

FORM FOUR CLUSTER KCSE MODEL5

BUSINESS PAPER 1 ANSWERS

1. Characteristics of economic resources. (4mks)
 - i) Scarce in supply.
 - ii) Have money value.
 - iii) Unevenly distributed.
 - iv) Have utility.
 - v) Have alternative uses.
 - vi) Can change ownership.
 2.
 - i) Institutional advertising.
 - ii) Celebrity.
 - iii) Primary demand/informative advertisement.
 - iv) Product advertising.
 3. Four reasons why most banks prefer landscape/type of structure: (4mks)
 - i) Promotes team work among employees.
 - ii) Sharing of office equipment /reduce cost of buying.
 - iii) Supervision of work is easy.
 - iv) Maintenance cost is low.
 - v) Easy location of workers.
 - vi) Discourages absenteeism of workers.
 4. Reasons why small scale firms/businesses continue to exist in an economy dominated by large scale firms (4mks)
 - i) Size of the market.
 - ii) Nature of the product.
 - iii) Simplicity of organization.
 - iv) Flexibility of small firms.
 - v) Quick decision making.
 - vi) Belief that small firms are more manageable.
 5. Positive effects of inflation. (4mks)
 - i) Debtors may pay less.
 - ii) Sellers may earn more.
- i) Motivation to work.

- iii) Increased products.
- iv) Better use of available resources.

6. 7. Challenges of economic development and planning at implementation stage. (4mks)

- i) Reliance on donor funding.
- ii) Lack of domestic resources.
- iii) Failures to involve local people in planning.
- iv) Natural calamities.
- v) Over ambitious plans.
- vi) Lack of cooperation among executing parties.
- vii) Inflation.

7. Challenges of economic development and planning at implementation stage. (4mks)

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- vii) Inflation.
- viii) Lack of political will

8. Contents of memorandum of association. (4mks)

- i) Name clause.
- ii) Objective clause.
- iii) Situation clause.
- iv) Liability clause.
- v) Capital clause.
- vi) Declaration clause.

9.

Assets	Capital + liabilities.
1840,000	100,000
400,000	60,000
80,000	150,000
<u>2,320,000</u>	<u>310,000</u>
Capital =2,010,000	

10. . Advantages of public warehouse to traders. (4mks)

- i) Goods stored can be sold without physical movement.

- ii) Traders can rent space to store their goods.
- iii) Traders do not have to construct their own warehouse.
- iv) Goods are insured against risks e/g damage, fire and theft.
- v) Traders may get short term loan.
- vi) Preparation on goods while in the warehouse.

11. Differences between banks and non-bank financial institution. (4mks)

Banks	Non-bank financial institutions
1) Provide all types of accounts	1) Mainly offer savings and fixed accounts.
2) Short term and medium term finance.	2) Medium and long term finance.
3) Finance not restricted to any sector	3) Provide finance to specific sector.
4) May provide foreign exchange facilities.	4) Do not provide foreign exchange facilities.
5) Finance to mainly for working capital.	5) Finance mainly for capital development.
6) Participate in clearing houses.	6) Do not participate in clearing houses(no <u>chaque</u> facilities)
7) Under control of CBK	7) Not directly under control of central bank.

(4mks)

12. Benefits of community around Kibabii University.

- i) Transport. ii) Housing.
- iii) Education brought closer
- . iv) Cheaper education.
- v) Cyber business.
- vi) Prices of land upwards.
- vii) Market for construction.
- viii) Social interaction increased.
- ix) Market for agricultural goods.
- x) Employment opportunities. (4mks)

13.

KIKWETU GEN.STORES
Trading account
For the year ended 31/12/14

Dr					Cr
	KSHS	KSHS		KSHS	KSHS
Op.stock	70,000✓			Sales	950,000✓
Add purchases	<u>640,000</u> ✓	710,000✓	Less Returns	150,000✓	800,000
Less Returns outward		<u>140000</u> ✓	inwards		
Cost of sales		570,000			
Less closing stock		<u>68,000</u> ✓			
c.o.gs		<u>502,000</u>			
<u>G.p.c/d</u>		<u>298,000</u> ✓			<u>800,000</u> ✓
		800,000	G P Profit b/d		298,000
					(8x½=4mks)

14. Sources of monopoly power. (4mks)

- i) Control of important input.
- ii) Ownership of production rights.
- iii) Internal economics of scale

. iv) Size of the market.

- v) Additional costs by other firms.
- vi) Where a group of firms combine to act as one
- vii) Restrictive practices. viii) Financial factors.

15. . Essential elements of effective communication. (4mks)

- i) Sender/communicator.
- ii) Message.
- iii) Medium/channel.
- iv) The receiver.
- v) Feedback.

16. Levels of production:

- a) Primary.
- b) Tertiary.
- c) Secondary.

d) Tertiary.

17. State whether each of the following factors fall under micro-environment or macro-environment.(4mks)

a. Macro.

b. Macro.

c. Micro.

d. Micro.

19. . Benefits of street lights.

i) Security.

ii) Long hours of trading.

iii) Increased rate of stock turn.

20. (a)-Increases.

(b)-Increases.

(c)-Decreases.

(d)-Increases.

21. Explain meaning of the following:

(a) Population growth-rate at which the size of the population changes over a given period of time (usually one year)

(b) Fertility rate-the average number of children per women that women in the child bearing age are likely to give birth.

(c) Ageing population-that population which has a high proportion of old people.

(d) Under population-when resources in the county are greater than the size of the population in that county.

22. Use of the following columns in the ledger accounts:

(a) Amount column-amount of money involved in the transaction.

(b) Date column –the date when the transaction took place.

(c) Particulars column –the parties involved in the business transaction.

(d) Folio column-reference number of the transaction.

23. Benefits of economic integration to the countries of East Africa. (4mks)

i) Wider market.

ii) Encourages specialization.

iii) High quality and cheap products are produced.

- iv) Promotes peace.
- v) Common bargaining front.
- vi) Industrial development co-ordination.
- vii) Employment creation.

24. Procedure when taking out insurance. (4mks)

- i) Filling a proposal form.
- ii) Determining of premiums to be paid.
- iii) Payment of the first premium.
- iv) Issuing of cover note (binder)
- v) Issuing of policy.

25. . Identify four features of a tied shop. (4mks)

- i) Goods of one particular manufactures.
- ii) Uniform shop design and layout.
- iii) Decentralized operations.
- iv) Central control management system.
- v) Uniform pricing.