v) Enabling economic development through improvement in infrastructure and communication.
- (vi) Servicing public debts.

5 x 2 = 10 marks

Name _____ index No _____

Date _____

Candidates' signature _____

565/2

Business Studies

Paper 2

July/ August 2014

2 ½ Hours

MACHAKOS SUB –COUNTY FORM FOUR MID-YEAR EXAMINATION

Kenya Certificate of Secondary Education

Business Studies

Paper 2

2 ½ hours

Instructions to candidates

- (a) Write your name and index number in the space provided. Above
- (b) Sign and write the date of examination in the space provided above.
- (c) This paper consists of six questions
- (d) Answer any five questions
- (e) All answers should be written in the space provided after question six.
- (f) all questions carry equal marks.
- (g) Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.
- (h) Candidates should answer all the questions in English.

For examiners use only

Question	Maximum score	Candidates score
1	20	
2	20	
4	20	
5	20	
6	20	
7	20	
	Total score	

This paper consists of 3 printed pages

Turn over

1. (a) Explain five factors which necessitate localization of firms. (10 marks)
 (b) Explain five roles played by the Nairobi stock exchange (NSE) in Kenya. (10 marks)

2. (a) Explain any five negative effects of inflation on a country's economic performance. (10 marks)
 (b) Give five differences between a single unit shop and a tied shop. (10 marks)

3. (a) Insurance companies require that risk to be covered must meet specific requirements. Explain five such requirements. (10 marks)

(b) On 1st June 2009, Bitok traders had ksh 155,000 in hand and an overdraft of ksh 65,000. During the month, the following transactions took place

June 2009 3rd: cash sales banked ksh.145, 000
 4th: paid Wilson, a creditor ksh.9, 600 by cheque in full settlement of his account after deducting a 4% cash discount.
 6th: sold goods on credit to Joyce worth ksh 30,000
 9th: paid the following expenses by cash, stationery ksh 500 and motor vehicle repair ksh 5000.
 11th: bought office computer in cash ksh. 25,500
 12th: Joyce paid her account in full by cheque less 10% cash discount.
 14th: Withdrew ksh 35,000 from bank for office use.
 15th; Kiprono, a debtor paid his account of ksh 16,000 by cheque less 5% cash discount. 31st banked all the cash except ksh 9,000

Required

Prepare a three column cash book and balance if off. (10 marks)

4. (a) Office workers are expected to have appropriate office etiquette. Describe any five of them from a good office worker. (10 marks)

(b) The following information was obtained from the books of Maingi traders for the year ended 31st December 2013.

	Shs
Purchase for the year	400,000
Carriage inwards	50,000
Capital	1,000,000
Sales	800,000
Total expenses	195,000
Stock on 1 st Jan 2013	40,000
Return outwards	30,000
Stock on 31 st Dec 2013	100,000
Total creditors	35,000
Debtors	30,000
Return inwards	45,000

Calculate

- (i) The cost of goods sold. (2marks)
 - (ii) Gross profit (2 marks)
 - (iii) Margin % (2 marks)
 - (iv) Rate of stock turnover (2 marks)
 - (v) Rate of return in capital (2 marks)
5. (a) Explain five differences between monopolistic market structure and monopoly market structure. (10 marks)
- (b) In relation to current practices in banking, explain five features of current account. (10 marks)
6. (a) Describe the five methods used by the government to solve the high rate of unemployment . (10 marks)
- (b) Kenya a member state of East African community has been experiencing deteriorating term of trade. Explain five factors that could have contributed to this. (10 marks)

565/2

Business Studies

Paper 2

July/ August 2014

MACHAKOS SUB –COUNTY FORM FOUR MID-YEAR EXAMINATION

Kenya Certificate of Secondary Education

Business Studies

Paper 2

Marking scheme

1. (a) Factors which necessitates localization of firms.
- A well developed infrastructure such as roads, electricity and telephone lines in an area which attracts firms into that area.
 - Availability of a large population which may provide both labour and a market for its products.
 - Need for independence among various firms in areas such as training of personnel.
 - Government policy which requires firms to be located in a certain area.
 - Availability of raw materials in a certain area.
 - Availability of support industries in such area in such area as banks/insurances, warehouse.

Any 5 x2=10 marks

- (b) Role of the Nairobi stock exchange. (NSE)
- facilitates the buying and selling of shares among citizens.
 - Mobilizing saving.
 - Indicator of performance – quoted companies rely on prices of shares to know the performance.
 - Good management – companies practice high standards to avoid deregistration.
 - Protection of investor’s interest- monitors activities of various listed companies.
 - Act as an economic barometre –index shows as an economic activity in the economy.
 - Information used by the government for planning.
 - Capitalization – companies can gauge their level of investment.

2 x5=10 marks

2. (a) Negative effects of inflation on a country’s economic performance.
- Reduction in profit in firms due to rise in prices of commodities leading to low sales volume.
 - Wastage of time by individuals and firms in shopping around for reasonable prices and adjusting their prices costs to reflect new prices.
 - Unnecessary increase in employees salaries and wages to cope with inflation by firms.
 - Decline in the standards of living.
 - Loss to creditors.
 - Retardation of economic growth.
 - Adverse effects on ballad of payments.
 - Loss of confidence in the monetary system.

5 x2=10 marks

(b) Give five differences between a single unit shop and a tied shop.

Single unit shop	Tied shop
Sells goods from different manufactures.	Sell good from one particular manufacturer.
The shop is designed by the owner	The manufacturer designs the organization of the shop and its appearance eg panting

This paper consists of 4 printed pages

Turn over

Need not seek permission from any producer of what to stock	The shop cannot deal in goods from other manufacturers without authority from the manufacturer
The owner fixes own prices which are not standardized in all shops.	Prices in all the shops are standardized by the manufacturer.
The shop owner promises his own products/different products promote their products.	Advertisement is done by manufacturer.
Depending on credit worthiness, can be offered credit by the different sellers/wholesalers.	They are financed by the manufacturer and can obtain goods on credit from the manufacturer.
Specialized unit shop owners stock variety of goods from different producers eg in clothes	Similarity of the goods may discourage the buyers from buying more eg shoes

5 x2=10 marks

3. (a) Five requirements for insurance company to cover risks.
- it must not be under control of the insured.
 - large number of similar cases must be there.
 - the risk must be pure not speculative.
 - risk insured must not violate laws of the country.
 - the possibility of the risk must not be near certain.
 - must have insurable interest in the subject matter.

5x2=10 marks

(b) Cash book

Date	Details	Disc.All	Cash	Bank	Date	Details	D.Rec	Cash	Bank
2009					2009				
1	Bal b/d		155 00√		1	Bal b/d			65 000√
3	Sales			145 000√	4	Wilson (creditor)	400√		9600√
12	Joyce	3000√		27 000√	9	stationery		500√	
14	Bank		35 000√		9	Mr repair		5000√	
15	kiprono	800√		152 00√	11	Office computer		25500√	
31	cash			150 000√	14	Cash(C1)			35 000√
					31	Bank (C2)			
					31	Bal c/d		150 000√	
								9000√√	227600√√
		3800	190 000	33 7200			400	190 000	33 7200
31	Bal b/d		9000	22760					

20 x 1/2 =10 marks

4. (a) Office workers appropriate etiquette.
- Courtesy – one should be polite and pleasant.
 - respect –one should show due respect to others.
 - punctuality – observes working hours.
 - loyalty –commitment and devotion to ones work.
 - accuracy – performance in duties with excellence, precision and corrections.
 - Honesty – tell the truth and sincere.
 - cooperation : team work and without malice, friction or selfishness.
 - initiative – proper decision and creativity in ideas.
 - judgment- weigh all possibilities before making decisions.
 - diplomacy – convince others tactfully.

5 x2=10 marks.

(b) (i) cost of goods

$$\text{Opening stock} + (\text{purchases} + \text{carriage inwards}) - \text{return out} - \text{closing stock}$$

$$40,000 + 4000,000 + 50,000 - 30,000 - 100,000 = \underline{360,000} \sqrt{2 \text{ marks}}$$

(ii) gross profit

$$\text{G.P} = \text{net sales} - \text{cost}$$

$$= (800,000 - 45,000) - 360,000 = \underline{395,000} \sqrt{2 \text{ marks}}$$

(iii) margin %

$$\frac{\text{GP} \times 100}{\text{Sales}} = \frac{395,000}{755,000} \times 100$$

$$= \underline{52.32\%} \sqrt{2 \text{ marks}}$$

(iv) Rate of stock turn over

$$\frac{\text{Cost of goods sold}}{\text{Average stock}} = \frac{360,000}{\frac{40,000 + 100,000}{2}} = \frac{360,000}{70,000} = 5.14 \text{ times} \sqrt{2 \text{ marks}}$$

(v) Rate of return in capital

Net profit x100

Capital

$$\text{Net profit} = \text{GP} - \text{total expenses}$$

$$395,000 - 195,000 = 200,000$$

200,000 x100

$$\frac{200,000}{1,000,000} = \underline{20\%} \sqrt{2 \text{ marks}}$$

5. (a) Differences between monopolistic and monopoly market structure

Monopoly	Monopolistic
-It has only one seller	- There are many sellers
-There is no competition in the market	-There is stiff competition in the market
-There is barrier to market entry	-There is free entry and exist in the market
-The seller is a price giver (maker)	-There is independence in pricing
-The product is only one	-There is product differentiation
-Supply determined by the seller	-Supply determined by market demand

5 x2=10 marks

(b) In relation to current practices in banking features of current account.

- bank statement are usually issued on monthly basis or on request by the account holder at anytime at a fee.
- they offer overdraft facilities, that is they can withdraw more than what they have on their account leading to a negative balances repayable with an interest.
- money in the account is always withdrawn by use of a cheque either by the account holder or can be sent to somebody with the cheque signed at the bank to withdraw.
- No minimum balance is required to be maintained in a current account.
- Current account do not earn interests and the banks charge ledger fee and cheque clearance banks nowadays pay interest to current account holders.
- With current accounts, holders can withdraw any amount anytime without giving notice provided that the account balance allows.
- The issue cheque books to all account holders.

5 x2=10 marks

6. (a) Methods of controlling unemployment.

- controlling population growth rate.

Provide relevant education.

- Use of appropriate technology in production.

- exporting excess labour to other countries who lack workers.

- adopting policies that encourages the use of labour intensive methods of production.

- increasing government expenditure to create more jobs.

- rural development to curb rural urban migration.

- encourage the use of local resources.

- encouraging direct foreign investment.

5 x2=10 marks

(b) Factors that could have contributed to Kenya a member state of East Africa to experience deteriorating terms of trade.

- Higher prices of her imports compared to prices of the export.

- Lower prices of her exports compelled to those of inputs.

- high demand for her imports in the world market leading to high import prices.

- low demand for her exported goods in the world market hence leading to lower export prices.

- high supply of exported goods in the world market leading to lower export prices.

- appreciation of local currency –making exports expensive to reduce demand and making imports cheaper to increase their demand.

- appreciation of local currency which will make the imports more expensive.

- increased/ high demands for imports making their prices to go up.

- devaluation of local currency making imports expensive and export cheaper.

5 x2=10 marks

Name _____ Index No _____

Date _____

Candidate's signature _____

565/2

BUSINESS STUDIES

Paper 2

July/ August 2014

2 ½ Hours

MAKUENI DISTRICT FORM 4 JOINT EXAMINATION

Kenya Certificate of Secondary Education

BUSINESS STUDIES

Paper 2

2 ½ hours

INSTRUCTIONS

Answer any five questions in this paper

This paper consists of 2 printed pages

Turn over

1. (a) Explain five factors that hinders railway transport in Kenya. (10 marks)
(b) Explain five advantages of entrepreneurship to the entrepreneur. (10 marks)
2. (a) Explain five requirements of insurance risks. (10 marks)
(b) Explain five current friends in the Kenyas banking sector. (10 marks)
3. (a) Explain five circumstances under which firms may acquire oligopoly power. (10 marks)
(b) Explain five roles of the Nairobi stock exchange as a market for securities. (10 marks)
4. (a) Explain five factors why government levies tax on individuals and firms. (10 marks)
(b) The following information was extracted from the books of Ali on 30th June 2012. (10 marks).

	Shs
Capital	1,000, 000
Purchases	80,000
Sales	800,000
Net profit	5% of sales
Closing stock	200,000
Margin	20%

Determine

- (i) Gross profit
 - (ii) Cost of goods sold
 - (iii) Opening stock
 - (iv) Total expenses.
 - (v) Rate of return on capital
5. (a) Explain five reasons why localization of firms need to be discouraged in the country. (10 marks)
(b) Using a well labeled diagram, explain how excess demand and excess supply can be experienced in the market. (10 marks)

6. (a) The following information relates to Rotch wholesalers for the month of January 2012.

(i) Invoices received		sh
January 2 Jijini Ltd		80,000
18 Chumani Ltd		140,000
26 Mwema Traders		160,000

(ii) Invoices issued		
January 5 Manga traders		50,000
15 Miti traders		150,000
25 Jua Kali		70,000

(iii) Credit note issued		
January 5 Manga		6,000
28 Jua Kali		4,000

(iv) Credit note received		
January 12 Jijini		3,000
24 Chumani		8,000
30 Mwema traders		12,000

- Required: record the above transaction in the appropriate subsidiary books. (10 marks)
- (b) Explain five reasons for maintaining a healthy business environment. (10 marks)

565/2

BUSINESS STUDIES

Paper 2

July/ August 2014

MAKUENI DISTRICT FORM 4 JOINT EXAMINATION

Kenya Certificate of Secondary Education

BUSINESS STUDIES

Paper 2

Marking scheme

1. (a) Factors that hinder railway transport in Kenya.
- (i) High cost – railway construction/ maintenance is an expensive venture requiring huge investments.
 - (ii) Competition from other mode: There is a relatively wide road network so low demand rate.
 - (iii) Poor management : poorly run hence resulting in huge losses/ hence stagnation.
 - (iv) lack of modern technology: This lacks in Kenya/ has not been developed in Kenya.
 - (v) Little government commitment: the government has committed its resources more to other forms of transport.
 - (vi) Lack of flexibility: inability to render door to door services.
 - (vii) Speed: its low speed makes it inappropriate for carrying certain goods/ passangers.
 - (viii) Lack of competition – it enjoys protected possession making it impossible to start another railway system.

