

FORM FOUR CLUSTER KCSE MODEL 2

BUSINESS STUDIES PAPER 2 ANSWER

1. a) Ways in which the Central Bank of Kenya acts as a banker's bank. (10 mks)

(i) Accepting deposits from commercial banks for safe keeping/as compulsory deposits/reserves.

(ii) Advices commercial banks on financial matters accept examples of financial matters as expansion, e.g. restructuring, good service provision, etc.). (iii) Supervises operations of commercial banks to ensure they adhere to/operate within the law/to best interests of their customers.

(iv) Facilitates clearing of cheques through the clearing house/helping banks to settle inter-bank debts.

(v) Gives loans to commercial banks as a lender of last resort/when they have nowhere else to borrow from.

(vi) Foreign exchange services by selling foreign currency to commercial banks (to satisfy their clients' need for foreign currency)/keeping excess foreign currency for commercial banks.

(vii) Source of currency for the operations of commercial banks/replacing worn out currency for commercial banks. Mention -1 mk Otherwise, a fully expanded pt - 2mks

b) Ways in which a customer may settle a debts owed to suppliers of goods. (10 mks)

(i) Cash

- through giving out currency coins/notes/legal tender.

(ii) Cheques -

a written instruction to his bank to pay out the specified amount of money to a supplier/payee/named person (within six months from

the date indicated).

(iii) Banker's cheque

- he can request his bank to write a cheque to the supplier/where the supplier does not accept personal cheques.

(iv) Credit transfer where he can write one cheque to be payable to all his suppliers.

(v) Standing order

- he can instruct his bank to be making regular payments of a certain amount to the suppliers for a certain period/until he stops the payment.

(vi) Bill of exchange - he can request his suppliers to write to him a request to pay them a specified amount on specified date which he then accepts by signing

(vii) Promissory note - he can write a promise to the suppliers that he will pay them a specified amount on a specified date.

(viii) EFT (electronic funds transfer) - he can electronically send money from his account/phone to the account of the supplier.

(ix) Credit card - he can show the card as payment (to have his bank/issuer pay the supplier and he pays the bank/issuer later)/where the bank/issuer has a prior arrangement with the supplier to accept such payment.

(x) Money order - he can apply to have the post office send money/payment on his behalf payable through a post office near the supplier/specified post office.

(xi) Postal order - he can buy postal orders in denominations equal to the money to be paid and send/give to the supplier (who can receive the money from any post office in Kenya).

(xii) Postage stamps - he can give postage stamps of value equivalent to the debt to the supplier who needs/accepts stamps as payment.

(xiii) Payment in kind - he can give a good/service/asset of value equivalent to the debt to the supplier. Mention -1 mk Otherwise,

a fully expanded pt - 2mks

2. a) Reasons why radio is a popular medium of advertising goods and services for businesses in Kenya. (10 mks)

(i) Wide geographical coverage as most people have access to a radio/as the message can reach even remote areas.

(ii) Wide variety of languages used therefore the message can reach more listen

(iii) Use of dry cells/alternative sources of power therefore more convenient to most people who do not have access to electricity/use radio outdoors.

(iv) Affordable/cheap to buy the radios hence owned by many people.

(v) Portability - a radio can easily be carried around/message can be listened to from many places.

(vi) Low cost of advertising (compared to TV/newspapers/etc) therefore more information can be passed through the radio (at lower cost).

(vii) Radio can serve/reach even the blind since the message requires just listening. Mention -1 mk Otherwise, a fully expanded pt -2mks

- (b) Outline five ways in which services provided by wholesalers may benefit retailers. (10mks)

(i) May get a variety of goods stored by wholesalers in the warehouses

(ii) Goods are brought closer to the retailers

(iii) Benefits by getting goods that are not spoilt/damaged

(iv) Buy goods that are prepared for sale

(v) They are able to buy goods in quantities they desire. (any 2 x5) = 10mks

3. (a) Explain four macro-environmental factors that might adversely affect the performance of a business. (8mks)

(i) Economic factor/ high prices/low incomes/ high interest rates/ may affect the consumers ability to buy goods and services

(ii) Demographic factors / decline in birth rate/migration may affect the performance of a business

(iii) Legal - political factors / where the law does not favour the business/ climate is hostile/ a business may not succeed.

