

KCSE CLUSTER TESTS 11

Business Studies Paper 2

1.

a) **Reasons motorcycles (Boda boda) are becoming common means of transport in many parts of Kenya.**

- i) Cost: it is cheap to hire the services of Boda boda.
- ii) Convenience: Boda boda is convenient over short distances; they do not require many passengers.
- iii) Flexibility: they do not have fixed route/timetables.
- iv) Affordability: many people can afford to buy and maintain them.
- v) Stability in charges: charges are relatively stable.
- vi) Availability: Boda bodas are readily available and in some parts of the country they are the only means of transport available. (5 x 2 = 10 marks)

Disadvantages of specialization (10marks)

- i) Work tend to be boring due to monotony of the repetitive task.
- ii) Workers craftsmanship declines as he or she becomes just an operator of a machine.
- iii) A worker acquires skills in only one field. This leads to a greater risk of unemployment.
- iv) The use of machines may lead to industrial unrest as trade unions urge workers go on strike to oppose mechanization.
- v) Motivation is lowered among workers as they find it hard to identify with the final product.
- vi) A problem at one stage of production will affect the whole process.
- vii) Specialization may make a country depend on other countries for certain goods and services.
- viii) Highly specialized firms may find it difficult to adjust to rapid market changes.
- ix) Specialization requires the acquisition of machines and highly skilled labour which may be expensive. (5 x 2 = 10 marks)

20 marks

2.

Importance of entrepreneurship to an economy. (10marks)

- i) Creates employment both directly and indirectly.
- ii) Provides training ground for future managers and entrepreneurship who may thereafter initiate their own ventures.
- iii) Promotes socio- economic growth due to increased production of goods and services.
- iv) Increase variety of goods and services available to consumers for satisfaction of their wants.
- v) Encourages development of infrastructure in areas where entrepreneurial activities take place.
- vi) Improves people's standards of living by enabling them to earn income from employment.
- vii) Promotes growth and development of technology through inventions and innovations.
- viii) Helps in exploitations of economic resources available in the country.
- ix) Helps in stabilization of prices by ensuring a steady supply of goods and services.

b) Nungari Pamoja Enterprise (10marks)
 Balance Sheet ✓
 As at 30th April 2014

Furniture	50,000✓		
Moto vehicle	<u>60,000</u> ✓		
Fixed Capital			110,000✓
Stock	20,000✓		
Debtors	150,000✓		
Bank	190,000✓		
Cash	<u>30,000</u> ✓		
Total Current assets		390,000✓	
Creditors	40,000✓		
Un paid wages	<u>20,000</u> ✓	<u>60,000</u> ✓	
Working Capital			<u>330,000</u> ✓
Capital employed			<u>440,000</u> ✓
Financed by:			
Capital		300,000✓	
Net profit		<u>100,000</u> ✓	
Capital owned			400,000✓
Borrowed capital			<u>40,000</u> ✓
			<u>440,000</u> ✓

20 marks

3.

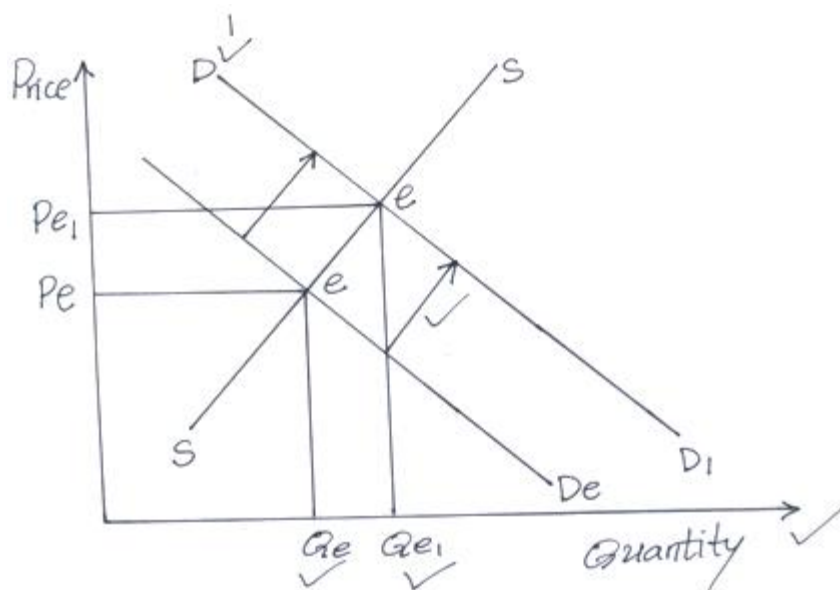
a) i) **Procedure for making an insurance claim.** (5marks)

- i) Notification of occurrence of risk.
- ii) Filling claim form.
- iii) Investigation of claim by insurer.
- iv) Evaluation of the loss suffered.
- v) Compensation.
- ii)

20 marks

4.

a) **Effect of an increase in demand on equilibrium price and quantity.**



An increase in demand increases both equilibrium price and quantity

b) Factors that may limit the operations of an open air market operator. (10marks)

- i) They do not have permanent customers since they move from one market to another.
- ii) Demand for their goods may be low for the traders selling similar commodities are found at the same point in the market.
- iii) Unfavourable weather conditions such as rain may interfere with their work.
- iv) They face a lot of uncertainty especially in terms of steady flow of income.
- v) Its tiring for the traders to move from one place to another especially with goods that are heavy.
- vi) Some markets operate only on specific days making traders to lack customers on days that are not market days
- vii) Price fluctuations that make it difficult to project demand and supply of goods.