Naming 1 mk, explanation 1mk x5 =10 marks

(b) Advantages of entrepreneurship to the entrepreneur.

- (i) He earns profit: He can expand his business/ improves standards of living.
- (ii) He is self employed: creates job certainly .
- (iii) He has personal satisfaction: He starts the business of his own choice.
- (iv) He has opportunity to put his skill/ talents into practice.
- (v) It's prestigious to own a business- enjoys status over and above other people in the society.
- (vi) Has a lot of independence: He is his own boss.
- (vii) Supplements other sources of income. Has opportunity to accumulate wealth.
- (viii) Proper use of time/ uses his leisure time propely.

2. (a) Requirements of insurable risks.

- The risk insured must not be under control of the insured.
- There must be a large number of similar cases subjected to the same risk.
- The possible loss must be significant enough to the insured to warrant insured.
- The risk must be unlikely to affect all the insured at the same time.
- Possibility of the risk taking place must not be near certainty.
- the value of the insured item should be easily determined.
- The extend and like hood of the risk occurring should be sufficiently predictable to enable t he determining of the premium rate.
- The insured must have insurable interest in the subject matter.
- The risk to be insured should not violate the laws of the country.
- The risk must be pure as opposed to speculative.

Any five complete points at 2 marks = 10 marks

This paper consists of 4 printed pages

Turn over

(b) Current trends in Kenya banking sector.

- Use of automated teller machines (ATMs) – enables banks to offer services to clients round the clock.
- Networking of branches: enables clients to carry out banking transactions in any branch of the bank.
- E- banking use of mobile phones by customers to carry out some transactions eg airtime top up.
- Introduction of a variety of products to attract the public eg easier credit facilities including unsecured loans.
- Customer care department that offer personalized services/ advice to the banks clients.
- Use of ATMs to be used to make withdrawals/ used as debit card to make purchases in establishments eg supermarkets.
- relaxation of some of the condition in relation to operation of accounting eg restriction of minimum opening accounts.
- Liberalization of foreign exchange dealings –forex bureaus have been authorized to give foreign exchange services.
- Provision of some banking services by micro finance institutions. Eg (FOSA)

Any 5 x2 = 10 marks

3. (a) Sources of oligopoly power.

- When the intial cost of production is too high.
- When the government controls a policy.
- when few firms have patent rights.
- When few firms have exclusive control of raw materials.
- When there is unique technology.
- Where there are mergers.
- Where there are internal economies of scale.

Any 5 x2=10 marks

(b) Roles of Nairobi exchange market.

- Provide a ready market for people who wish to buy or sale their shares.
- Help the public to invest in public companies.
- Ease the transfer to shares which enables sellers to dispose off their shares/ investments.
- Its performance index is used to as a measure of the country's economic progress.
- Creation of employment.
- Publishes useful information about various companies that is used by investors and interested parties.

Any 5 x2=10 marks

4. (a) Reasons for leving taxes.

- Raising revenues for its expenditures.
- Discouraging consumption of certain production.
- To protect local infant industries.
- reducing inequality in income distribution.
- Controlling inflation.
- Helping to locate business strategically by taxing business selectively.
- Correcting a balance of payments deficit by making improved goods more expensive.

Any 5 x2=10 marks

(b) (i) Gross profit $\frac{20}{100} \times 800,000 \sqrt{=} \text{sh } 160,000\sqrt{}$

(ii) Cost of goods sold = sales –gross profit
= 800,000 – 160,000√
= 640,000√

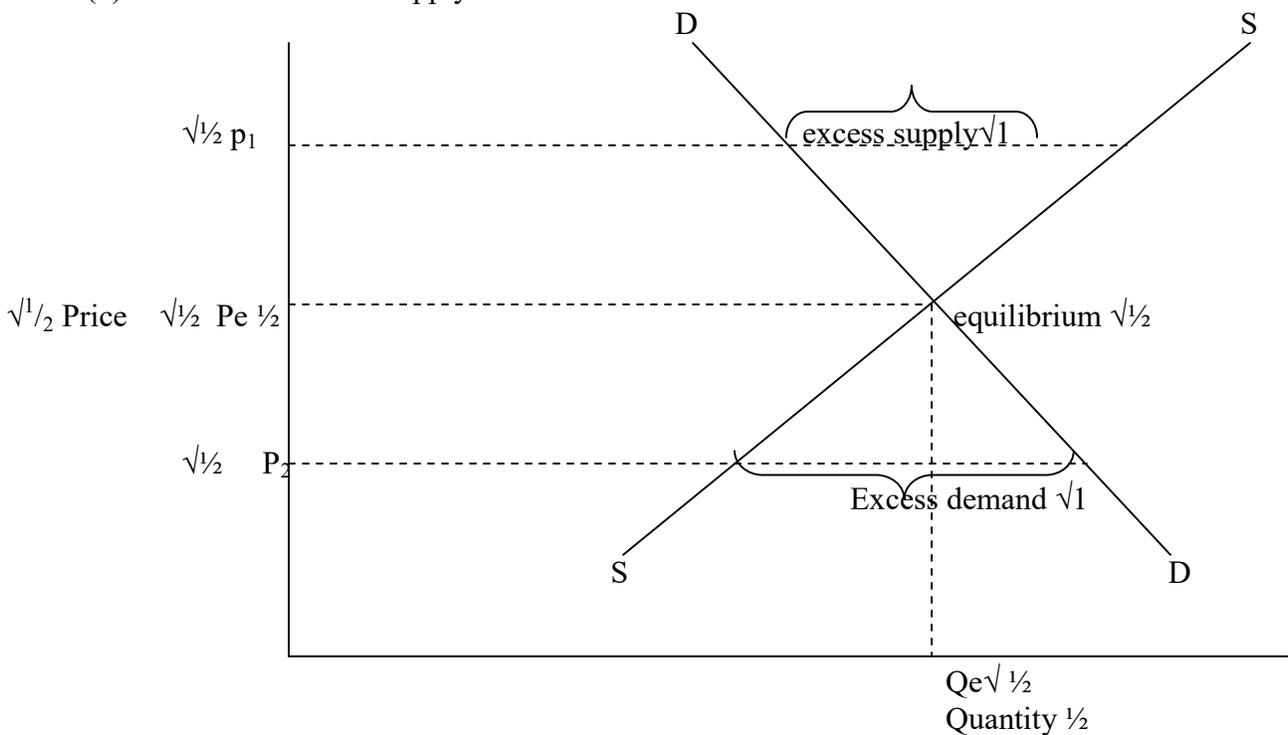
(iii) Opening stock = cost of sales – purchases + closing stock
 $= 640,000 - 80,000 + 200,000\checkmark$
 $= 760,000\checkmark$

(iv) Total expenses = gross profit – net profit
 Net profit = $\frac{5}{100} \times 800,000 = \text{sh } 40,000\checkmark$
 $= \text{sh } 160,000 - 40,000$
 $= \text{sh } 120,000\checkmark$

(v) Rate of return on capital = $\frac{\text{net profit}}{\text{Capital}} \times 100$
 $= \frac{40,000}{1,000,000} \times 100$
 $= 40\%\checkmark$

5. (a) Reasons for discouraging localization of firms.
- It may have a negative impact on environment eg pollution.
 - It leads to too much pressure on the available infrastructure.
 - leads to unbalanced regional development.
 - leads to rural- urban migration.
 - Emergence of slums and indulgence into social evils.
 - leads to possible massive unemployment.
 - it may be undesirable because tourists activities or wars can destroy the countries industrial base.

(b) excess demand and supply



Neatness $\frac{1}{2} \times 12 = 6$ marks

- (ii) When the price is p_1 quantity supplied exceeds quantity demanded leading to excess supply.(2 marks)
- (iii) When the price is p_2 the quantity demanded exceeds the quantity supplied leading to excess demand .(2 marks)

6. (a)

Purchase Journal

Date 2012	particulars	amount
Jan 2	Jijini Ltd	80,000√
„ 18	Chumani Ltd	140,000√
„ 26	Mwema	160,000√
	total posted to Purchases A/C (Dr) √	<u>380,000</u> √

Sales Journal

Date 2012	particulars	amount sh
Jan 5	Manga traders	50,000√
15	Miti traders	150,000√
25	Jua Kali traders	70,000√
	Total posted to Sales A/C (cr) √	<u>270,000</u> √

Sales return Journal

Date 2012	particulars	amount sh
Jan 5	Manga traders	6,000√
„ 28	Jua kali traders	4,000√
	Total posted to Sales return A/C(cr) √	<u>10,000</u> √

Purchases return journal

Date 2012	particulars	amount sh
Jan 12	Jijini ltd	3,000√
24	Chumani ltd	8,000√
30	Mwema traders	12,000√
	Total posted to Purchase rerutn A/C/√	<u>23,000</u> √

20 x 1/2 = 10 marks

(b) Need for a healthy business environment.

- Ensure noise is within acceptable limits.
- Ensures waste collection and disposal
- Ensures safety standards of the buildings.
- adequate ventilation in buildings.
- Reliable and efficient legal systems.
- Favourable economic environment (fair competition)
- Availability of auxiliary services.
- Ensure favourable organizational culture eg honesty, fairness, reliability etc.

Any 5 x 2=10 marks

Name _____ index No _____

Date _____

Candidates' signature _____

565/2

BUSINESS STUDIES

Paper 2

July/ August 2014

2 ½ Hours

MATUNGULU DISTRICT FORM 4 MULTI- LATERAL EXAMINATION

Kenya Certificate of Secondary Education

BUSINESS STUDIES

Paper 2

2 ½ hours

Instructions to candidates

- (i) Answer any five questions
- (ii) All questions carry equal marks

This paper consists of 3 printed pages

Turn over

1. (a) Describe any five measures taken by the government to improve road safety in Kenya. (10 marks)
- (b) Explain five circumstances under which a manufacturer would distribute goods through middlemen. (10 marks)
2. (a) Explain five ways in which commercial banks facilitate payments on behalf of their customers. (10 marks)
- (b) Outline five ways in which a country benefits in participating in international trade. (10 marks)
3. (a) Explain four factors that slow the pace of entrepreneurial activities in Kenya. (8 marks)
- (b) On 1st March 2013, Tala traders had cash in hand ksh 10,000 and cash at bank ksh. 15,000. The following transactions took place during the month.
- March 2: bought good by cash sh. 1,500
4: paid salaries by cash sh. 7,500
5: received cheques from the following debtors after allowing a 2% discount in each case. Liza sh. 980, Musa sh. 1,960, Honjas h. 1,470, Hambe sh. 2,450
8: paid the following accounts by cheque in each case deducting 5% cash discount
Enge sh. 3000, Masanga 1,200, Mudogo sh. 4,000.
12: bought office equipment by cheque sh 5,000
15: sold goods on credit sh. 1,400 to Kamar
16: received a cheque of sh. 3,300 from a debtor.
- Prepare Tala Traders three column cash book duly balanced as at 31st March 2013. (12 marks)
4. (a) Explain five sources of government revenue for development expenditure. (10 marks)
- (b) Explain five circumstances under which a small business would prefer trade credit to a bank loan to finance its operations. (10 marks)

5. (a) The following trial balance was extracted from the books of Korio traders on 30th April 2000

	Dr	Cr
	Sh	sh
Sales		700,000
Purchases	460,000	
Sales returns	24,000	
General expenses	69,000	
Commission received		21,000
Electricity expenses	12,000	
Furniture	138,000	
Motor vehicle	600,000	
Capital		600,000
Creditors		96,000
Cash	60,000	

Debtors	54,000	
Discounts	12,000	8000
Carriage inwards	4,000	
	<u>1,429,000</u>	<u>1,429,000</u>

Additional information.

- (a) Stock as at 30th April 2000 was valued at shs. 74,000
- (b) Returns outwards and salaries amounted to sh 2000 and sh 9400 respectively.
- (c) During the year Korio had taken a cooperative loan sh. 100,000

Required

- (i) Trading profit and loss account.
 - (ii) The balance sheet as at 30/ 4/2000
 - (b) Explain five roles of stock exchange in an economy. (10 marks)
6. (a) Explain five factors that influence the level of national income in a country. (10 marks)
- (b) Explain five functions of an office in an organization. (10 marks)

565/2

BUSINESS STUDIES

Paper 2

July/ August 2014

MATUNGULU DISTRICT FORM 4 MULTI- LATERAL EXAMINATION

Kenya Certificate of Secondary Education

BUSINESS STUDIES

Paper 2

Marking scheme

1. (a) Measures to improve road safety.
 - (i) Installation of speed governors in vehicles. This limits the speed used by public service vehicles to curb road carriage.
 - (ii) Improving the state of the roads –This has lowered cost of maintaining vehicles.
 - (iii) Suspending operations-Matutus involved in accidents are suspended from operating for a given period of time as a punitive measure.
 - (iv) Vetting PSV drivers –requiring all public service drivers to acquire RSV licenses to vet them on qualifications.
 - (v) Limiting passengers carrying capacity from 18 to 14. This measure has reduced congestion in vehicle and even overloading.
 - (vi) Traffic police patrols. There has been increase traffic police patrols on our roads to check on driver breaking traffic rules.
 - (vii) Driving in shift requirement. Vehicles travelling long distances/ working for long hours should have at least two drivers to avoid fatigue/ exhaustion.
 - (viii) Road signs increased erection of road signs on the roads to warn /direct motorists on dangers along the road eg sharp bends/black spots/ slippery roads.
 - (ix) Prohibitive fine for traffic rules offender- This is aimed at ensuring that motorists are more careful while driving/strictly observe the traffic rules.

5 x2=10 marks
- (b) Distribution of goods through middlemen
 - (i) Government policy – Where the government requires manufacturers to distribute through middlemen.
 - (ii) cost-Where the manufacturers find it expensive to distribute directly to the consumers.
 - (iii) Nature of product –If product requires fast disposal/perishable goods should be distributed through middlemen to avoid losses.
 - (iv) Geographical dispersion of the market –Middleman are used where the market is wide and spread that the manufacturer cannot cover the market alone.
 - (v) Finance. Where the middlemen provide the manufacture with ready cash in order with production.
 - (vi) Specialization- Where the manufacturer require time to concentrate on production function.
 - (vii) Availability of middlemen – The manufacture will use the middlemen only if they exist.

