

FORM FOUR CLUSTER KCSE MODEL 2

BUSINESS STUDIES PAPER 1 ANSWER

Answer all questions

1.
 - a) Transport
 - b) Installation
 - c) Advice on the use of goods
 - d) Repair services
 - e) Availing spare parts.
2.
 - a) The level of income earned by individuals/household
 - b) The interval of receiving income
 - c) The level of stability of prices/inflation rate
 - d) The lifestyles of individuals
 - e) The value of goods
 - f) The size of the family/household

3.	A parastatal	A public corporation
a)	Formed under Act of parliament	Formed under companies Act
b)	Owned fully by the government	Owned partially by the government/owned jointly by with the public
c)	Source capital all from the government/tax payers	To carry out functions according to the Memorandum of Association/according to shareholders resolutions.
d)	Purpose to do what they are told by the government/exercise control from the government	To carry out functions according to the Memorandum of Association/according to shareholders resolutions.
e)	Management-semi autonomous/directors appointed by the ministry/president	Management-autonomous/by elected board of directors.

4.

CORNER MBAYA TRADERS
BALANCE SHEET
AS AT 31ST DECEMBER 2014

	Shs	Shs		Shs	Shs
FA			Capital	110,000	
Machinery	75,000		Net Profit	31,000	141,000
Furniture	<u>49,000</u>	124,000			
CA			CL		
Stock.	18,000		Creditors.	20,000	
Debtors	<u>24,000</u>	42,000	Bank overdraft	5,000	25,000
		<u>166,000</u>			<u>166,000</u>

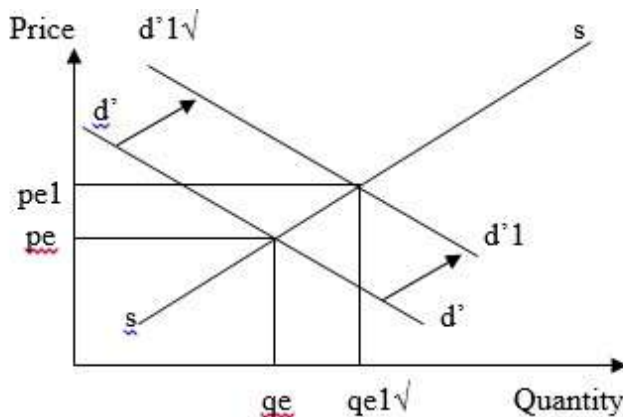
5.
 - a) Where there are few regular/established customers

- b) If the producer is located within /around the market
- c) If goods are of technical nature
- d) Where immediate feedback/information is required
- e) Where small quantities of goods are produced
- f) If consumers are able to buy in large/bulk quantities
- g) If producer has own retail outlets/transport means for distribution
- h) If it is the government policy
- i) Where goods are expensive for middle to afford their distribution
- j) Where goods are too sensitive to be distributed through middlemen
- k) Where goods are made according to the consumers' specification/preference/orders
- l) Where producer would like to maximize profit by not sharing with middlemen
- m) Where the producer would like to outdo the competitors

6.

	<u>Perfect Competition</u>	<u>Monopolistic competition</u>
a)	Homogenous product	Differentiated/close substitute goods.
b)	Firms are price takers/price are determined by free forces of demand and supply.	Firms are price markers/determined by owners according to differentiation of product.
c)	No single/some firms can dominate the market, influence the price.	It is possible for single/some firms to dominate the market to influence the price (through) expensive advertising and product differentiation)
d)	No product promotion/advertisement.	Carry out advertisement extensively.
e)	Firms are interdependent in output decisions.	There is little/no interdependence among firms.
f)	No seller has control over price of its product.	Each seller has control over price of its product.

7.



- i) Indicate on the diagram an increase in demand of the commodity while the supply remain constant (2 marks)
- ii) State the effects on equilibrium price and quantity (2 marks)
 Equilibrium price will increase from p_e to p_{e1} ✓
 Equilibrium quantity will increase from q_e to q_{e1} ✓

8. a) Specializes in organizational clerical work, keeping information.... The office and type writing
 b) A study of classification, analysis and evaluation of business worthiness ...accounting.
 c) Examines auxiliary services and exchange of goods and services..... Commerce
 d) Focuses on acquiring knowledge and skills and implementing business opportunities.....entrepreneurship

9.

