

FORM FOUR CLUSTER KCSE MODEL 3

BUSINESS STUDIES PAPER 1 ANSWERS

1.
 - a) Holding company
 - b) Absorption/take overs
 - c) Insolvency
 - d) Franchise
2.
 - (i) Inadequate output data.
 - (ii) Deciding on what goods to include in the measurement of national income.
 - (iii) Some activities/earnings are considered illegal and not included in the measurement.
 - (iv) Determining the value of national output due to changes in prices.
 - (v) Problem of valuing output in the subsistence sector.
 - (vi) Deciding the price to use for goods kept as stock.
 - (vii) Double counting/differentiating primary output from intermediate output.
 - (viii) Problem of valuing Government output since they are not sold in the market,
 - (ix) Inadequate data.
3.
 - (i) When duty on imported goods have not been paid.
 - (ii) If storage charges have not been paid.
 - (iii) If the authorities are still inspecting goods.
 - (iv) If the documents for the goods in transit have not been verified.
 - (v) If the goods are illegal.
4.
 - (i) Control of an important input/factor of production.
 - (ii) Ownership of production rights.
 - (iii) Internal economic of scale.
 - (iv) Size of the market is small.
 - (v) Additional costs by other firms/high transport cost.
 - (vi) One firm has technical knowledge of production method.
 - (vii) When group of firms combine to act as one.
 - (viii) Restrictive practices.
 - (viii) Financial factors/government policy.(expensive to start)

(iv) Market research expenses.

(v) Preparing goods for sale expenses.

(vi) Expenses used in product promotion.

5. a – Internal

b - External

c - External

d - Internal

6. (i) When they need to control source of raw material.

(ii) If they want to increase their bargaining power in the market.

(iii) When they need to determine a reasonable uniform price for their products.

(iv) If they want to avoid wasteful competition among themselves

8.

$$\text{a) } \frac{\text{ROSTO} = \text{COS}}{\text{AV Stock}} \quad \frac{6 = \text{COS}}{200,000}$$

$$1,200,000 = \text{COS} \sqrt{\quad}$$

$$\text{b) } \frac{\text{M/up}}{\text{COS}} = \frac{\text{GP}}{4-1} \quad \frac{1}{1,200,000} = \frac{\text{GP} \sqrt{\quad}}{\quad}$$

$$\frac{=1}{3} = \frac{\text{GP}}{1,200,000}$$

$$3\text{GP} = 1,200,000$$

$$\text{GP} = 400,000 \sqrt{\quad}$$

$$\text{c) } \underline{\text{Sales}} = \text{GP} + \text{COS} \sqrt{\quad}$$

$$400,000 + 1,200,000$$

$$= 1,600,000 \sqrt{\quad}$$

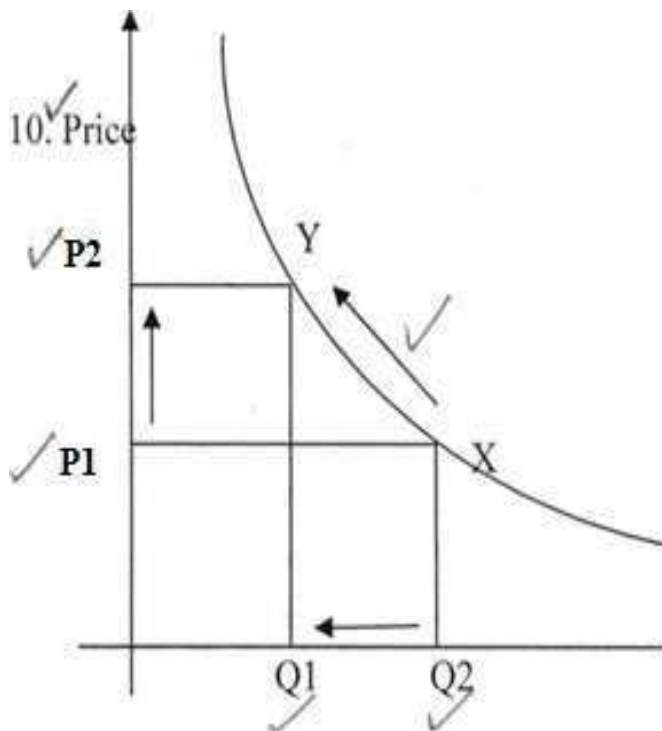
$$5 \text{ ticks} = 5 \text{ mks.}$$

9. Siaya traders

Trial balance✓

As at 30th May 2014

	Dr.	Cr.
Capital		247,000✓
Stock	60,000✓	
Debtors	22,000✓	
Creditors		45,000✓
Sales		120,000✓
Purchases	80,000✓	
Fixed Assets	250,000✓	
	<u>412,000</u>	<u>412,000✓</u>



8sticks @ $\frac{1}{2}$ = 4 marks

11. (i) Buying shares.
 (ii) Mobilizing savings for investment.
 (iii) Listing of companies.
 (iv) Issuing of new securities/raising capital.
 (v) Publication of statistical information.
 (vi) Advising investors.
 (vii) Selling shares.