5 x2=10 marks
2. (a) Ways in which commercial banks facilitate payment on behalf of their customers.
 - (i) Provision of standing orders. A customer making regular payment could make use of this facility for an agreed period.
 - (ii) Credit transfer. A customer with several payments to make a certain time may write

This paper consists of 5 printed pages

Turn over

only one cheque and then fill in credit transfer forms which instruct the bank who is to be paid and how much.

- (iii) Credit card. This allows the customer to obtain goods/ services without paying for them in cash. The purchaser(customer) signs a voucher which is later presented to the bank by the trader for payment.
- (iv) Cheques. The bank issues customer with cheque book which they use for payment of goods /services.
- (v) Bank draft/ bankers cheque. They are brought by customers who want to pay their creditors.
- (vi) Letter of credit. Is where bankers guarantee payment on behalf of customer/clients.
- (vii) Travelers cheque used to assist travelers in /out of the country to settle their debts.
- (viii) Telegraphic money transfer. Is where by commercial bankers remit money by the cable /telephone on behalf of customers.
- (ix) Mail transfer. Is where banks would remit the payments through mail on behalf of the customer.

5 x2=10 marks

(b) Benefits of participating in international trade.

- (i) The country is able to export surplus goods /services.
- (ii) The country is able to buy what it cannot produce.
- (iii) The country is able to earn foreign exchange.
- (iv) Consumers in the country enjoy a variety of goods.
- (v) The country is able to acquire knowledge/ skills from other countries.
- (vi) It enables a country to specialize in fields where it is best suited.
- (vii) It promotes international understanding/ peace between a country and other.
- (viii) It enables a country to fully exploit her resources due to widened market.
- (ix) It facilitates creation of employment to the people involved in the trading activities.

5 x2=10 marks

3. (a) Factors that show entrepreneurial activities in Kenya.

- (i) Lack of starting capital. This may be due to lack of collateral to obtain loans and high cost of resources.
- (ii) Poor technology. Still dependent on out dated machines hence low quality products which cannot make a break through in the market.
- (iii) Lack of appropriate training. Lack of management skills and book-keeping skills required in decision making.
- (iv) Government bureaucracy- Long and tedious /repulsive procedures for acquiring licenses for the business.
- (v) Poor infrastructure – This hamper marketing of goods and services, hindering establishment of auxiliary services such as banking.
- (vi) Culture- Poor entrepreneurial culture among people, belief that the business will fail at one time.
- (vii) External competition- Stiff competition from established international firms inhibits development of enterprises.

Any 4 complete points 4 x2=8 marks

(b)

Tala traders
Three column cash book

Dates	Details	Disc all	Cash	Bank	Date	Details	Disc.Rec	Cash	Bank
2013		sh	sh	sh	2013		sh	sh	sh
Mar 1	Bal b/d		100,000✓	15,000✓	Mar 2	Purchases		1,500✓	
5	Lisa	20✓		980✓	4	Salaries		7,500✓	
„	Musa	40✓		1,960✓	8	Enge	150✓		2,850✓
„	Honja	30✓		1,470✓	„	Masanga	60✓		1,140✓
„	Hambe	50✓		2,450✓	„	Mudoga	200✓		3,800✓
16	Debtor			3,300✓	12	Equipment			5,000✓
					31	Bal b/d		1000✓	12,370✓
		140✓	10,000	25,160			410✓	10,000	25,160
April	Bal b/d		1000	12370					

24 x 1/2 = 12 marks

4. (a) Five sources of government revenue for development expenditure.
- Taxation. Government levies different types taxes on goods /services (for raising revenue) on income.
 - Rent/ rates/ lease income/ hiring charges received from government (property such a) land buildings.
 - Sales of assets this includes assets like shares/ buildings/ vehicles.
 - Loans -these are received from development partners/ international lenders/ world bank/ IMF/ local lenders.
 - Dividends /profits received from government investments /business
 - Licences /fees licences for operating business fees for government services .
 - Royalties generated by a country’s resource such as forest/minerals/ natural parks.
 - Grants / donations /gifts from development partners other well wishers.
 - Loan repayment/ interest on loans given out by government agencies.
 - Fines/ penalties imposed by courts /government agencies.

5 x 2 = 10 marks

(b) Circumstances at which a small business would prefers trade credit to a bank loan to finance its operations.

- Where interest rates on loans are prohibitive /high trade credit becomes preferable.
- When there is a restriction in the type of loans that banks can give and the small business is not operating in that line.
- Where collateral /security is required for a bank loan and the small business has no such collateral.
- Where stock turn over is high/ trade credit can be cleared within a short time.
- Where the small business has established credit worthiness with suppliers it would prefer trade credit.
- Where it is easy to negotiate terms of credit with suppliers than bank management/ procedure involved are cumbersome in obtaining bank loan.
- Where the business can benefit from discount, trade credit is preferable.

5 x 2 = 10 marks

5.

(a) Korio traders
Trading and profit and loss account
For the year ended 30th April 2000

Purchases	460,000✓	sales	700,000✓
Add carriage inwards	4,000✓	less sales returns	24,000✓
	464,000	net sales	676,000
Less returns outwards	2,000✓		
	462,000		

Less closing stock	74,000√		
Cost of sales	388,000		
Gross profit bal c/d	288,000√		
	<u>676,000</u>		
Expenses			676,000
General expense	69,000√	GP bal b/d	288,000√
Electricity expense	12,000√	commission received	21,000√
Discount allowed	12,000√	discount received	8,000√
Salaries	94,000√		
Net profit	130,000√		
	<u>317,000</u>		
			<u>317,000</u>

15 ticks @ ½ = 7 ½

Korio traders
Balance sheet
As at 30th April 2000

<u>Fixed assets</u>		capital	600,000√
Motor vehicle	600,000√	add net profit	130,000√
Furniture	138,000√		730,000
	738000	<u>long term liabilities</u>	
<u>Current assets</u>		co-operative loans	100,000√
Stock	74,000√	<u>current liabilities</u>	
Debtors	54,000√	creditors	96,000√
Cash	60,000√		
	188,000		
	<u>926,000</u>		<u>926,000</u>

9 ticks@ ½ = 4 ½

5. (b) Role of stock exchange.
- (i) Facilitates buying and selling of shares- provides a conducive environment to investors for trading in shares.
 - (ii) Provides useful information- provides timely/ accurate /reliable information to investors on profitable shares to invest in (by publishing journals)
 - (iii) Safeguarding investors interests –achieved by requiring the quoted companies to maintain high standards of performing performance set in the market . This is done through close monitoring of the performance.
 - (iv) Raising capital- it facilitates raising of funds by companies through floating shares in the stock market.
 - (v) Creation of employment- it provides employment to those people who work in the stock market.
 - (vi) Fixing of prices- it sets/ lists the prices of shares for the general public/ investors.
 - (vii) Provide a variety of securities- provides a variety of securities from different quoted companies for investors to choose from.
 - (viii) Measures of a country's economic progress- this prices and volumes of securities traded in within a given period indicate the level of performance of a country's economy.
- 5 x2=10 marks
6. (a) Factors that influence the level of national income.
- (i) Labour supply. A country with more highly qualified labour force is expected to produce high quality goods than a country with less skilled labour.
 - (ii) Capital- availability of capital determines the size of the national income.
 - (iii) Entrepreneurship –where factors of production are organized well, output is likely to increase thus increased national income.

- (iv) Land –the size of national income of a country depends on the resources endowment of that country.
- (v) Level of technology- the technology used in the production of goods and services determines the quantity produced and hence the level of national income.
- (vi) Political stability- political stability as an important factor in determining the level of national income.
- (vii) Size of the subsistence sector. Where the subsistence sector is large, the level of national income may be low due to inaccurate data.

5 x2=10 marks

(b) Functions of an office.

- (i) Receiving and recording information. The office received information by such means as letters, telephone calls, reports etc.
- (ii) Distribution of information – information received is distributed to the people concerned for implementation of action.
- (iii) Mailing – this is the processing and sending out letters and parcels.
- (iv) Reproduction of documents – reproduction of documents may be done by using typewriters, carbon copying, photocopying etc.
- (v) Safeguarding and controlling organizations property. This is done to ensure that the property is protected and controlled through security system.
- (vi) Communication –this is the passing of information from one person to another within the organization outside the organization.
- (vii) Filing- information received in an organization is stored mainly in files.

5 x2=10 marks

Name _____ Index No _____

Date _____

Candidates' signature _____

565/2

Business studies

Paper 2

July/ August 2014

2 ½ Hours

MWALA DISTRICT FORM FOUR JOINT EXAMINATION

Kenya Certificate of Secondary Education

Business studies

Paper 2

2 ½ hours

INSTRUCTIONS TO CANDIDATES

- a) Write your name and index number in the spaces provided above.
- b) Sign and write the date of examination in the space provided above
- c) This paper consists of six questions
- d) Answer any five questions
- e) All questions carry equal marks
- f) Candidates should answer the questions in English

FOR EXAMINER'S USE ONLY

Question	Maximum score	Candidates score
1	20	
2	20	
3	20	
4	20	
5	20	
6	20	
	Total score	

1. (a) Explain any five factors that may lead to trade restriction. (10 marks)
(b) Explain five benefits of public warehouse to businesses. (10 marks)
2. (a) Explain any five factors that may lead to an increase in a country's national income. (10 marks)
(b) Describe any five challenges facing co-operative societies in Kenya. (10 marks)
3. (a) Explain four problems associated with Kenya's young population. (8 marks)
(b) Mutua traders operates a petty cash book on the impressed system with analysis columns of wages, stationery and ledger with cash float of sh 8000. On 1st December the petty cashier had a balance of ksh 600.

December 1: the main cashier re-imbursed the petty cashier amount to replenish the cash float.
2: paid wages sh. 820 and bought envelopes for sh 510.
3. Bought office pins for ksh 300 and paid wages to casual workers sh 990.
4: paid wages sh.800, paid a supplier (creditor) sh 600.
5: bought photocopying paper sh 550.
6: paid wages ksh 650.

Prepare petty cash book for Mutua traders for the week ending 6th December and balance if off. (12 marks)
4. (a) Explain five monetary tools the central bank may use to reduce the amount of money in circulation. (10 marks)
(b) Explain five services that facilitate communication. (10 marks)
5. (a) Musyoki has completed high school and wishes to start a small scale business. Explain five challenges he is likely to face. (10 marks)
(b) Explain five benefits of a good filing system. (10 marks)

6. (a) Describe four benefits associated with the use of credit cards. (8 marks)

(b) The following information was extracted from the books of Wavinya traders on 30th December 2013.

	KShs
Capital	1,000,000
Purchase	80,000
Sales	800,000
Net profit	5% of sales
Closing stock	200,000
Margin	20%

Required

- (i) Mark up (2 marks)
- (ii) Gross profit (3 marks)
- (iii) Cost of sales (2 marks)
- (iv) Total expenses (3 marks)
- (v) Rate of return on capital (2 marks)

565/2

Business studies

Paper 2

July/ August 2014

MWALA DISTRICT FORM FOUR JOINT EXAMINATION

Kenya Certificate of Secondary Education

Business studies

Paper 2

Marking scheme

- 1.(a) (i) To protect local industries.
(ii) To protect strategic industries.
(iii) Creation and protection of employment.
(iv) Prevention of dumping.
(v) Preservation of balance of trade.
(vi) Protection of socio- cultural values.
(vii) Expanding market for local products.
(viii) Promotion of self-reliance.
- 5 x2=10 marks
- (b) (i) Goods can be prepared for sale while in warehouse.
(ii) Goods can be sold while in ware house.
(iii) Traders can look for market for goods while in warehouse.
(iv) Some goods gain value while in the warehouse.
(v) Relieves the trader the trouble of building their own warehouse.
(vi) The owner of goods is saved the administrative and management problems in warehouse.
(vii) Owner does not have to worry over the cost of staff training or hiring employees to manage warehouse.
- 5 x2=10 marks
- 2.(a) (i) Labour supply increased in quality and quantity.
(ii) Increased capital.
(iii) Increased entrepreneurship.
(iv) Improved level of technology.
(v) Political stability.
(vi) Positive attitude of citizens towards work.
(vii) Increased foreign investment.
- 5 x2=10 marks
- (b) (i) Where membership is large, control is difficult.
(ii) Do not attract qualified staff due to low pay.
(iii) Voluntary withdrawals can affect financial position of the co-operation.
(iv) Management committee may be made up of unqualified people.
(v) They are unflexible as they are registered for a particular line of practice.
(vi) Political interference may affect their performance.
(vii) Embezzlement and mismanagement of funds.
- 5 x2=10 marks
3. (a) (i) High dependence ratio.
(ii) High unemployment.
(iii) Increased social evils.
(iv) Low labour supply.

This paper consists of 3 printed pages

Turn over

- (v) Pressure on goods and services provided by government.
- (vi) Reduced saving and investment.
- (vii) Diversion of government expenditure.

4 x2=8 marks

(b) PETTY CASH BOOK

Receipts	Lf	Date	Details	Amount	Wages	Stationery	legder
Ksh				Ksh	Ksh	Ksh	ksh
600√		1 st Dec	Balance b/d				
7400√		1	Re-imburement/ wages	820√	820√		
		2	Envelope	510√		510√	
		3	Office pins	300√		300√	
		3	Wages	990√	990√		
		4	Wages	800√	800√		
		4	Suppliers	600√			600√
		5	Photocopying paper	550√		550√	
		6	Wages	650√	650√		
				5220√	3260√	1360√	600√
		31 st	Balance	2780√			
8000				8000			
2780		1 st Jan					

24 x ½ = 12 marks

- 4.(a)
- (i) Raising of bank rates.
 - (ii) Selling of government securities through open market operation.
 - (iii) Raising liquidity ratio.
 - (iv) Raising marginal requirement.
 - (v) Moral persuasion to reduce lending activities.
 - (vi) Selective credit control.

5 x2=10 marks

- (b)
- (i) Use of courier services.
 - (ii) Use of postal services.
 - (iii) Use of business reply services.
 - (iv) Franking mail services.
 - (v) Post restante.

5 x2=10 marks

- 5.(a)
- (i) Limited funds.
 - (ii) High interest on loan.
 - (iii) Poor marketing strategies.
 - (iv) Stiff competition.
 - (v) Over dependence on the business by owner.
 - (vi) Poor record keeping.
 - (vii) Poor finance management.

5 x2=10 marks

- (b)
- (i) Enhances tidiness in the office.
 - (ii) Ensures proper storage of information and documents for future reference.
 - (iii) Protects documents against loss and theft.
 - (iv) Safeguards documents against damage by bad whether, fire, pest etc.
 - (v) Safes time .