20 marks

5.

a) **Differentiate between a perfect competition market and an Oligopoly market:** (10marks)

Perfect Competition market	Oligopoly market
i) There are many sellers and buyers	i) There is few sellers and many buyers.
ii) There is free entry and exit of buyers and sellers.	ii) Entry of new firms is restricted.
iii) The commodities of all sellers are identical/Homogenes	iii) Commodities can be <u>homogenes</u> or differentiated.
iv) No single seller can influence the market.	iv) A single seller can influence the market.
v) A firm can only make supernormal profits in the short run	v) Firms market make super normal profits in the long run

b) **Measures the government may use to create an enabling environment.**

- i) Ensuring reliable and efficient legal system to enable business to be registered faster.
- ii) Encouraging favourable political environment to encourage business existence
- iii) Proving efficient infrastructure to encourage easy flow of goods and services from firms
- iv) Controlling competition from imported goods to create ready market for local goods

. v) Controlling environmental degradation to enhance sustained use of available resources today and in future.

20 marks

6.

a) **Reasons why personal selling is increasing being used as a method of product promotion.**

- i) The sellers have a chance to explain details of the product.
- ii) It creates good relationship between the seller and the buyer.
- iii) The seller can collect information regarding demand for the product.
- iv) The seller can persuade customers to buy the product.
- v) The seller can make prompt decisions.
- vi) Ability to tailor the product according to customer needs.
- vii) Seller may get orders directly from the buyer.
- viii) There is immediate feedback

b)

Dr Equipment Account				Cr			
Date	Particulars	Folio	Amount	Date	Particulars	Folio	Amount
1/4/14	Balance	b/d	<u>200,000</u>	30/4/14	Balance	<u>c/d</u>	<u>200,000</u>

Dr Furniture A/C				Cr			
Date	Particulars	Folio	Amount	Date	Particulars	Folio	Amount
1/4/ 14	Balance	b/d	<u>82,000</u>	30/4/14	Balance	<u>c/d</u>	<u>82,000</u>

Dr Stock A/C				Cr			
Date	Particulars	Folio	Amount	Date	Particulars	Folio	Amount
1/4/ 14	Balance	b/d	<u>140,000</u>	30/4/14	Trading A/C		<u>140,000</u>

Dr Cash A/C				Cr			
Date	Particulars	Folio	Amount	Date	Particulars	Folio	Amount
1/4/ 14	Balance	b/d	20,000				
30/4/14	Sales	G.L	12,000		Balance	<u>c/d</u>	32000
			<u>32,000</u>				<u>32000</u>

Dr Bank A/C				Cr			
Date	Particulars	Folio	Amount	Date	Particulars	Folio	Amount
1/4/ 14	Capital	G.L	<u>30,000</u>	1/4/14	Balance	<u>c/d</u>	<u>30,000</u>

Dr				Creditors (Mutai)				Cr	
Date	Particulars	Folio	Amount	Date	Particulars	Folio	Amount		
19/1/14	Purchase Re.	G/L	3,000	1/4/14	Balance	b/d	27,000		
30/1/14	Balance	<u>c/d</u>	<u>53,000</u>	10/4/14	Purchases	G.L	<u>29,000</u>		
			<u>56,000</u>				<u>56,000</u>		

Dr				Capital A/C				Cr	
Date	Particulars	Folio	Amount	Date	Particulars	Folio	Amount		
30/4/ 14	Balance	<u>c/d</u>	<u>445,000</u>	1/4/14	Balance	b/d	415,000		
			<u>445,000</u>	4/4/14	Bank	C.B	<u>30,000</u>		
							<u>445,000</u>		

Dr				Purchases A/C				Cr	
Date	Particulars	Folio	Amount	Date	Particulars	Folio	Amount		
10/4/ 14	Mutai	P.L	<u>29,000</u>	30/4/14	Trading A/C	<u>c/d</u>	<u>29,000</u>		

Dr				Purchases Returns A/C				Cr	
Date	Particulars	Folio	Amount	Date	Particulars	Folio	Amount		
30/4/ 14	<u>Trading A/C</u>		<u>30,000</u>	30/4/14	Mutai	P/L	<u>30,000</u>		

Dr				Sales A/C				Cr	
Date	Particulars	Folio	Amount	Date	Particulars	Folio	Amount		
30/4/ 14	<u>Trading A/C</u>		<u>12,000</u>	30/4/14	Cash	C.B	<u>12,000</u>		

20 marks