

FORM FOUR CLUSTER KCSE MODEL4
BUSINESS PAPER 1 ANSWERS

1. i. Creation of a pool labour.
- ii. Development of infrastructure.
- iii. Creation of employment opportunities
- iv. Creation of subsidiary industries.
- v. Development of social amenities.
- vi. May stimulate utilization of resources in the area.
- through joint disposal.)
- viii. The firms can attract other firms which use their finished goods (as raw materials hence creating market)
- ix. Easier for the government to provide public utilities (e.g. police post, school). (Any 4 x 1 = 4 marks)
2. i. Production is for the owner's consumption.
- ii. Production is done on small scale.
- iii. There is no specialization.
- iv. There is no use of simple tools in production.
- vi. It encourages individualism.
- viii. There is less independence among producers.
- world. (Any 4 x 1 = 4 marks)
3. i. Shortage of labour.
- ii. Undeveloped/underutilization of resources.
- iii. Lack of demand for good/leading to retarded economic growth.

- iv. Reduced pressure on resources.
- vi. Uneconomical to provide goods and services.
- 4. i. Quick/have a small capacity/fill very fast/save time.
- ii. Convenient/they are readily available.
- iii. Flexible/they do not have restricted terminals.
- iv. Relatively cheap/affordable. (Any 4 x 1= 4 marks)
- 5. i. Security/cheques are more secure.
- ii. Can be used to pay large/huge amounts/sums of money.
- iii. It is portable/convenient to carry.
- iv. Not easy to forge.
- v. Can be used as reference of payment made. (Any 4 x 1= 4 marks)
- 6.



Factor	Internal	External
a) Civil war		√
b) Economic recession		√
c) Employees	√	
d) Competitors		√

- 7. i. Improved technology.
- ii. Reduction in the cost of production.
- iii. Entry in new firms in the industry.
- iv. Favourable natural factors / weather
- vi. Adequate factors of production/availability of factors of production.
- viii. Anticipation of future increase in demand. (Any 4 x 1= 4 marks)
- 8. i. Certain
- ii. Equitable

iii. Flexible

v. Economical

vii. Diversified

9. i. To write off bad debts.

ii. To record issue of shares or share allotment.

iii. Record sale of fixed assets on credit.

iv. To record purchase of fixed assets on credit.

vi. To record opening/closing entries

viii. End of year adjustments on final accounts. (Any 4 x 1= 4 marks)

10.

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Gross profit

$$\text{R.S.T.O} = \frac{\text{cost of sales}}{\text{Average stock}}$$

$$\frac{6}{1} = \frac{x}{190,000}$$

$$(C.O.S) = 190,000 \times 6 = 1,140,000$$

$$\text{Margin} = \frac{20}{100} = \frac{1}{5}$$

11. i. Buyer gets goods at low price(s).

ii. Gets goods while fresh/good quality.

iii. Direct/personal contact with the producer

iv. Can get goods of his/her choice/specification.

12. i. Inadequate finances/funds/capital.

ii. Consumers are unaware of their existence/consumer ignorance.

iii. Unqualified personnel.

iv. Consumers unwilling to join associations

- v. Lack of consumer education/are not aware of their rights.
 - vi. Face stiff competitions.
 - viii. Consumer's apathy to report the issues of exploitation.
13. i. One/single/seller/producer/supplier.
- ii. Seller is the price maker.
 - iii. Restrictions/barriers to entry into the market.
 - iv. Unique/no close substitutes for the goods.
 - vi. The demand curve steeply slopes from left to right.
 - viii. Can exercise process discrimination in the markets. (Any 4 x 1= 4 marks)
14. i. Medium of exchange.
- ii. Measure of value.
 - iii. Store of value.
- v. Unit of accounts. (Any 4 x 1= 4 marks)
- 15.

TWO COLUMN CASH BOOK OF WANANCHI TRADERS

Date	Details	Cash <u>Shs</u>	Bank <u>Shs</u>	Date	Details	Cash <u>Shs</u>	Bank <u>Shs</u>
Jan 2012				Jan 2012			
1 st	Bal. b/d	10,000✓	25,000✓	2 nd	Purchases✓	6,000 ✓	—
2 nd	Sales ✓	2,500✓		12 th	Cash ✓		4,000✓
12 th	Bank✓	4,000✓		15 th	Wages✓	3,000✓	
21 st	Med✓		4,500	13 th	<u>Bal.c/d</u>	7,500✓	25,500✓
		<u>16,500</u>	<u>29,500</u>			<u>16,500</u>	<u>29,500</u>
22 nd	<u>Bal.b/d</u>	7,500	25,000				

16 x ¼= 4 marks)

- 16. i. Loss of value of a country's currency.
- ii. Decrease in standards of living.
- iii. Collapse of firms as a result of selling goods at high prices.

- iv. Can bring political instability.
- vi. Increase in poverty rate.
- viii. Discourages savings/investment
- 17. i. Cost of the means.
- ii. Distance to be covered.
- iii. Nature/type of goods to be transported
- iv. Value of goods to be transported.
- v. Terminals.
- vi. Urgency of the goods
- viii. Security of the means.
- 18. i. Exports
- ii. Government expenditure
- iii. Investments
- v. Taxes
- 19. i. Subject
- ii. Accounting
- iii. Economics
- iv. Commerce
- v. Typing with office practice/office practice.
- vi. Entrepreneurship
- 20. i. Telephone Bureau
- ii. Mobile phone use
- iii. E-mail iv. Internet
- v. E-commerce
- vi. Facsimile (Fax) (Any 4 x 1= 4 marks)

21. i. Unavailability

ii. Poor quality products

iii. Insufficient quantities.

iv. Unaffordable prices.

v. Poor services. Any 4 x 1 = 4 marks

22. i. Private warehouses.

ii. Public warehouses.

iii. Bounded warehouses.

iv. Free warehouses.

23. i. Standing orders.

ii. Bank draft

iii. Cheques

iv. Credit cards.

v. Credit transfer

vii. Telegraphic transfers.

Any 4 x 1 = 4 marks

24. i. Losses

ii. Investments

iii. Profit

iv. Drawings (4 x 1 = 4 marks)

25. i. Are persons of less than 18 yrs. of age.

ii. Share in the profits earned.

iii. Do not share in the losses incurred.

iv. Have limited liabilities.

. Do not take part in management/running of the business