- (vi) Easy retrieval of documents.
 (vii) Facilitates prompt decision making by management.

5 x2=10 marks

- 6.(a) (i) They are safe.
 (ii) Accepted in major business outlets.
 (iii) One can access cash for emergencies.
 (iv) Business which accept credit cards do not incur a lot of operation cost.
 (v) Facilitate huge payments.

4 x2=8 marks

- (b) (i) mark up =

$\frac{\text{Mark up}}{\frac{1}{x-1}}$	$\frac{\text{margin}}{\frac{1}{x}}$
$\frac{1}{5-1} = \frac{1}{4} \sqrt{\frac{1}{2}}$	$\frac{20}{100} = \frac{1}{5} \sqrt{\frac{1}{2}}$

Mark up = $\frac{1}{4} \times 100 = \underline{25\%}$ (2 marks)

- (ii) Gross profit=

Margin = $\frac{\text{gross profit}}{\text{Sales}} \times 100$
 $20 = \frac{\text{gross profit}}{800,000} \times 100$
 $100 \text{G.P} = 20 \times 800,000$
 Gross profit = $\frac{20 \times 800,000}{100}$
 = ksh. 160,000 ✓

3x1=3 marks

- (iii) cost of sales = sales – gross profit
 = 800,000 -160,000 ✓
 = ksh. 640,000 ✓

2 x1=2 marks

- (iv) Total expenses

Net profit = gross profit – expenses
 $\frac{5}{100} \times 800,000 = 160,000 - \text{expenses}$
 $40,000 = 160,000 - \text{expenses}$
 Expenses = ksh. 120,000 ✓

3 x1=3 marks

- (v) Rate of return on capital

= $\frac{\text{net profit}}{\text{Capital}} \times 100 = \frac{40,000 \times 100}{1,000,000}$
 = $\underline{4\%}$ ✓

Date _____

Candidate's signature _____

565/2
BUSINESS STUDIES
PAPER 2
JULY / AUGUST 2014
TIME : 2 ½ HOURS

NZAU / MUKAA FORM FOUR EXAMINATION
Kenya Certificate of Secondary Education
BUSINESS STUDIES
Paper 2
2 ½ hours

INSTRUCTIONS TO CANDIDATES

- Answer any five questions only.
- Write your answer in the answer booklet provided.
- All questions carry equal marks.

This paper consists of 3 printed pages

Turn Over

1. (a) Explain **five** factors that may cause a negative shift in the demand curve. (10 marks)
- (b) Your father wants to insure his life with Britam Insurance Company. As a Business Studies student, explain to him **five** benefits of life assurance. (10marks)
2. (a) Explain **five** reasons why an entrepreneur is required to prepare a business plan. (10 marks)
- (b) Explain **five** measures the Kenya Government can undertake to create an enabling environment for business activities. (10 marks)
3. (a) Explain **five** positive effects of introducing mobile phones in communication industry in Kenya. (10 marks)

(b) The following information was extracted from Simco Traders on 31st Dec. 2008.

	Shs.
Stock (1-1-08)	25,000
General expenses	19,000
Commission income	21,250
Discount allowed	2,750
Salaries	20,000
Carriage outwards	2,500
Purchases	350,000
Return outwards	2,000
Sales	500,000
Return inwards	15,000
Carriage inwards	5,000
Stock (31-12-08)	3,000

Required: Prepare Simco Traders Trading Profit and Loss account for the period ended 31st Dec. 2008. (10 marks)

4. (a) Banking has played a major role in Kenyan's economic development. Explain **five** current trends in banking sector. (10 marks)
- (b) Explain **five** methods of correcting balance of payments disequilibrium. (10 marks)
5. (a) Explain **five** possible channels of distribution for locally manufactured products. (10 marks)
- (b) Explain **five** roles of the stock exchange market to the Kenyan economy. (10 marks)

6. (a) Explain five circumstances under which a high population growth may be desirable. (10 marks)

(b) The following balance sheet relates to the business of Mathendu traders as at 31/12/2012.

Mathendu Traders			
Balance sheet			
As at 31/12/2012			
Furniture	30,000	Capital	85,000
Debtors	20,000		
Stock	25,000	Creditors	40,000
Bank	50,000		
	125,000		125,000

The following transactions took place during the month of January 2013

January 2013

- 2 Purchased stock worth shs. 18,000 on credit.
- 3 Sold some furniture at cost of shs. 4000 and payment received by cheque.
- 4 Received shs. 9,000 cash from debtors
- 5 Paid shs. 12,000 to creditors by cheque
- 6 Deposited shs.6,000 into the business bank A/C from the cash till.

Required: Record the above information in the relevant ledger accounts and balance them off as at 6th January 2013.

(10 marks)

565/2

BUSINESS STUDIES

PAPER 2

JULY / AUGUST 2014

NZAU / MUKAA FORM FOUR EXAMINATION

Kenya Certificate of Secondary Education

BUSINESS STUDIES

Paper 2

MARKING SCHEME

1. (a) Factors that may cause negative shift in demand curve.
- (i) Decrease in population leading to decreased demand for goods and services.
 - (ii) Decrease in consumer income which reduces their purchasing power hence decreased demand.
 - (iii) Unfavourable government policy such as high taxation and lack of subsidies.
 - (iv) Future expectation of price decrease and shortages of products.
 - (v) Unfavourable tastes and preferences of consumers towards the product.
 - (vi) Decline in the price of substitute products which reduces the demand for the product in question.
 - (vii) Seasonal changes which causes low demand for the product.

Any five well explained points x 2 = 10 marks

(b) Benefits of life assurance.

- Saving – The payment of premiums is a kind of saving to the policy holder.
- Security – The policy is security for both the assured and beneficiaries.
- The holder can secure a loan from the insurer without having to pledge for further security.
- Interest / Bonuses – The policy earns interest or bonuses on the paid up premium.
- Investment – The holder may want to invest more by buying shares in the company.
- Can use the matured amount after the stated period to invest.

Any five well explained points x 2 = 10 marks

2. (a) Importance of a business plan to an entrepreneur
- (i) Helps in avoiding mistakes:
It helps in identifying mistakes that would take place if the plan is not prepared.
 - (ii) Helps in identifying strengths and weaknesses
A business plan helps in revealing the strengths and weaknesses in the business so as to take remedial actions easy enough.
 - (iii) It's a requirement by financiers
A business plan is required by financiers such as banks before they can accept to finance the activities of the business.
 - (iv) Helps in allocation of resources
It helps in proper allocation of resources to ensure that there is no under utilization or misappropriation.
 - (v) Determines the amount of finance required / capital
A business plan enables in working out the amount of finance that is required to fund various business activities.
 - (vi) It serves as a blueprint for starting, operating and expanding an enterprise
It guides management decisions and actions on day-to-day basis.

- (vii) Helps in evaluating the performance of the business to see if it is achieving the intended purpose and make any necessary adjustments.
- (viii) Tests the business idea before it is implemented.
- (ix) It acts as a motivating factor
- (x) It is a tool of control

Any five well explained points x 2 = 10 marks

2. (b) Measures the Kenya government can undertake to create an enabling environment.
- Provision of information that is necessary to business people for decision making e.g through investment promotion centre (IPC).
 - Provision of subsidies e.g through cheap finances, technical assistance and manpower especially top management.
 - Loan guarantee – can act as guarantor to local firms to benefit from loans from international financial agencies.
 - Reliable & efficient legal system i.e. registration and renewal of business licenses should not be cumbersome.
 - Favorable government policies e.g low taxes, incentives such as tax holidays, favorable expatriate protection acts, duty free privileges etc.
 - Protection of local firms from foreign competition.
 - Provision of better auxiliary services e.g good transport and communication network / infrastructure.
 - Favorable political will / political will / political good will.
 - Maintenance of law and order / security / political stability.

Any five well explained points x2 = 10 marks

3. (a) Positive effects of introducing mobile phones in communication industry in Kenya (10 marks)
- Faster communication hence one can be reached instantly.
 - Can be used to remit / transfer of money / make payments.
 - Have additional features for m-banking such as m-kesho, m-shwari where small savers can save without opening a bank account and earn interest / borrow loans.
 - Can send written messages – sms.
 - They are portable hence easy to carry around and convenient.
 - Accessible for 24 hrs / continuous.
 - You can access internet from anywhere making communication in the organization instant.
 - Employment – Many job opportunities have been generated by the service providers e.g M-pesa agents / Airtel money etc.

Any five well explained points x 2 = 10 marks

(b)

Simco Traders
Trading, Profit and Loss Account
For the year ended 31st Dec. 2008

	Sh		Sh
Opening stock	25,000	Sales	500,000
Add purchases	350,000	Less returns in	15,000
Add carriages in	5,000		
	380,000		
Less returns out	2,000		
Co. G.A.S	378,000		
Less closing stock	3,000		
C.G.S	375,000		
Add gross profit c/d	110,000		
	<u>485,000</u>		<u>485,000</u>
Less Expenses		Gross profit / b/d	110,000
General expenses	19,000	Add commission	21,250
Discount allowed	2,750		
Salaries	20,000		
Carriage out	2,500		
Add net profit c/d	87,000		
	<u>131,250</u>		<u>131,250</u>
		Net profit b/d	87,000

20 x ½ = 10 marks

4. (a) Current trends in banking sector

- Late hour banking – e.g executive banking after the normal banking hours.
- Acting as agents of stock exchange / brokers – through which new shares can be sold to the public or customers buying shares through them.
- Issue of credit cards – allowing customers obtain goods and services without paying for them in cash.
- Establishment of new accounts e.g salary account, jumbo junior accounts different from the traditional ones.
- Abolition of bank account monthly charges e.g ledger fees and minimum deposits in some accounts.
- Use of ATMs – enabling banks to offer services round the clock.
- Networking of branches – enabling clients to carry out some banking transactions in any branch.

- E-banking –customers carrying out banking transactions by use of computers.
- M-banking – customers carrying transactions using mobile phones e.,g salary alerts, deposits alerts, payment of bills, transfer of money e.g M-pesa.
- Easy credit facilities e.g unsecured loans.
- Customer service / care departments – offering personalized advice to customers.
- Liberalization of foreign exchange dealings by licensing forex bureaus for customers to get foreign exchange.
- Provision of banking services by micro-finance institutions e.g KWFT, Faulu Kenya, through their front office service activities. (FOSA)

Any five well explained points x 2 = 10 marks

(b) Methods of solving / correcting balance of payments disequilibrium

- Decreasing the volume of imports though such methods as increasing import duty, imposing quotas on imports, foreign exchange control.
- Increasing the volume of exports through export compensation scheme, diversification of foreign markets in offering customs drawbacks and lobbying for removal of trade restrictions.
- Encouraging foreign investment into the country by encouraging foreigners to invest in the country which helps in bringing in capital to build and run the factories. This helps in reducing imports by producing goods previously imported and export the surplus.
- Devaluation of currency which promotes exports and restricts imports
- Restricting outflow of capital e.g the government can decrease the percentage of profit that foreign investors repatriate in order to reduce such outflows.

Any five well explained points x 2 = 10 marks

5. (a) Five possible channels of distribution for locally manufactured products.

- Local manufacturer → wholesaler → retailer → consumer
Local manufacturer sells goods in large quantities to wholesalers who break bulk and sell to retailers who in turn sell in small quantities to consumers.
- Local manufacturer → Retailer → Consumer
Large scale retailers buy directly from manufacturers and then sell to consumers.
- Local manufacturer → Government agent → Wholesalers → Retailers → Consumers
Government agent like KNTC buy from local manufacturers and then sell goods to wholesalers who then sell to retailers who finally sell to consumers.
- Local manufacturer → Government agent → Retailers → Consumers
Government agent buys from local manufacturers, sell to the retailers who in turn sell to the consumers.
- Local manufacturer → Government agent → Wholesalers → Consumers
Government agent may sell to wholesalers after buying from local manufacturers who then sell to the consumers.
- Local manufacturer → Consumer
The consumer may buy directly from the local manufacturer.

Any five well explained points x 2 = 10 marks

(b) Role of securities / stock exchange market

- Facilitates buying of shares – The market provides a conducive environment to investors wanting to buy shares in various companies.
- Facilitates selling of shares – Creates a ready market for those who wish to sell their securities.
- Promotes the culture of saving – The market provides investors with opportunities to channel their excess funds hence acting as role models to other members of the society.

- (iv) Provides useful information – It provides timely, accurate and reliable information to investors which enables them to make decisions on the investments to make.
- (v) Assist companies to raise capital – It assists companies to raise capital by creating an environment through which such companies issue new shares to the public (I.P.O).
- (vi) Creation of employment – To those who facilitate the buying and selling of securities.
- (vii) Raising revenue to the government – Through collection of fees and other dues e.g taxes, licence, fees, rent and rates.
- (viii) Safe guarding investors interests – The market requires companies to meet certain standards of performance and also monitors the performance of already existing quoted companies.
- (ix) Measures a country’s economic progress.

Any five well explained points x 2 = 10 marks

6. (a) Circumstances under which a high population growth may be desirable.

(i) Increase in market demand.

When population increases a wide market for goods and services is created and this may attract both local and foreign investors.

(ii) Enough labour supply.

When population increases, the labour supply also increases leading to payments of low wages which in turn may become an incentive to prospective investors.

(iii) Technological advancement

An increased population tends to mount pressure on available resources hence creating a higher efficiency which inspires people to look for new methods of improving productivity.

(iv) Export promotion

In a rapidly growing population, the number of talents are likely to be many. This would led to supply of superior quality goods and also enough quantity or home consumption and for export too.

(v) For defensive purpose

It is easier for the government to recruit a large army from young people so at to boost its defence force.