	<u>Shs</u>
Sales	440,000
Cost of sales	160,000
Sales returns	40,000
Required; calculate the margin. (4mks)	
Net sales= Sales –sales returns	
Net sales =440,000- 40,000	
Net sales =400,000	
G.P=Net sales –Cost of sales.	
G.P=400, 000-160,000	
G.P=240,000	
$\text{Margin} = \frac{240,000}{400,000} \times 100$	
	Margin =60%

10. a) If human wants are limited/scarce.
 b) If the resources are numerous or plenty.
 c) If the human wants are notaddictive/habitual.
 d) If the human are not repetitive.

- e) If the human wants are not competitive.
- f) If the human wants do not vary with age/gender/time.
11. a) Enhance tidiness /neatness in the office.
- b) Protects documents against loss/theft
- c) Saves time
- d) Easy retrieval of documents
- e) Facilitates prompt decision making
- f) Safeguards documents against damage by bad weather/fie/pests
- g) Enable documents to be accessed for future reference/use.
- 12.
- | Activities | Classification |
|----------------------------|----------------|
| (a) Packaging maize. | Secondary. |
| (b) Selling maize locally. | Tertiary. |
| (c) Harvesting rain water. | Primary. |
13. a) The size / availability of market/ demand should be adequate to sustain the level of output.
- b) Level of competition should be fair capable to cope with.
- c) Government policy/ the laws governing the location of the kind of business should be attractive / favorable.
- d) Inputs/supplies/raw materials should be readily available for continuous operations.
- e) Management skills/ available/availability of a pool of skilled labour in the area for hire.
- f) The availability of room for the business' expansion/ future growth.
- g) The acceptable /positive culture and traditions of the community where the business would be located.
- h) Availability of power/water in the area
- i) Availability of support service industries Availability of infrastructure
- j) Availability of social amenities
14. a) Security of goods/need to minimize /avoid theft / need to enclose /seal goods in the container
- b) Large carrying capacity/ need to accommodate bulky goods/high volume of goods
- c) Need to ensure safety of goods/need to minimize damage of goods
- d) Lower Insurance costs/save on insurance cost
- e) Save on space /economy use of space/ need to pack/arrange more goods in a container
- f) Lower packaging/handling costs

- g) Speedy/fast/ease handling / loading / offloading.
- h) Ease customs clearance/ easy exports/imports clearance / handling bulk clearance.
- i) Convenience for special goods/ availability of specially designed containers/carriers
- j) Encouraging government policy/lower taxes for using containers

15.	Account	Type of ledger book	Type of ledger account
	Totals of journal purchases	General ledger	Purchases a/c
	Each item entered in return inward journal	Sales ledger	Sales returns/returns inwards a/c
	Totals of debtors journal	General ledger	Sales a/c
	Purchases of motor in cash	Cash book	Cash a/c

- 16. a) When a sender wants to make the message more appealing/ attractive/ when presenting information in the form of a series of appealing/ attractive images accompanied
- b) When alerting/ warning of a looming danger /when using symbols,/ drawings,/ gestures to warn of looming danger
- c) When want the recipient to get the message instantly/ at a glance/when wants the message to be self explanatory.
- d) When showing direction by use of visual sign representation of information
- e) When wants to provide educative message by clearly displaying / population chart, weather chart.
- f) When indicating changeover/ stop/ commence of event/process.
- g) when messages being transmitted is to entertain the audience
- h) Where the sender/receiver wants the visual image of the message to register in the mind of the receiver/ has a lasting impact to the receiver/sender where the audience is deaf/dumb
- i) When sender is communicating with a large a large number of people at the same time
- j) When reinforcing / clarifying a written message / oral message.
- 17. a) Ensure just sufficient number of businesses are allowed to operate in a given line/place/ at any given time
- b) Ensure healthy/fair competition practiced by businesses
- c) To control the type of goods entering / leaving the country.
- d) To ensure there are no illegal businesses.
- e) To ensure that traders engage only in trade activities that they have been licensed for.
- f) To ensure that those who engage in professional activities meet the requirements/standards of the profession.
- g) To ensure business operators carry out their businesses in ethical manner
- h) To ensure businesses meet their obligations/ raise revenue for the government