- (viii) Fixing prices of securities.
 - (ix) Monitoring performance of quoted companies.
 - (x) Availing variety of securities.
 - (xi) Transfer of securities.
 - (xii) De-listing of companies
12. (i) Provision of goods and services.
- (ii) Payment for goods and services.
- (iii) Provision of factor services/inputs/factors of production land, labour, capital, entrepreneur.
- (iv) Payment for factor input (rent, interest and profit)
13. a) 155,000
- b) 73,600
- c) 335,620
- d) 138,600
14. (i) Provision of finance to member countries for faster economic development. (Grants in Aid)
- (ii) Issuance of loans developing countries at concessionary rates for project development.
- (iii) Provision of personnel to facilitate project appraisal and implementation.
- (iv) Training local personnel in project appraisal and implementation.
- (v) Provision of experts to implement and manage projects.
- (vi) Supervise member countries' management of public funds
- (vii) Advice and recommend economic policies to be adopted by member countries
- (viii) Approve development plans from member countries; funding.
- (ix) Promote long term growth in international trade e.g. removal of trade barriers.
- (x) Advance money for financing Bop deficit
- (xi) Guarantees loans of other lenders.
15. I. Hyper inflation/runaway inflation
- II. Galloping inflation/rapid inflation
- III. Stagflation IV. Creeping inflation/mild/moderate/gradual inflation.
16. Reasons why itinerant traders are popular.
- (i) They are flexible and can sell door to door.
- (ii) They don't have fixed prices therefore customers can bargain.
- (iii) They sell fast moving consumer goods.

- (iv) They are very persuasive
 - (v) They require little capital to start or operate
 - (vi) They don't suffer losses since they sell incash
 - (vii) Few legal formalities needed
17. (i) They negotiate for better prices of home products in their host countries.
- (ii) They provide information about their host country to the homeproducers.
- (iii) They look for market of local product in the host countries.
- (iv) They advertise products of home country in the host country
18. (i) Availability of better health care
- (ii) Food security (iii)Minimizing internal conflicts and wars.
- (iv) Improving environmental sanitation
- (v) Sensitizing of public (e.g. on hygiene, vaccination, HIV aids, stress management)
- (vi) Disaster preparedness (e.g. flood, fire, collapsing building)
- (vii) Creation of enabling environment to alleviate poverty.
- (viii) Apply measures to reduce road accidents
- (ix) Control the use of drugs and alcohol.
- (x) Control crime.
19. (i) Common markets - full mobility of factor inputs.
- (ii) Free trade area - barriers such as tariffs and quota are removed.
- (iii) Customs union - member countries change a common external tariff to other countries
- (iv) Economic union - common economic institutions such as central bank set up to deal with monetary policy.
20. i. Inadequate data on economic performance.
- ii. Inaccurate data/unreliable data.
- iii. Lack of skills/less qualified staff to deal with tasks.
- iv. Private sector activities are not co-ordinated.
- v. Lack of political goodwill/political rigidity
- vi. Inappropriate technology. vii. Inadequate funds/capital/resources.
- viii. Political instability.
- ix. Insecurity.
- X. Natural calamities/unforeseen circumstances.
- xi. Conflict of interest/corruption/lack of co-operation.

- xii. Over ambitious plans/unrealistic goals.
- xiii. Overreliance on donor funding.
- xiv. Bureaucratic rigidity/lengthy procedures.
- XV. Failure to involve the public at grass root level.
- xvi. Effect on inflation.
- xvii. Lack of adequate appraisal for evaluation.
- xviii. Unplanned population.

21. (A) - When there's need to call a person to attend to an emergency. When locating a person within a certain radius.
 (B) - When there is need to send a copy of printed document urgently. When there is need to send a document urgently.

(C) - When there is need to give co-ordinate information through a central point.

-When there is need to send information to a remote area. E.g. (where there is no network or telephone facility)

-When the distance involved is long.

-When sending information to a selected group e.g. Police

22. (i) Wider market - firm can advertise goods throughout the world.

(ii) Access to world market for increased sales

(iii) Instant receipt of order from all over the world (instant feedback)

(iv) Payment received through electronic funds transfer. (EFT).

(v) Reduced paperwork on customer records. (vi) Reduced cost of sales promotion.

(vii) It is easier to update records, (edit)

(viii) It is a combination of written, audio, visual and motion facilities

(ix) It's a faster way of delivering advertisements.

23. a) Double insurance/ co-insurance.
 - Double insurance in the act of taking two or more insurance cover with more than one insurance company for the same risk while co-insurance is where two or more insurance companies come together to cover the same risk. (2mks)

b) Premium and surrender value.

- Premiums are monthly payments made to the insurance company by the insured for the cover of a risk. While surrender value in money refunded in case the insured terminates or stops paying premium for insurance cover taken. (2mks)

24. (i) When the goods are urgently needed e.g. medicine.

(ii) When goods are perishable.

(iii) When the distance is long and cannot be covered by any other means other than air transport.

(iv) If the products are valuable.

(v) When the security of the goods is needed

25. (i) Goods are produced for sale/market.
- (ii) Goods are produced in large quantity/surplus.
- (iii) There's specialization in production.
- (iv) Goods produced are of high quality.
- (v) Modern technology is extensively used in production.
- (vi) It promotes interdependence between buyers and sellers.