Any five well explained points x 2 = 10 marks

(b) Ledger Accounts

Dr				Capital a/c ✓				Cr			
Date	Details	LF	Amount	Date	Details	LF	Amount				
6/1/2013	Bal	c/d	85,000 ✓	1/1/2013	Bal	b/d	85,000 ✓				
				7/1/13	Bal	b/d	85,000 ✓				

Dr				Creditors a/c ✓				Cr			
Date	Details	LF	Amount	Date	Details	LF	Amount				
5/1/2013	Bank		12,000 ✓	1/1/13	Bal	b/d	40,000 ✓				
6/1/13	Bal	c/d	46,000 ✓	2/1/13	Purchases		18,000 ✓				
			58,000				58,000				
				7/1/13	Bal	b/d	46,000 ✓				

Dr				Debtors a/c ✓				Cr			
Date	Details	LF	Amount	Date	Details	LF	Amount				
1/1/2013	Bal	b/d	20,000 ✓	4/1/13	Cash		9,000 ✓				
				6/1/13	Bal	c/d	11,000 ✓				

			20,000				20,000
7/1/13	Bal	b/d	11,000√				

Dr Stock 1 a/c √ Cr

Date	Details	LF	Amount	Date	Details	LF	Amount
1/1/2013	Bal	b/d	25,000√	6/1/13	Bal	c/d	25,000√
7/1/13	Bal	b/d	25,000				

Dr Bank a/c √ Cr

Date	Details	LF	Amount	Date	Details	LF	Amount
1/1/2013	Bal	b/d	50,000√	5/1/13	Creditors		120,000√
3/1/13	Furniture		4,000√	6/1/13	Bal	c/d	48,000√
6/1/13	Cash		6,000√				
			60,000				60,000
7/1/13	Bal	b/d	48,000√				

Dr Purchase a/c √ Cr

Date	Details	LF	Amount	Date	Details	LF	Amount
2/1/2013	Creditors		18,000√	6/1/13	Bal	c/d	18,000√
7/1/13	Bal	b/d	18,000√				

Dr Furniture 1 a/c √ Cr

Date	Details	LF	Amount	Date	Details	LF	Amount
1/1/2013	Bal	b/d	30,000√	3/1/13	Bank		4,000√
				6/1/13	Bal	c/d	26,000√
			30,000				30,000
7/1/13	Bal	b/d	26,000√				

Dr Cash a/c √ Cr

Date	Details	LF	Amount	Date	Details	LF	Amount
4/1/2013	Debtors		9,000√	6/1/13	Bank		6,000√
				6/1/13	Bal	c/d	3,000√
			9,000				9,000
7/1/13	Bal	b/d	3,000√				

40 x ¼ = 10 marks

Name.....Index No:.....

565/2

Candidate's Signature

BUSINESS STUDIES

Date:

PAPER 2

JULY/AUGUST 2014

TIME: 2 ½ HOURS

RACHUONYO SOUTH SUB-COUNTY JOINT EVALUATION EXAM

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

565/2

Business Studies

Paper 2

2 ½ Hours

INSTRUCTIONS TO CANDIDATES

- Write your **name** and **index number** on the answer booklet provided.
- This paper consists of **six** questions.
- Answer **any five** questions.
- All questions carry equal marks.

For Examiners Use Only

Question	1	2	3	4	five	6	TOTAL
Marks							

This paper consists of 2 printed pages. Candidates should check to ascertain that all pages are printed as indicated and that no questions are missing.

Answer any five questions.

1. (a) Explain **five** importance of a business plan to an entrepreneur (10 mks)
(b) Explain **five** ways in which commercial banks help in facilitating business activities in a country (10 mks)
2. (a) Describe **five** factors that contributes to increasing rate of inflation in Kenya today. (10 mks)
(b) Distinguish between public corporation and public limited company (10mks)
3. (a) Under what **five** circumstances would an office manager replace existing machine with a modern one. (10mks)
(b) The following information relates to Mavuno Traders for the month of January 2014.
2014
Jan 1st : Bought goods on credit from Mwatate sh. 40,800 Longi sh.36,380.
5th : Credited sales to Asumbi sh. 68,720 Tumo sh. 46,200
7th : Returned goods to Londi sh: 4,200 Mwatate sh. 2050
12th : Bought goods on credit from Mawe sh. 16,500.
15th : Credited sales to Motomoto sh.37,100;Netto sh.7950.
20th : Goods returned by Motomoto sh.1,900.
(i) Enter the above transactions in respective books of original entry,
(ii) Prepare general ledger extract. (10mks)
4. (a)Under what **five** circumstance would a firm be located near the market for its products (10mks)
(b) Outline **five** factors that may lead to the shift of a demand curve from right to left. (10mks)
5. (a) Highlight **five** advantages of government involvement in business (10 mks)
(b) Explain **five** reasons why businesses find it necessary to promote their products (10mks)
6. (a) Explain factors that may lead to a rise in the level of a country's national income. (10mks)

(b) Kahawa Traders had the following balances as at 31st 03.2013

	Sh.
Capital	20,000
Sales	240,000
Purchases	90,000
Closing stock (31 st 03.2013)	70,000
7 years bank loan	30,000
General Expenses	12,000
Insurance	25000
Debtors	25,000
Cash at bank	20,000
Creditors	75,000
Cash at hand	10,000
Premises	95,000
Additional information:	
Stock 1.4.2014	160,000

Calculate

- (i) Mark – up
- (ii) Margin
- (iii) Rate of stock turn – over
- (iv) Current ratio

(10 mks)

**RACHUONYO SOUTH SUB COUNTY JOINT EVALUATION EXAM
JULY/AUGUST 2014
565/2
BUSINESS STUDIES PAPER 2
MARKING SCHEME**

1. (a) **Importance of business plan to an entrepreneur**

- (i) Business plan helps in the allocation of the resources.
- (ii) It helps in determining the amount of capital required.
- (iii) Identifying strengths/weakness of business
- (iv) Reducing mistakes.
- (v) Adaptability,
- (vi) Finding by financial institutions.

(b)

- i. Commercial banks accept deposits of money from their customers and keep it safely. Those who are engaged in various businesses activities can therefore keep there money with commercial banks without having to worry about its security.
- ii. Commercial banks are sources of finance to business people. They can lend both long and short term loans which enable businesses to access the funds which they can use to start and run their business.
- iii. For those clients who are engaged in international trade, commercial banks assist by issuing letters of credit.
This enables the business people to access goods from other countries on credit.
- iv. Business people needing the advice of financial and investment matters can get them from their bankers.
This assists them to make sound decisions for effective operation of their business.
- v. Business people usually require convenient means of payment to enable them carry out their business transaction smoothly.

2. (a) **Describe 5 factors that may be contributing to the increasing rate of inflation in the country**

- (i) Increase in amount of money supply leading to increased demand.
- (ii) Increasing costs of factor inputs e.g. raw materials.
- (iii) Scarcity of factor inputs that like prices leading to high consumer prices.
- (iv) High prices of imports leading to high prices of consumer goods.
- (v) Increased government taxes on consumer goods.
- (vi) High interest rates on loans hence firms charge higher prices for their products.
- (vii) Increased credit facility by commercial banks thereby increasing amount of money in circulation.
- (viii) Increase in population that exceeds the supply of commodities.

(b) different between public co-operations and public Limited Company

Public co-operation	Public limited company
1. Initial capital is usually provided by the government	Initial capital comes from share contribution.
2. Established through legislation by an act of parliament.	Established by promoters according to the company's act.
3. Managed by a bond of directors appointed by its government.	Managed by a board of directors elected by shareholders
4. Profits are issued to dividends and the government	Profits are distributed and the shareholders as dividends
5. Non- profit motivated	Usually established to equal profits.

3. (a) Explain 5 circumstances that would make an office manager replace the existing machine with a modern ones.

- (i) Obsolescence – where the machines has attained its usefulness.
- (ii) Where faster machine is required.
- (iii) Where training skills have changed
- (iv) Where high quality work is required
- (v) When there is need to improve co-image
- (vi) If new machine has multiple uses.
- (vii) If new machine saves on space or storage.
- (viii) Where machine has potential/capable to reduce fraud.
- (ix) Where there is need to serve as labour.

(b) (i) Books of original entry

Sales journal

Date	Particulars	Invoice no.	Folio	Amount
5/1/2014	Asumbi			62,720√
	Tumo			46,200√
15/1/2014	Motomoto			37,100√
	Netto			7950√
	Posting to sales a/c in GL			<u>118,390</u>

Purchases Journal

Date	Particulars	Invoice no.	Folio	Amount
1/1/2014	Mwatate			40,800√
	Langi			36,380√
12/1/2014	mawe			16500√
	Posting to sales a/c in GL			<u>93,680</u>

Purchase return journal

Date	Particulars	Credit note no.	Folio	Amount
7/1/2014	Langi			4200√
	Mwatate			2050√
	Posting to sales a/c in GL			<u>6250</u>

Sales return journal

Date	Particulars	Debit no.	Folio	Amount
20/1/2014	Motomoto			1900√
	Posting to sales a/c in GL			<u>1900</u>

10x ½ = 5mks

4. (a)
- (i) In case the final product is more bulky than inputs or raw materials.
 - (ii) Where the cost of transporting raw materials or input is lower than that of transporting the final product to the market.
 - (iii) Where the market is localized i.e concentrated in a particular area it might be economical to have the firm located there to be in close contact with the customers.
 - (iv) Where the government policy requires a firm to be located where the market is situated, the firm will have no choice but to comply.
 - (v) Where the substantial external economies can be enjoyed where the market for the product exists, a firm might be extracted.
- (b)
- (i) A decline in consumers tastes and preferences for the products.
 - (ii) A change in season causing a fall in demand for the product.
 - (iii) Decrease in population
 - (iv) Increase in taxation on the product by the government.
5. (a) **Advantages of government involvement in business to citizen**
- (i) Government provides essential services which may be deemed unprofitable by entrepreneurs.
 - (ii) Government is able to carry out business that require large amount of capital which may not be raised by private individuals.
 - (iii) Business managed and run by the Government create employment hence help in solving/reducing unemployment problems.
 - (iv) Profits realized by the Government parastatals are distributed through provisions of services leading to equality/protection of consumers against exploitation.
 - (v) Government run business create competition making private business to improve quality and charge fair prices.
 - (vi) Government help reduce foreign domination in the economy.
 - (vii) Government help in controlling environmental degradation
 - (viii) Government promotes economic development
 - (ix) Government involvement in business help in promoting entrepreneurial cultural.
 - (x) Government involvement in business help in the adaption of the appropriate technology.
- (b)
- (i) Inform potential buyers of the availability of the product in the market.
 - (ii) To inform the consumers of where the product can be found
 - (iii) Educated consumers on the uses of the product
 - (iv) In order to clarify misconceptions that may have been created about the product.
 - (v) It can be used to announce changes and improvements on the product.
6. (a) **Factors leading to raise in level of National income**
- (i) Adequate supply of quality human resource in a country.
 - (ii) Supply of adequate and quality capital goods.
 - (iii) Discovery and increased exploitation of the existing natural resources in a country.
 - (iv) Greater use of improved and appropriate technology
 - (v) Increased foreign investment
 - (vi) Growth in entrepreneurship/increased local investment
 - (vii) Political stability in the country thereby creating conducive business environment.

(b)

$$(i) \text{ mark-up} = \frac{\text{Gross profit}}{\text{cost of goods sold}}$$

$$\begin{aligned} \text{Cost of sales} &= (\text{Opening stock} + \text{purchases}) - \text{Closing stock} \\ &= (160,000 + 70,000) - 70,000 \\ &= 250,000 - 70,000 \\ &= 180,000 \end{aligned}$$

$$\begin{aligned} \text{Gross profit} &= \text{Sales} - \text{cost of sales} \\ &= 240,000 - 180,000 \\ &= 60,000 \end{aligned}$$

$$\text{Mark up} = \frac{60,000}{180,000} \times 100 = 33 \frac{1}{3} \%$$

$$\begin{aligned} (ii) \text{ Margin} &= \frac{\text{Gross profit}}{\text{sales}} \\ &= \frac{60,000}{240,000} \times 100 \\ &= 25\% \end{aligned}$$

$$\begin{aligned} (iii) \text{ Rates of stock turn over} &= \frac{\text{cost of goods sold}}{\text{average stock}} \\ &= \frac{180,000}{\frac{160,000 + 70,000}{2}} \\ &= \frac{180,000}{115,000} \\ &= 1.565 \text{ times.} \end{aligned}$$

$$\text{Current ratio} = \frac{\text{current assets}}{\text{current liabilities}}$$

Current assets = stock + debtors + cash at hand + cash at bank

$$\begin{aligned} &= 70,000 + 25,000 + 20,000 + 10,000 \\ &= 125,000 \end{aligned}$$

Current liabilities = creditors = 75,000

$$\begin{aligned} &\frac{125,000}{75,000} \\ &= 5 : 3 \end{aligned}$$

Name.....Index No:.....

565/2

Candidate's Signature

BUSINESS STUDIES

Date:

PAPER 2

JULY/AUGUST 2014

TIME: 2 ½ HOURS

NYATIKE SUB-COUNTY JOINT EVALUATION EXAM
Kenya Certificate of Secondary Education (K.C.S.E.)

565/2

Business Studies

Paper 2

2 ½ Hours

INSTRUCTIONS TO CANDIDATES

- Write your **name** and **index number** on the answer booklet provided.
- This paper consists of **six** questions.
- Answer **any five** questions.
- All questions carry equal marks.

