

FORM FOUR CLUSTER KCSE MODEL5

BUSINESS PAPER 2 ANSWERS

1. (a) Reasons for a trader to choose pipeline. (10mks)

- i) Labour saving, requires minimal manpower.**
- ii) Environmentally friendly, free of noise or smoke.**
- iii) Constructed where difficult for other types of transport to pass e.g. rugged terrain.**
- iv) Reduces road damage as number of tankers is reduced on roads.**
- v) Reduces delays arising from congestion on roads.**
- vi) Maintenance costs reduced as relies on gravitational force and booster stations along the way.(10mks)**

2. Uses of National Income statistics in a country. (10mks)

- i) Indicators of standard of living high or low. The higher the index, other factors remaining constant.**
- ii) Comparing standards of living in different countries the higher the index, the better the living standard in a county compared to another with a lower index, other factors held constant.**
- iii) Assessing of performance of the economy over time. The period with a higher national income will be considered to be better.**
- iv) Assisting the government to plan the economy, by comparing performance of different regions or sectors in the country and making corrective measures or updates.**
- v) For investment decisions-by show of declining or growing sectors, by means of the statistical data. (10mks)**

3. (a) Channels of distributing imported goods. (10mks)

- i) Foreign producer → Agent → W/saler → Retailers → Local consumer.**
- ii) Foreign producer → W/saler → Retailer → Local consumer.**
- iii) Foreign producer → Manufacturers' Representative → W/Saler → Retailer → Local consumer.**
- iv) Foreign producers → local consumer.**
- v) Foreign producer → W/saler → Local consumer.**
- vi) Foreign producer → Retailer → Local consumer.**

4.

(a)

CHILIBA TRADERS
TRADING PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 30TH APRIL 2014✓

Dr.		Cr.	
	Kshs		Kshs
Opening stock	37,760 ✓	Sales	186,000✓
Add Purchases	115,560✓	Less Returns inwards	4,400 ✓
	153,320		181,600
Less Returns outwards	3,550✓		
	149,770		
Less closing stock	49,980✓		
	99,790		
Gross profit c/d	81,810		
	181,600		181,600✓
Salaries	24,470	Gross profit	81,810
Electricity	6,640		
Rent	5,760		
Carriage outward	3,250		
Sundry expenses	12,020		
Net profit c/d	29,670		
	115,810		115,810
		Net profit	29,670
		(1x12=12mks)	

(b) Government development in entrepreneurial culture. (8mks)

i) Credit creation/capital/Uwezo fund etc.

ii) Improving infrastructure.

iii) Checking on foreign trade dominance in the country.

5. (a) Benefits of insurance to an economy. (10mks)

i) Employment creation: insurance companies employ field officers to reduce unemployment.

ii) Creation of confidence in investors by investing in risky yet profitable business ventures.

iii) Revenue to the government by taxing salaries and profits made by the company.

iv) Continuity of business by compensating the insured business.

v) Spreads risks where the few who suffer losses are compensated.

vi) Encourages savings through premiums saved as contributions.

vii) Investments -the amounts remaining after compensation is invested by the insurancecompany.

(b) Ethical practices in production promotion. (10mks)

- i) Permanence of the product – to tell the truth about the durability and performance of the product in question.**
- ii) Ingredients –to give the correct inputs in the product.**
- iii) Side effects- to disclose the negative attributes of the product so as to avoid health problems associated with the product.**
- iv) Pricing –to avoid overpricing and make customers to believe the price is at its normal.**
- v) Effects on the environment e.g. noise pollution which could impair normal operation of the consumers.**
- vi) Social cultural conflicts e.g. taboos to avoid the interference with the norms of the society, businesses should take care of existing accepted mode of behaviour of the community or society.**

6. (a) Five government initiated methods of consumer protection. (10mks)

- i) Setting up standards.**
- ii) Weight and Measure Act.**
- iii) Licensing. iv) Food and Drug Act.**
- v) Trade Description Act.**
- vi) Public Health Act.**
- vii) Price Control Act.**
- viii) Rent and Tribunal Act.**

(b) Factors a trader may consider before selling goods on credit. (10mks)

- i) Credit worthiness of the buyer.**
- ii) How long is the repayment period.**
- iii) The amount of goods the customer wants.**
- iv) Availability of adequate stock.**
- v) Honesty/reliability of the customer/past history.**
- vi) Frequency with which the customer buys from the traders.**
- vii) Sellers' intention to attract and retain the customer.**