18. a) Jan 3 Purchases 3500 - are debited instead of being credited
 b) Jan 5 Rent paid 1000 - is debited instead of being credited/expense
 c) Jan 5 Nedi (Creditor) 1130 - is debited instead of being credited/payment
 d) Jan 12 Mary (debtor) 1 200 - is credited instead of being debited/receive revenue
 e) Jan 19 Rent received 1400 - is credited instead of being debited/income
19. a) Increased pensions for retirees/ cause budget problems/burden to tax payers.
 b) Increased government funds for provision of social services/ securities/medical care for the old.
 c) Hindrance to technological progress/ rigid /conservative in ideas/attitude / not ready to accept new views.
 d) Low labour supply/inadequate working human capital (old people /retired/ not able to work.)
 e) Collapse of industries for products consumed by the youth/young generation/ population.
 f) Reduced savings /investment/ high rate of consumption/more income is used to purchase consumer goods leaving little for investment
 g) High level of dependency ratio/ old population of 65 years will rely on a small working/economically active population (government on provision of food/shelter/clothing/medical care)/economically active/working population shoulders a bigger economic burden.
20. a) Offer higher interest rate for deposit
 b) Cheaper to operate /no ledger fees charged
 c) Certificate of deposit issued may be used as collateral for loans
 d) Encourage more savings
 e) Safe investment/assured of returns from deposit
 f) Depositor may negotiate for higher interest

21.

Description	Types of warehouse
Used to store exports and imports awaiting customs clearance.	Bonded warehouse
Anybody can rent space for storing goods temporarily.	Public warehouse.
Operated for owner's exclusive use	Private warehouse.
Owned and operated by manufacturers	Producers/private warehouse.

22.

$$\begin{aligned}
 & \frac{20}{100} \text{ To margin } \frac{20}{100} + 20 = \frac{2}{6} \\
 & \frac{2}{6} = \frac{G.P.}{SALES} \quad \frac{1}{6} = \frac{G.P.}{720,000} \\
 & = G.P. = 120,000
 \end{aligned}$$

Kali Traders
Trading Account
For the year ended 30th June 2013

Opening Stock	<u>Shs</u> 190,000	Sales	<u>Shs</u> 720,000
Add purchases	550,000		
Goods available for sales	740,000		
Less closing stock	140,000		
Cost of sales	600,000		
GP c/d	120,000		
	<u>720,000</u>		<u>720,000</u>

23.
a) Seeking insurance agent to explain the need for insurance protection. }
b) Filling the proposal form details about the property to be insured. }
c) Submitting the filled proposal form to insurance company to access. }
d) Investigation of the property. }
e) Determination of insurance premium and forming the person seeking insurance policy. }
f) Paying the 1st premium to signify acceptance. }
g) Receiving the cover not signifying enforcement of the agreement. }
h) Issuing a policy after 30 which indicates all details about the insurance contract. }
24. a) Economical to pay/pay in small amounts when purchasing
b) Convenient to pay/taxpayers don't feel the burden
c) Use of new technology simplifies their payment. /No elaborate formalities involved in there payment
d) Payment voluntary/individuals are free to choose to buy the taxed commodities
e) Flexible since taxpayers are free to choose some commodities that are not charged
f) Help consumers to live health lives / it discourages consumption of harmful goods
25. a) Work flow/ layout that allows faster workflow/efficient movement of documents.
b) Staff mobility within the office/the layout should minimize workers movement that is unnecessary
c) Supervision of office staff/ allow easier monitoring/ allow easy giving of instructions to other staff
d) Working space big/sufficient enough to accommodate all staff of the organization
e) Accessibility to equipment/ easier for staff to locate/reach equipment
f) Number of staff to be accommodated/different cadres of employees.
g) Communication/ passing of message/instructions.

h) Legal requirement/ adherence to labour laws/policies

i) Confidentiality of work/information/security of the secrets of the organization against leakage,
Cost of setting up/affordability to put up/maintain

j) Physical appearance/prestige