For Examiners Use Only

Question	1	2	3	4	5	6	TOTAL
Marks							

1. (a) Explain **five** circumstances under which an Insurance Company may not compensate the insured in the event of a loss (10mks)
(b) Explain **five** features of a perfect market (10mks)

2. (a) Explain **five** problems associated with depreciation of currency in an economy (10mks)
(b) Explain **five** ways in which the Kenyan government can encourage entrepreneurship in Kenya (10mks)

3. (a) Sori Traders made the following credit sales in the month of August 2010
1/8/10 Onyango Sh.2000, Pamzo Sh.6000
5th /8/2010 Chacha Shs.5000
10/8/2010 Kavuludi Sh.2500
Onyango Sh.3000
15/8/2010 Onyango Shs.4500
Pamzo Sh.5000
30th /8/2010 Otieno Sh. 8000, Ndugu Shs.1500
Enter the above transactions in the relevant journals, post the entries to the relevant ledgers and balance off the accounts (12mks)

(b) Explain **four** public sector activities aimed at attracting foreign investment (8mks)

4. (a) Explain **five** methods which the central bank may use to reduce money circulation in the economy (10mks)
(b) Explain **five** benefits of privatizing government parastatals (10mks)

5. (a) Explain **five** problems which consumers may face where warehouses do not exist (10mks)
(b) High national income may nor necessarily mean better welfare for the citizens of that country. Explain the above statement giving five reasons (10mks)

6. (a) Explain **five** reasons why demand for a commodity may not significantly rise with a decrease in price (10mks)

(b) The following balances were extracted from the books of Panyako traders for the year ended 31st /July/2010

Stock 31/6/09	80,000
Sales returns	6000
Purchase returns	4000
Sales	600 000
Stock 31/7/2010	60,000
Purchases	360,000
Carriage inwards	12000

Calculate

- | | |
|-----------------------------|--------|
| (i) Margin | (3mks) |
| (ii) Rate of stock turnover | (3mks) |
| (iii) Mark-up | (3mks) |
| (v) Net purchases | (3mks) |

NYATIKE SUB-COUNTY JOINT EVALUATION EXAMS

BUSINESS 565/2

JULY/AUGUST 2014

MARKING SCHEME

1. (a) Explain **five** circumstances under which an Insurance Company may not compensate the insured in the event of a loss (10mks)
 - (i) Lack of utmost good faith-did not give relevant/all information on
 - (ii) Deliberate loss- loss was self inflicted
 - (iii) Lack of proximate cause-cause of the loss was not the one insured
 - (iv) Lack of insurable interest-loss did not cause him financial loss
 - (v) Lack of payment of regularly premiums
 - (vi) Insolvency of insurable company-company cannot meet its financial obligation(5x2=10mks)
- (b) Explain **five** features of a perfect market (10mks)
 - (i) Large number of buyers/sellers-none can influence the market/price
 - (ii) Homogenous/uniformity of product-all commodities are identical
 - (iii) Perfect knowledge of the market-each buyer is aware of existing prices
 - (iv) Freedom of entry and exit-buyers/sellers leaves market at will
 - (v) Uniformity of buyers and sellers are identical to buyers
 - (vi) No government interference –No taxes, subsidies, goods price control/other regulation
 - (vii) No excess supply /demand quantity: quantity supplied is bought
 - (viii) No transport cost-both buyer and seller are in the same area
 - (ix) Perfect mobility of factors of production –they can easily change occupation/geographically(5x2=10mks)
2. (a) Explain **five** problems associated with depreciation of currency in an economy (10mks)
 - (i) Rise in prices of domestic commodity
 - (ii) Reduced domestic saving
 - (iii) Rise in price of imports
 - (iv) Low production
 - (v) High costs of production
 - (vi) Loss of confidence in monetary system
 - (vii) Balance of trade imbalance (5x2=10mks)
- (b) Explain **five** ways in which the Kenyan government can encourage entrepreneurship in Kenya (10mks)
 - (i) Favourable policies e.g low taxation, subsidies
 - (ii) Provision of good infrastructure
 - (iii) Provision of market for goods
 - (iv) Providing appropriate education
 - (v) Encouraging fair/healthy competition
 - (vi) Political stability
 - (vii) Availing finances
 - (viii) Adequate security

3. (a) Sales ledger

Date	Particulars	Invoice No.	LF	Amount sh.
1/8/10	Onyango		Sh	2000
1/8/10	Pamzo		Sh	6000
5/8/10	Chacha		Sh	5000
10/8/10	Kavuludi		Sh	2500
10/8/10	Onyango		Sh	3000
15/8/10	Onyango		Sh	4500
15/8/10	Pamzo		Sh	5000
30/8/10	Otieno		Sh	8000
30/8/10	Totals posted to sales acc(Cr)			36000

Sales ledger

Onyango

1/8/10 Sales 2000	
10/8/10 Sales 3000	
15/8/10 sales <u>4500</u>	
<u>9500</u>	
	30 th /8/10 <u>9500</u>
	<u>9500</u>

Pamzo

1/8/10 Sales 2000	
15/8/10 Sales <u>5000</u>	
<u>11000</u>	
	30 th /8/10 c/d <u>11000</u>
	<u>11000</u>

Chacha

5/8/10 Sales <u>5000</u>	
<u>9500</u>	
	30 th /8/10 c/d <u>5000</u>
	<u>5000</u>

Kavuludi

10/8/10 Sales <u>2500</u>	
10/8/10 <u>2500</u>	
	30 th /8/10 c/d <u>2500</u>
	<u>2500</u>

Otieno

30/8/10 Sales <u>8000</u>	
<u>9500</u>	
	30 th /8/10 c/d <u>8000</u>
	<u>8000</u>

General ledger

Sales

30/8/10 c/d <u>37500</u>	
<u>37500</u>	
	30 th /8/10 total sales <u>37500</u>
	<u>37500</u>

- (b) Explain **four** public sector activities aimed at attracting foreign investment (8mks)
- (i) Training youth/citizen to avail required labour inputs
 - (ii) Giving tax exemption/holidays e.g EPZ
 - (iii) Infrastructural development .g good roads, communication lines etc

(iv) Environmental conservation (4x2=8mks)

4. (a) Explain **five** methods which the central bank may use to reduce money circulation in the economy (10mks)

- (i) Increasing bank rate-this will reduce money for lending
- (ii) Open market operation- (O.M.O)-selling securities thus reducing money
- (iii) Increasing cash/liquidity ratio; thus reducing amount held by bank for borrowing
- (iv) Increasing compulsory deposit requirement which reduces amount
- (v) Selective circuit control, by reducing industries/sectors of the economy which can be given money
- (vi) Directives
- (vii) Moral persuasion

(b) Explain **five** benefits of privatizing government parastatals (10mks)

- (i) Efficient/effective business organization
- (ii) Improves labour quality through re-training
- (iii) Goods/services are of high quality
- (iv) Goods/services are of high quantity
- (v) Low prices of goods
- (vi) Increasing in capital supply in the economy (5x2=10mks)

5. (a) Explain **five** problems which consumers may face where warehouses do not exist (10mks)

- (i) Unsteady supply of goods-excess goods cannot be kept
- (ii) Price instability-price fluctuate frequently
- (iii) Pooras goods are not protected
- (iv) Shortage during calamities or un expected demand
- (v) Lack of inspection of goods
- (vi) Lack of seasonally produced goods as there is no where to store them (5x2=10mks)

(b) High national income may not necessarily mean better welfare for the citizens of that country. Explain the above statement giving five reasons (10mks)

- (i) Uneven income distribution- when more income is in hands of a few
- (ii) Incorrect statistics-hence wrong value of national income
- (iii) Higher incomes might have cost labour force leisure time/working under difficult circumstances
- (iv) Illegal activities-income got from illegal activities
- (v) Effect statistics yet purchasing power might have gone down

6. (a) Explain **five** reasons why demand for a commodity may not significantly rise with a decrease in price (10mks)

- (i) Inferior good such that a fall in price make a consumer afford superior goods
- (ii) When consumer expect price of goods to continue falling and so they postponed their present consumption
- (iii) When price fall it as a result of reduced quality make consumer shift to alternative goods
- (iv) Fall in consumer income lead to low purchasing power
- (v) Decline in population in an area offering market (5x2=10mks)

(b)

$$G.P = sales - C.O.S$$

$$C.O.S = OS + P + CI - PR - CS$$

$$= 80000 + 360000 + 12000 - 4000 - 60000$$

$$COS = 516000$$

$$GP = 600000 - 6000 - 516000$$

$$GP = 78000$$

$$(i) \text{Margin} = \frac{GP}{(\text{netsales})} \times 100 = \frac{78000}{594000} \times 100 = 13.13\%$$

$$(ii) \text{ROST} = \frac{COS}{\text{avestock}} = \frac{516000}{80,000 + 60,000} \div 2 = 7.37$$

$$(iii) \text{MUP} = \frac{GP}{COS} = \frac{78000}{561,000} \times 100 = 15.12\%$$

$$(iv) \text{Netpurchases} = purchases + CI - PR$$

$$= 360000 + 12000 - 4000$$

$$= 344000$$

Name..... Index No:.....
565/2 Candidate's Signature
BUSINESS STUDIES Date:
PAPER 2
JULY/AUGUST 2014
TIME: 2 ½ HOURS

HOMA-BAY SUB-COUNTY JOINT EVALUATION EXAM
Kenya Certificate of Secondary Education (K.C.S.E.)

565/2
Business Studies
Paper 2
2 ½ Hours

INSTRUCTIONS TO CANDIDATES

- Write your **name** and **index number** on the answer booklet provided.
- This paper consists of **six** questions.
- Answer **any five** questions.
- All questions carry equal marks.

For Examiners Use Only

Question	1	2	3	4	5	6	TOTAL
Marks							

This paper consists of 2 printed pages. Candidates should check to ascertain that all pages are printed as indicated and that no questions are missing.

1. (a) Explain **five** benefits that may accrue to a community that is involved in trading activities (10mks)
(b) Explain **five** factors considered by Wapukulu when investing his retirement benefits in a retail business (10mks)
2. (a) Explain **five** reasons why inflation is considered to be a major problem in Kenya (10mks)
(b) Explain **five** reasons why small grocery stores continue to survive where there are supermarkets (10mks)
3. (a) The following transaction for the month of June 2013 were extracted from the books of Ambwere plaza Traders
June 1st Goods bought on credit worth Kshs.100 from Onyango
June 2nd Goods returned to Makindu traders amounting to Kshs.500 credit Note No.059
June 3rd Cash sales worth Kshs.150 receipt no.0245 from ABC traders
June 5th Credit purchases worth Kshs.840 from Pendo traders
June 10th Paid Ndambuki by cheque Kshs. 840 from Pendo traders
June 16th Bought good on credit worth Kshs.1500 from Jasho Traders
June 20th Cash purchases worth Kshs.2100 by cash
June 26th Purchased goods on credit from Kurasini traders worth Kshs.650

Required Prepare;

- (i) Ambwere traders purchases journal (5mks)
- (ii) Open the relevant ledger accounts for Ambwere traders (5mks)
- (b) Highlight disadvantages of division of labour and specialization (10mks)
4. (a) Explain any **five** characteristics of underdeveloped countries (10mks)
(b) State and explain **five** factors that influence the level of national income in a country (10mks)
5. (a) Discuss **five** ways through which the central bank regulates economic activities in the country (10mks)
(b) Outline **five** features of chain stores (10mks)
6. (a) Differentiate between limited liability companies and cooperatives (10mks)
(b) The following transaction took place in the business of Darasarile Traders in Kisumu 2013
July 1st Started Business with capital in cash Kshs.150,000
July 2nd Opened a bank account and deposited KShs. 30,000
July 3rd Bought buildings in cash Kshs.60,000
July 4th Borrowed a loan in cash Kshs.20,000
July 5th Bought stationery by cheque worth Kshs.6,000
July 6th Repaid part of loan by cheque Kshs.10,000
Required
(i) Record the following transaction in their various ledger accounts (6mks)
(ii) Prepare a trial balance (4mks)

HOMA – BAY SUB - COUNTY JOINT EVALUATION EXAM 2014

565/2

BUSINESS 565/2

MARKING SCHEME

- 1(a) (i) There will be an opportunity to utilize available resources that would otherwise be idle
(ii) There will be creation of employment for those engaged in trading activities
(iii) Trade will also lend to expanded markets for goods and services
(iv) A variety of goods and services will be available giving people a choice and satisfying their needs,
(v) It leads to increased incomes in the society
(vi) New business will be established as people needs continue to increase
(Any 5 x 2 marks = 10 mks)
- (b)(i) Profits likely to realize by the business. He should invest in the business if it has higher chances of making higher profits / able to satisfy his financial needs
(ii) The break – even period He must know how long the retail business will take to be self – financing. He should choose the retail if it will take a short period.
(iii) Potential for future growth. The business exhibit the ability to expand its operations / size with time.
(iv) Acceptance by the community- the goods to be sold should be readily accepted / should not bring conflict between the society and the business / to allow higher sales
(v) Ability to manage the business – must consider whether he has the skills knowledge and expertise to run the business
(vi) The size of the market / number of prospective buyers / the level of demand. He should know how many buyers / customers are interested in the goods to be sold, their financial ability / their buying habits. Choose it if has high market demand.
(vii) The risks involved in the retail business. The business should have minimal risks to warrant investment. These risks include bad debts / limited supply of goods e.t.c.
- 2(a) Reasons why inflation is considered a major problem in Kenya:
- I. Inflation makes the goods services move expensive them they should be
 - II. Inflation reduces the value of the Kenyan currency hence less stable economy
 - III. Inflation gives rise to unfavorable balance of payments
 - IV. It makes a lot of money to be in circulation hence a poor credit control issues.
 - V. Inflation reduces the general living standards of the common citizens which has numerous adverse effects on economy.
 - VI. The level of competition existing on the market – the competition should not be very stiff to avoid losses / unnecessary to promote the products
 - VII. The government regulations - should not go against the government rules to promote survival of the retail business
(Any 5 x 2 marks = 10 mks)
- (b)
- I. suitable location – small grocery stores are located conveniently thus enabling customers to access them at no cost unlike supermarkets which are located in towns where people have to meet traveling costs to reach them
 - II. Close contacts – the owners have close contact with the customers and may give informal credit to credit worthy customers.
 - III. Bargaining; they allow their customers to bargain over prices unlike the supermarkets where the prices are fixed.
 - IV. Advice ; they offer specialized advices to their customers on the quality , use and the prices of goods and services
 - V. Breaking bulk; they are to break the bulk of goods in to smaller units which the consumers require and they can afford to purchase.
Mentioning and explaining 5x 2 mks = 10mks

3 (a) (i) AMBWERE TRADERS
PURCHASES JOURNALS

DATE 2006	PARTICULARS	INVOCE NO	LEDGER	AMOUNT
JUNE 1	Onyango traders	01		100√
JUNE 5	Pendo traders	02		840√
JUNE 16	Jasho traders	03		1500√
JUNE 26	Kurasini traders	04		650√
	Total to be posted to purchases A/C on DR			3090√

5 ticks x 1 Mk = 5mks

Posting to the purchase ledger

3 (a)

(ii) Dr. **Onyango traders A/c** cr

	2006		100√
	June 1 purchases		

Dr. **Pendo Traders A/C** CR

	2006		
	June 5 purchase		840 √

Dr **Jasho Traders A/C** Cr.