(iv) Competitive factors / the business may not be able to cope with the stiff competition leading to collapse

(v) Physic factors - poor infrastructure may not favour the business.b) Preparing

(i) A profit and loss account for the year ended 30th June 2015

(ii) A balance sheet as at 30th June 2015. (12 mks)

Sura Traders Profit and loss account For the year

ended 30th June 2015

Wages	12,000	Gross profit b/d	61,200
Rent	6,200	Commission received	1,860
Insurance	800	Discounts received	1,240
Net profit	44,550		
	<u>64,300</u>		<u>64,300</u>

**Sura Traders
Balance Sheet
As at 30th June 2015**

<u>Assets</u>		<u>Liabilities</u>	
Fixed Assets		Capital	120,000
Equipment	80,000	Add: Net profit	44,550
Motor cycle	40,000		<u>164,550</u>
Furniture	30,000	Current Liabilities	
	150,000	Creditors 72,000	
<u>Current Assets</u>			
Stock 4,600			
Debtors	55,050		
Bank	22,000		
Cash	4,900		
	<u>86,550</u>		
	<u>236,550</u>		<u>236,550</u>

$\frac{1}{2}\text{mk} \times 24 \text{ ticks} = 12 \text{ mks}$

4. a) Measures that can be taken by producers to protect consumers of their products from being exploited by traders. (10 mks)

(i) Ensuring production of quality goods/services as required/needed by their consumers/to suit the tastes/needs of their consumers.

(ii) Following/adhering to set standards in the production of goods/services.

(iii) Ensuring/following/adhering to good business ethics in dealing with their consumers/accept examples of business ethics as expansion.

(iv) Encouraging consumers to complain/give a feedback about their products/and dealing with the complaints/feedback from the consumers.

(v) Ensuring traders/distributors of their products/middlemen charge the recommended (retail) prices to make their products affordable to consumers.

(vi) Educating consumers on the features of their products for easy identification/to avoid being sold imitations/counterfeits.

(vii) Providing guarantees/warranties on their products as assurance of quality.

(viii) Providing after-sale services to ensure proper working of their products/accept examples of relevant after-sale services as

expansion. Mention -1 mk

Otherwise, a fully expanded pt - 2mks

(b) Explain five factors which are likely to influence the level of a country's national income. (10mks)

(i) Political stability /peace and stability promotes confidence/encourage entrepreneurs/to engage in production activities

(leading to high level of national income)

(ii) Labour supply / Human resource / a large and skilled working labour force will produce more goods and services/ which would increase the national income

(iii) National resource endowment/the quality and quantity of natural resources e.g. gold may influence the country's national income

(iv) Capital / the amount and quality of capital investment will influence the national income.

(v) Foreign Investment - High investment in (foreign countries) leads to increased cash flow.

(vi) Availability of entrepreneurs/ they organize other factors of production in the right proportions leading to increased output.

(vii) Level of technology/ use of modern technology/ level of technology determine the quality and quantity of goods and services produced in the country.

(viii) Attitude of citizens towards work/a country whose citizens have a positive attitude towards work registers a high level of national income.

(ix) Size of the subsistence sector/ if the subsistence sector is large, the correct level of national income may be understated. (Any 5 x 2 = 10mks)

5. (a) Explain five ways in which the transport industry contributes to the development of the Kenya economy. (10mks)

(i) Linking consumers / to producers/ which enables the consumers to obtain the goods they need.

(ii) Employment creation /solves unemployment problem hence create income Promotes specialization/produces concentrate in production only while other people carry out distribution

(iii) Making goods and services more useful/ by moving goods from where they are least required to a place where they are more useful.