	2006		
	June 16 Purchases		1,500√

Dr **Kurasini Traders A/C** Cr

	2006		
	June 16 purchases		650√

Dr. **Purchases A/C** Cr

2006			
June 26 Total credit Purchase			3090√

(b) Advantages of Division of labour

- I. Output per worker is greatly increased
- II. With specialization, a worker can engage in a trade which she / he is best talented or suited.
- III. Specialization encourages invention and innovation
- IV. Division of labour makes it possible for greater use of machines in production which makes production fast and efficient.
- V. Specialization and division of labour enables a worker to acquire skilled in a particular field.
- VI. Division of labour saves time; without division of labour a worker would spend a lot of time moving from one activity to another.
- VII. High quality goods and services are produced.
- VIII. As workers become used to one routine job, they expend less mental and physical effort

Explanation of points; 5 x 2 mks =10 mks

4 (a)

- I. High level of poverty: An underdeveloped country will tend to be poverty – ridden such that a big proportion of its population lives at the subsistence or below the poverty level.
- II. Disparity in income distribution ; in an underdeveloped country , income is not evenly distributed
- III. Low level of savings and investments: low per capital income in underdeveloped economy makes people have very little or nothing to save.
- IV. High population growth rate: Closely associated with underdevelopment is high population growth rate and where such population is not very high, the size of population is usually very high.
- V. Dominance of substance sector: In an Under – developed country, the tradition subsistence sector tend to dominate the economy.
- VI. Problem of unemployment : Unemployment is a serious problem In under – developed countries
- VII. Under utilization of natural resources : Natural resources existing in many under developed economics remain under - exploited due to lack of either capital or appropriate technology.
- VIII. Dependence on the developed countries: Most of the under – developed countries are not able to financially sustain themselves.
- IX. Low labour productivity: labour productivity in under – developed countries is extremely low compared with that of developed countries.
- X. Poor infrastructure: In under – developed countries, infrastructure such as roads and communication network tend to be underdeveloped due to lack of finance to fund such activities

(b)

- i. Labour supply: Refers to the quality and quantity of the workforce in a country.
- ii. Capital: The size of the national income may depend on the amount and quantity of available capital.
- iii. Entrepreneurship; the availability of entrepreneurs who have the ability to organize to other factors of production will have a bearing on the country's national income.
- iv. Land: land as a factor of production includes all natural resources such as forests, water, minerals, mountains, beaches and e.t.c.
- v. Level of Technology : Technology used in production of goods and services determine not only the quantity but also the quality of goods and services produced
- vi. Political stability : Political stability is crucial fact
- vii. Attitudes of citizens towards work.
- viii. Size of subsistence sector
- ix. Foreign investments

5 (a) Ways central bank regulated economic activities

- I. Regulation of bank rates – that dictates the borrowing that affects economic activities in the country as it affects financing of projects
- II. Selective credit control – this favours some sectors making them have financiers from bank loans thus progress.
- III. Open market operators – that reduces the amount of money in circulation affecting the level of transactions
- IV. Directive – that dictate the operations in the country
- V. Moral persuasion – these do affect the commercial banks operation and eventually their clients in terms of borrowing, hence influencing the level of transactions.
- VI. Setting of liquidity ratios – that affect the credit availability thus affecting the availability of funds to investors
- VII. Compulsory deposits – that affect the credit creation ability of the banks thus affecting the level of borrowing influencing transaction levels in the country. **Mentioning points (5 x2 mks) = 10 mks**

(b) Characteristics of chain stores

- I. Purchases are centralized
- II. Prices are standard for all their products
- III. Sales are decentralized
- IV. All branches deal in the same type of products
- V. They are uniform in outward appearance and interior layout

Any 5 x2 mks = 10mks

6 (a)

Limited liability companies	Co - operatives
<ol style="list-style-type: none"> 1. Accomplishment of the intended purpose by the business within the set time 2. When order is given by commissioners of co-operatives to end its operation 3. Voluntary decision of the owner to dissolve the business 4. Change in membership of the business as a result of admission or retrenchment of an existing member 5. Passing of legislation that renders the activities of the business unlawful 	<ol style="list-style-type: none"> 1. Lack of market due to stiff competition 2. When there is change in law which renders the business illegal 3. When the owner of the business is declared bankrupt by a court of law. 4. Business dissolving itself to join itself to another through merger 5. Failing to submit returns to registrar

Any 5 points x 2 mks = 10mks

(b) (i)

Capital A /C

	1.7.2013 cash	150 ,000	½✓ MK
--	---------------	----------	-------

Cash A/ C

1.7.2013 Capital	150,000✓	½ mk	2.7.2013 Bank	30,000✓	½ mk
4.7.2013 loan	20,000 ✓	½ mk	3.7.2013 buildings	60,000✓	1/2mk

Bank A/C

2.7.2013 cash	30,000 ✓	½ mk	5.7.2013 stationery	6,000✓	1/2 mk
			6.7.2013 loan	10,000 ✓	½ mk

Loan A/C

6.7.2013 Bank	10,000✓	mk	4.7.2013 cash	20,000 ✓	mk ½ mk
---------------	---------	----	---------------	----------	---------

Stationery A/C

5.7.2013 Bank	6,000 ✓ 1/2 mk	
---------------	----------------	--

Building A/C

3.7.2013 Cash		
---------------	--	--

½ Mk x 12 = 6mks

6 (b) (ii)

**DAVASARILE TRADERS
TRIAL BALANCE
AS AT 6.7.2013**

NAME OF ACCOUNT	DR (SHS.)	CR (SHS.)
Capital		150,000
Cash	80,000	
Bank	14,000	
Loan		10,000
Stationery	6,000	
Building	60,000	
	160, 000	160,000

(1/2 x8) = 4 mks

Name.....Index No:.....

565/2

Candidate's Signature

BUSINESS STUDIES

Date:

PAPER 2

JULY/AUGUST 2014

TIME: 2 ½ HOURS

NYAMIRA SUB-COUNTY JOINT EVALUATION EXAM

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

565/2
Business Studies
Paper 2
2 ½ Hours

INSTRUCTIONS TO CANDIDATES

- Write your **name** and **index number** on the answer booklet provided.
- This paper consists of **six** questions.
- Answer **any five** questions.
- All questions carry equal marks.

For Examiners Use Only

Question	1	2	3	4	5	6	TOTAL
Marks							

This paper consists of 2 printed pages. Candidates should check to ascertain that all pages are printed as indicated and that no questions are missing.

1. (a) Discuss **five** main features of a good money material (10mks)
(b) Explain **five** roles of the Nairobi stock exchange to the Kenyan economy (10mks)
2. (a) Explain **five** importance of a business plan to an upcoming entrepreneur (10mks)
(b) Highlight **five** benefits that Kenya can get by engaging in international trade (10mks)
3. (a) Discuss **five** limitations of using National income statistics to measure standards of living in your country (10mks)
(b) With appropriate diagram explain excess supply and excess demand (10mks)
4. (a) Discuss **five** causes of unemployment in Kenya (10mks)
(b) Explain **five** mailing services that facilitate communication (10mks)
5. (a) A petty cashier of Boflos Traders operate a petty cashbook on an interest of Sh.5000. on 1st June 2013, he had cash in hand of Sh.300 and was reimbursed the difference by the main cashier to restore his cash float. The following payment s were made during the month of June;2013

June 1. Sugar for the staff tea	sh.360
June 2. Telephone	Ksh.510
June 3. Stamps	Shs.500
June 5. Correcting fluid	Ksh.400
June 10. Travelling	Ksh.220
June 15. Postage	Ksh.200
June 16. Entertainment	Ksh.260
June 18 Fare	Ksh.400
June 20 Bread for staff tea	Ksh.296
June 26 Onyonka a creditor was paid	Sh,1000
June Entertainment	Ksh.200

Required:

- Prepare Boflos Traders petty cash book with analysis columns of :staff tea, postage, stationery, travel and Miscellaneous (10mks)
- (b) Describe the procedure of obtaining an insurance policy (10mks)

6. (a) The following balances were extracted from the books of Mwamoturi General stores on 31st December 2012

	Sh.
Capital	4000,000
Sales	150,000
Purchases	80,000
Opening stock (1.1.2012)	20,000
Closing stock (31.12.2012)	10,000
5 years bank loan	100,000
Salaries and wages	40,000
Insurance expenses	10,000
General expenses	25,000
Debtors	35,000
Creditors	22,500
Rent income	50,000
Commission received	15,000

Required

- (i) Prepare a trading, profit and loss account for the year ended 31st December 2012. (6mks)
- (ii) Calculate
- | | |
|---------------------------|------------|
| Mark up | (1 ½ mks) |
| Current ratio | (1 ½ mks) |
| Rate of stock turn over | (1 ½ mks) |
| Rate of return on capital | (1 ½ mks) |
- (b) Discuss **four** reasons why a government may impose taxes on commodities (8mks)

NYAMIRA SUB-COUNTY JOINT EVALUATION EXAMS
BUSINESS 565/2
MARKING SCHEME

JULY/AUGUST 2014

1.(a) Features of good money material

(i) Acceptability

Money must be acceptable for it to be used as a medium of exchange

(ii) Divisibility

Money should be divisible into smaller unit/denomination without loss of value

(iii) Portability- Money should be convenient to carry around. It should be light and not bulky

(iv) Durability- Money should be able to last for a long time with minimal physical tear and wear

(v) Stability in value- Money should not lose or gain value at short intervals of time

(vi) Cognizability-Money should have features that are easily recognized by those involved in the exchange

(vii) Homogeneity-Money of the same denomination should be identical to avoid confusion and doubts

(viii) Scarcity- Money must be limited in supply for it to maintain value

(ix) Malleability-Money material should be able to be formed into different shapes and sizes and can also be easily inscribed or printed on.

(x) Complexibility/Not easy to forge-Money should not easily be counterfeited or forged. The technique applied in making it should not be easy to copy or imitated

2. Role of Nairobi stock exchange

(i) Facilitates buying of shares

(ii) The stock exchange market provides a conducive environment to investors wanting to buy shares in various companies

(iii) Facilitates selling of share-It creates a ready market for those who wish to sell their securities

(iv) Provides useful information- It provides timely, accurate and reliable information to investors which enables them to make decisions on the investment to make.

(v) Safeguards investors interests-It monitors performances of the already Quoted companies and those found not meeting the expectations are struck off from the register

(vi) Assist companies to raise capital-it assist companies to raise capital by creating an environment through which such issue new shares to members of the public

(vii) Raising revenue for the government-The government earns revenue by collecting fees and other dues from activities carried out in the stock market

(viii) Availing a variety of securities

(ix) Creation of employment – it has assisted in the creation of employment opportunities for those who facilitate the buying and selling of securities

(x) It avails a variety of securities from which investors can choose thus satisfying the needs of different investors

(xi) Measure of a country's economic progress-The performance of securities in the stock exchange market may be an indicator of a country's economic progress

2. (a) Importance of a business plan

i. Helps in avoiding occurrence of mistakes-In the process of drawing a business plan, mistakes that would take place in the business are identified and corrected

ii. Identification of strength and weaknesses-It helps in revealing the strengths and weaknesses in the business

iii. Determination of the amount of finance required-It enables him/her to work out the amount of finance that is required to fund the various activities in the business

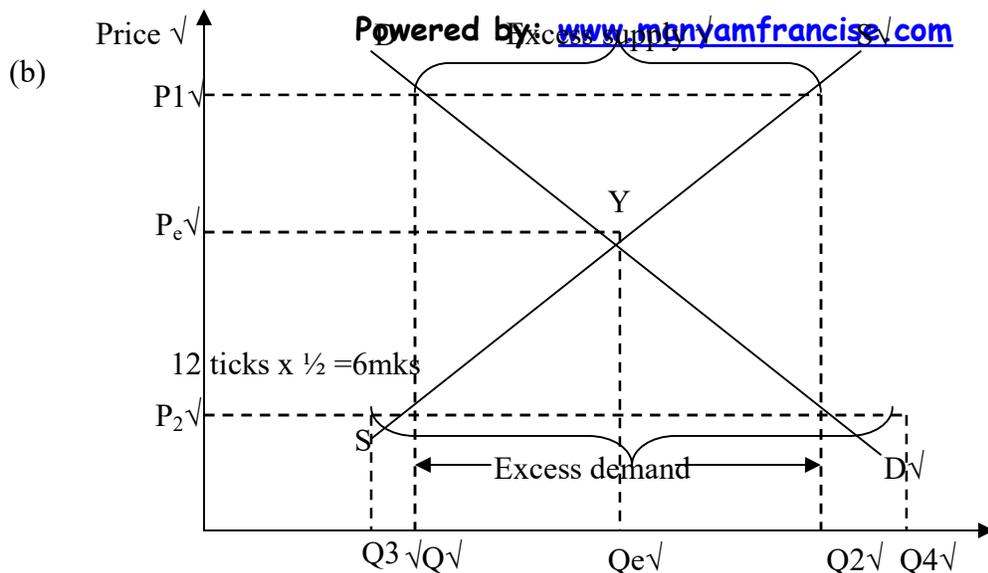
- iv. Appropriate allocation of resources-It enables the entrepreneurs to allocate the available resources in the most appropriate way.
- v. Requirement by financiers- It enables the entrepreneurs to raise finances because it is required by financiers before a loan is granted
- vi. Tool for control-It helps him/her in evaluating the performance of business by comparing the planned activities with actual performance
- vii. Adaptability- It gives a business room to accommodate any unforeseen changes that may occur in future
- viii. A motivating factor- It makes the concern parties aware of the direction to be taken by the business hence motivates them to work towards that direction

(b) Benefits of international trade

- i. Enables a country to obtain what she does not produce
- ii. Enables a country to access a wide variety of goods and services from other countries
- iii. It enables a country to obtain goods more cheaply than it can produce them locally
- iv. A country is able to specialize in the production of goods and services for which they have comparative advantage in terms of resource endowment.
- v. A country is able to dispose of its surplus goods and services thereby avoiding wastage.
- vi. Enables a country to earn foreign exchange which it can use to pay for its imports
- vii. It earns a country revenue through taxes and licenses paid by imports and exporters in the country
- viii. Encourages movement of factors of production such capital and labour across borders
- ix. A country is able to develop through importation of capital goods such as machines
- x. A country is able to import human resources, skills and technology that it does not have thereby accelerating development
- xi. A country may import quality goods and services due to competition among countries
- xii. A country may be able to export her human resources skills and technology
- xiii. A country is able to get assistance from other countries during times of calamities or wars
- xiv. Enables a country to fully exploit her resources due to widened market
- xv. It helps in promoting international peace and understanding among the trading countries
- xvi. Promotes employment creation among the citizens of the country

3.(a) Limitations of national income statistics in measuring standards of living

- i. Different currencies –conversion of these currencies may be tedious
- ii. Different goods and services-The goods and services that are used in competing national income differ from country to country
- iii. Disparity in distribution of income- The National income figures do not reflect the distribution of income. The standards of living may differ considerably because of disparity in income distribution
- iv. Different needs and tastes-The national income statistics may not give a true and fair picture of the standards of living due to different needs and tastes of people living in different countries
- v. Inaccurate data-Data being used to measures standard of living may not be accurate
- vi. A high income could be at the expense of the citizens social welfare
- vii. Spent consumption patterns and lifestyles are not constant
- viii. Figures used to measure the standards of living may not reflect depreciation or appreciation of asset
- ix. Except per capita income population figures may not have been taken into account
- x. Higher income per capita may result from an increase in the levels of inflation
- xi. It may not take into consideration the social problems that goes hand in hand with growth such as crime levels, pollution, development of slums etc
- xii. An increase in per capita income have been realised at the expense of leisure time



(i) Any price above the equilibrium price leads to excess supply i.e. price P_1 , the quantity demanded is Q_1 whereas the quantity supplied is Q_2 . There is an excess supply of $(Q_2 - Q_1)$ magnitude $\sqrt{1}\sqrt{1}$

(ii) Any price below the equilibrium price (P_e) leads to excess demand i.e. at price P_2 , the quantity demand is Q_4 , whereas the quantity supplied is Q_3 . Thus there is an excess demand of $(Q_4 - Q_3)$ $\sqrt{1}\sqrt{1}$
total 10 mks

4. **(a) Cause of unemployment in Kenya include the following**

- i. Rural urban migration leading to urban unemployment
- ii. Poor land tenure system which allows large tracts of land to remain idle since the owner hold them rspeculative reasons
- iii. Employment of expatriates/foreigners who take up jobs that would have been done by local people
- iv. Poor education system which gives students the impression that they can only be gainfully work in offices
- v. Use of inappropriate methods of production/capital intensive as opposed to labour intensive leading to loss of jobs
- vi. High rate of population growth compared to economic growth
- vii. Low levels of incomes that limits demand for goods and services i.e lack of aggregate demand
- viii. Seasonality of some economic activities leading to seasonal to seasonal unemployment
- ix. Inadequate co-operate factor inputs (i.e land, capital and entrepreneurship) that limits scale of operation of firms and subsequent limitation in expansion of job opportunities
- x. Retrenchment of workers by employers leading to joblessness
- xi. Labour immobility where same workers are unwilling to move to areas where jobs are available

(b) Mailing services facilitating communication

(i) Speed post

This is a service offered by the post office to send correspondence and parcels to a destination in the shortest time possible

To deliver the mail, the post office uses the quickest means of transport available

(ii) Poste Restante

This is a service offered by the post office to travelers who may wish to receive correspondence while away from their post box

It is a service aimed at helping travelers who may not have a fixed address

(iii) Express mail service

This is a service offered by the post office for mails that are urgently and require to be given priority in sorting and delivery.

(iv) Registered mail- This is a service offered by the post office and other service providers such as R.P.S, Securicor etc for sending articles of value for which security handling is required

(vi) Business Reply service

This is a service used by firms that intend to encourage their customers to reply to their letters promptly

(vi) Franking Mail services

This is a service offered by a post office to their customers with a licence to use a franking machine to affix stamp images on letters and parcels

It facilitates the stamping of letters where an organization sends a large of mail

(vii) Courier services

These are services provided by business organization by delivering letters, parcels and documents to their customers.

They use fast means of transport by road and air to deliver mail

(viii) Insurance mail

This is a service that gives assurance of compensation in case of loss or damage of the valuable item while under the care of the post office

5. (a) Boflos Traders
Petty cash books

Receipts	Date	Details	Voucher No.	Total shs.	Staff tea	Telephone	Postage	Stationery	Travel	Miscellaneous
300 ✓ 4,700 ✓	2013 Feb 1	Balance b/f								
	Feb 1	Cash								
	Feb 1	Sugar	001	360	360					
	Feb 2	Telephone	002	510	✓	510 ✓				
	Feb 3	Stamps	003	500			500 ✓			
	Feb 5	Correcting fluid	004	400				400 ✓		
	Feb 10	fluid	005	220					220 ✓	
	Feb 15	Travelling	006	200			200 ✓			
	Feb 16	Postage	007	260						260 ✓
	Feb 18	Entertainment	008	400					400 ✓	
	Feb 20	Fare	009	296						
	Feb 24	Bread	010	300	296					
	Feb 26	Duplicating	011	1000	✓			300		1000 ✓
	Feb 28	ink	012	200				✓		200 ✓
		Onyonka		4,646		510	700 ✓		620 ✓	1460 ✓
	Feb 28	Entertainment		354 ✓						
				<u>5,000</u>	656			700		
5000 254	March 1	Balance c/f			✓			✓		
		Balance b/f								

(20 x ½ = 10mks)

(b) Procedure of obtaining an insurance policy

- i. Filling a proposal form obtained from the insurance company
- ii. Determination of the premium to be paid by the insured
- iii. Payment of the first premium
- iv. Issuing of a cover note (binder)
- v. Issuing of a policy (5x2=10mks)

6. (a)

Mwamoturi General Stores
Trading profit and loss account
For the period ended 31st December 2012

Opening stock	20,000√	Sales	150,000√
Purchases	80,000√		
CGAFS	100,000√		
Less closing stock	10,000√		
Cost of sales	90,000√		
Gross profit c/d	60,000√		
	150,000√		
General expenses	25,000√	Gross profit b/d	60,000√
Insurance	10,000√	Rent income	50,000√
Salaries and wages	40,000√	Commission received	15,000√
Net profit c/d	50,000√		125,000
	125,000	Net profit b/d	50,000

(ii) Mark up = $\frac{\text{gross profit}}{\text{Cost of sales}} \times 100$ 12x ½ = 6mks

$$= \frac{60,000}{90,000} \times 100$$

3 x ½ = 1 ½ mks

= 66.67%

Current Ratio = $\frac{\text{Current + Assets (CA)}}{\text{Current liabilities (CL)}}$

$$= \frac{45000}{22500}$$

= 200%

= 2:1

Rate of stock turnover (ROSTO)

$$\text{ROSTO} = \frac{\text{cost of sales}}{\text{Average stock}} \times \sqrt{\quad}$$

$$= \frac{90000}{\frac{20000 + 10000}{2}}$$

$$= \frac{90,000}{15,000}$$

= 6 times (3 x ½ = 1 ½ mks)

Rate of return on capital (ROC)

$$\text{ROC} = \frac{\text{Net profit}}{\text{Capital invested}} \times 100$$

$$= \frac{50,000}{400,000} \times 100$$

= 12.5%

3 X ½ = (1 ½ MKS)

(B) Reasons why a government imposes taxes on commodities

- i. Raising government revenue for providing goods and services
- ii. Discouraging consumption of certain commodities
- iii. Discouraging importation of products in order to protect local industries
- iv. Reducing inequality in income distribution by taxing the rich more
- v. Controlling inflation by reducing peoples disposable income
- vi. Influencing location of business
- vii. Correcting unfavourable balance of payments whereby high taxes discourage importation thereby improving the balance of payments (any 4x2=8mks)

Name..... Index No:.....
565/2 Candidate's Signature
BUSINESS STUDIES Date:
PAPER 2
JULY/AUGUST 2014
TIME: 2 ½ HOURS

MIGORI SUB-COUNTY JOINT EVALUATION EXAM

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

565/2
Business Studies
Paper 2
2 ½ Hours

INSTRUCTIONS TO CANDIDATES

- Write your **name** and **indexnumber** on the answer booklet provided.
- This paper consists of **six** questions.
- Answer **any five** questions.
- All questions carry equal marks.

For Examiners Use Only

Question	1	2	3	4	5	6	TOTAL
Marks							

This paper consists of 2 printed pages. Candidates should check to ascertain that all pages are printed as indicated and that no questions are missing.

Answer any five questions.

1. (a) Explain **five** ways in which the government may regulate business activities (10mks)
(b) Explain **five** factors that affects birth rate in Kenya (10mks)
2. (a) Outline **five** differences between public and private warehouses. (10mks)
(b) Explain **five** ways used to control demand – pull inflation (10mks)
3. (a) Mr. Onyango a producer has decided to distribute his goods strongly retailers, explain five benefits of such a move. (10mks)
(b) The following information relates to Kipture traders for the year ending 2013
Turnover 270,000
Margin 40%
Rate of turn over 6 times
Expenses 40,000
From the above information, calculate
(i) Gross profit
(ii) Cost of goods sold
(iii) Net profit
(iv) Average stock
4. (a) Highlight **five** reasons why an individual may hold money for unforeseen circumstances. (10mks)
(b) Explain **five** contribution of entrepreneurs in the production of goods and services. 10mks
- 5 (a) Explain the following current trends as use in business units
(a) Franchising (2mks)
(b) Globalization (2mks)
(c) Privatization (2mks)
(d) Holding companies
(e) Cartels (2mks)
- (b) The following information relates to MajiMzuri business for the month of February 2012
Feb 2nd Bought goods on credit from Jim traers Kshs. 340,000 (invoice No 24)
3rd Sold goods on credit to Maina Traders Kshs. 800,000 (invoice No 28)
4th Retained goods to Jim traders Kshs. 300,000 (credit Note No 50)
10th Sold goods on credit to Solah wholesalers kshs620,000 invoice no 29)
13th Purchased a motovehicle on credit from CMC motors kshs.. 1000,000
15th Salah wholesalers returned stock worth sh 19000 (credit note no.10)
18th Bought stock on credit from Awendo traders kshs 120,000 (invoice no 35)
20th Maua returned stock valued kshs 5000 (credit note no 11)
25th Returned stock to Awendo traders kshs 8000 (credit note no 306)

Required : post the above information in the relevant journals.

6. (a) Explain **five** uses of national income statistics. (10mks)
(b) Highlight **five** roles played by the world bank in assisting developing countries to improve their economies. (10mks)

**MIGORI SUB COUNTY JOINT EVALUATION EXAM
BUSINESS STUDIES 565/2
MARKING SCHEME-2014**

1. a. Ways through which the government can regulate business activities
- issuing ,denial or cancellation of trade licenses
 - enacting legislation or repealing of regulations
 - formulating policies
 - offering incentives to influence location of a business
 - taxation and subsidies to encourage or discourage use of certain products
 - creation of parastatals for competition
 - issuing directives
 - price controls

b. Factors affecting birth rate

- Marriage –The higher the number of marriages the higher the number of births
- Ignorance –Leads to large families which in turn leads to higher birth rates
- Government policies –That favour large families e.g providing free primary education
- Cultural factors –Children being considered as wealth
- Fertility –High fertilities lead to higher birth rates.

2. a. Differences between private and public warehouses

Public warehouse	Private warehouse
<ul style="list-style-type: none">- Owned by businesses for purposes of renting space- Usually large in size- Insurance is a must- Goods leave with restriction /release warrant	<ul style="list-style-type: none">- Owned by individual to store their own goods- Usually small in size- Insurance is optional- Goods leave freely without restrictions

b. Ways of controlling demand pull inflation

- Decrease in public expenditure
- Decrease in wage earnings
- Increase in public borrowing to finance the production of goods and services in the country
- Increase income taxation to reduce disposable income
- Offer subsidies to firms to increase production
- Use of buffer stocks to sustain supply of goods during times of shortage
- Producing commodities that are in short supply

3. a. Benefits of suing relatives in a chain of distribution

- Bulk breaking
- Accumulation of bulk
- Storage
- Transport
- Product promotion
- Financing
- Risk taking

b. Gross profit = $\frac{40}{100} \times 220,000 = 108,000$

ii. Cost of goods sold = sales – Gross profit
 $270,000 - 108,000$
 $= 162,000$

iii. Net profit = Gross profit – expenses
 $108,000 - 40,000$
 $= 68,000$

i. Average stock = $\frac{\text{opening stock} + \text{closing stock}}{2}$

$6 = \frac{\text{cost of sales}}{\text{Average stock i.e. } x}$
 $6 = \frac{162,000}{x} = 6x = 162,000$
 $x = \text{average stock } x = 27,000$

4. a. Reasons for holding money for precaution motives

- level of income –The higher the income the more the money one is likely to hold
- family status –High class families tend to hold more money
- age of an individual –Aged people have more uncertainties
- number of dependants
- individuals temperament –Optimistic/pessimistic
- duration between receipts of income

b. Identifying viable business opportunities

- organizes production/organizing factors of production once a viable business has been established ,the entrepreneur then provides guideline on how production should take place
- acquires all the factors of production and bring them to an organization/comes up with new production process(innovation/invention)
- entrepreneur takes the risk in production e.g. fall in demand of his products in the market
- he is the policy makes /decision maker and decodes what to be produced and how it is to be produced

5. a. Trends in business units

- franchising –This is where one business grants another the rights to manufacture, distribute or provide branded products using the name of the business that granted the right
- holding companies – Is accompany is one that acquires 51 percent or more shares in one are more other companies
- privatization-its changing
- stabilization –The process of businesses conducting their activities in different parts of the world
- cartels –Is a group of related companies that agree to work together in order to control output

purchases journals

Date	Details	Invoice No	F	Amount
2/2/012	Jim traders	24		340,000
18/2/012	Awendo traders	25		120,000
				460,000

Sales journals

Date	Details	Invoice No	F	Amount
10/2/012	Sala wholesalers	29		620,000
3/2/012	Maua traders	28		800,000
				1,420,000

RI journals

Date	Details	Invoice No	F	Amount
15/2/012	Sala traders	10		10,000
20/2/012	Maua traders	11		5,000
				15,000

R.O Journals

Date	Details	Invoice No	F	Amount
4/2/012	Jim traders	50		30,000
25/2/012	Awendo traders	306		8,000
				38,000

General Journals

Date	Details	DR	CR
13/2/012	Moto vehicle A/C C/MC motors A/C Being purchased of motor vehicles on credit from CMC motors	1,000,000	1,000,000

6. a. Roles of national income statistics

- Indicators of standard of living
- Comparing standards of living in different countries
- Assessing the performance of the economy over time
- Assisting the government to plan the economy
- Investment decision

b. Role played World Bank in assisting developing countries

- Providing finance to reduce budget deficits
- Providing loans for development projects guaranteeing loans
- Providing finance to correct adverse balance of payment
- Providing technical advice/expertise to support development
- By writing off debts
- Providing grants for development projects
- Carry out projects
- Ensuring finances are put into good use of accountability