(iv) Improving peoples standards of living through the varieties of goods and services

(v) Availing a wide market for products as the producers can access areas they would otherwise not have accessed.

(vi) Increased production /producers are able to increase the volume of good produced due to the wider market

(vii) Avoiding wastage/enables surplus goods to be disposed off by taking them to where they are needed.

(viii) Promoting development of industries - raw material and finished goods are taken to the market. (any 5x2=10mks)

b) Advantages to a country that reduces the barriers in international trade. (10 mks)

(i) Creates a wider market for the country's products/exports as other countries may also accept more goods from the country/that makes the country produce to full capacity/make better use of its resources/country can easily dispose off its surplus goods/services.

(ii) Country can specialize in production of goods/services where it has the best resources/comparative advantage/which it can produce cheaply/efficiently/since it can easily/cheaply get goods from other countries.

(iii) Promotes peace/understanding with other countries due to interactions/co-operation.

(iv) Higher quality goods may be produced due to competition from (easily available/quality) goods from other countries.

(v) People in country will have access to higher varieties of goods which allows for choice/better satisfaction of needs.

(vi) Creation of jobs/employment due to increased production activities (as a result of larger market).

(vii) Increased production of goods/services due to increased investments/variety of business activities. (viii) Improved infrastructure due to increased economic/production/trading activities.

(ix) Reduced prices for goods/services due to competition between countries/access to cheaper factors of production.

(x) The country can easily/cheaply acquire better/improved technology/skills from other countries leading to production of more/better quality/cheaper goods/services.

(xi) The country can get assistance/protection from the other countries during times of calamities/difficulties/war/terrorism. Mention -1 mk Otherwise, a fully expanded pt - 2mks

6. a) Highlight five measures Kenya may take to realize vision 2030. (10mks)

(i) Enhances /good governance /in the country

(ii) Improve security system to create a healthy business environment

(iii) Improves education system to reduce illiteracy level in the country

(iv) Improve infrastructure to enable growth of industries in most parts of the country

(v) Reduce corruption rate by heavy punishment to avoid loss of a country's resources

(vi) Enhance/family planning (methods) to reduce high population growth rate in the country.

(vii) Embrace modern technology in production and reduce cost of production

b) The following details were extracted from the books of Nalondo Wholesalers.

Invoices issued.

2014	shs
March 2 Masika	120,000
March 4 Nangila	60,000
March 10 Masika	150,000
March 25 Nangila	80,000

Invoices Received 2014

March 1 Wekesa	220,000
March 3 Wekesa	90,000
March 14 Wabwile	40,000
March 28 Wekesa	110,000

Credit notes sent 2014

March 8 Masika	20,000
March 26 Nangila	16,000

Credit notes Received 2014

March 11 Masika	30,000
March 27 Masika	10,000

Prepare journal entries and show the posting of the totals to the relevant ledger accounts

Sales Journal

Date	Details	Invoice No	L.F	Amount.
2014				Shs
March 2	Masika			120,000✓
4	Nangila			60,000✓
10	Masika			150,000✓
25	Nangila			80,000✓
				<u>410,000✓</u>

Purchases Journal

Date	Details	Invoice No	L.F	Amount.
2014				Shs
March 1	Wekesa			220,000✓
3	Wekesa			90,000✓
14	Wabwile			40,000✓
28	Wekesa			110,000✓
				<u>460,000✓</u>

Date	Details	Invoice No.	L.F	Amount.
2014 March 8 26				<u>Shs.</u> 20,000✓ 16,000✓ <hr/> 36,000✓

Dr.	Sales Account	Cr.
	2014	<u>Shs</u>
	March 31 Sunday debtors	410✓

Dr	Purchases Account	Cr.
2014		
March 31 sundry creditors	460,000✓	

Dr	Return Outward Account	Cr.
	2014	<u>Shs</u>
	March 31 sundry creditors	40,000✓

Dr.	Returns Inwards Account	Cr.
2014	<u>Shs.</u>	
March 31 sundry debtors	36,000✓	

(3/1x20=10marks)