

## **FORM FOUR CLUSTER KCSE MODEL 6**

### **BUSINESS PAPER 2 ANSWERS**

Answer any five questions.

1. a)

- i. When he/she has a new/improved product – in order to inform consumers about its existence.
- ii. When he/she wants to educate the consumers- on how to use the product.
- iii. To remind consumers of continued existence of the product- in order to retain the market.
- iv. In order to counter misleading/negative information- so as to compete effectively in the market.
- v. Where the government policy requires the use of informative advertising- then the manufacture will have no option.
- vi. If it is the policy of the manufacturer to use informative advertising- thus ensuring that it does not go against its own rules.
- vii. If there is a change in price of the product so that consumers are made aware of the reasons.

b)

- i. Initiates production/business idea- through creativity/innovation.
- ii. He/she manages/runs the business-through planning/organizing e.t.c activities.
- iii. Provides capital/finance/funds-necessary for paying for business operations/starting the business/production.
- iv. Hires/rewards other factors of production-by paying salaries/rent/interest e.t.c. for their use.
- v. Bears risks- such as losses/business failure.
- vi. Makes decisions- on how/where/when /what to produce/sell/open business /hire/fire employment e.t.c.

vii. Provides/assembles other factors –in suitable proportions/in order for production to take place/commence business

2. a)

i. Owned/formed by one person - Who provides the capital/starts the business alone.

ii. Makes decisions alone- since he/she has no one to consult/does not need to consult.

iii. Limited life – as its existence depends on the life of the owner.

iv. Usually small in size –due to limited/small capital/limited management skills.

v. Owner bears all the risks/losses alone since he has no one to share with.

vi. Owner has unlimited liability –since personal property can be attached/auctioned.

vii. Owner enjoys all the profits alone- since he has no one to share with.

viii. Easy/simple formation- as it requires few/no legal formalities/may only require a trading license.

ix. Flexibility/adaptability- to change type/nature of business/location

x. Not a legal entity – as owner and business are treated as one.

b)

Banda Traders			
Profit and Los Account for the year ended 31/12/2014			
	Shs.	Sh.	Sh.
Bank charges	4, 800	Gross profit b/d	3, 200, 000
Rent	480, 000	Add comm received	85,000
Lighting	72, 000	Disc. Received	<u>85,000</u> 170,000
Water	92, 200		
Salaries	750, 000		
Disc allowed	46,000		
Gen. expenses	980,000		
Net profit c/d	<u>945,000</u>		
	<u>3,370,000</u>		<u>3,370,000</u>
		Net profit b/d	945000

Banda Traders Balance Sheet As at 31 <sup>st</sup> Dec. 2014			
ASSETS		CAPITAL & LIABILITIES	
Fixed Assets	Sh.	Sh.	Sh.
Motor vehicle	23 000 000	Capital	30 000 000
Furn & equi	6 500 000	add n.p	945 000
	29 500 000		30 945 000
Current Assets		Current liabilities	
Stock	205 100	Creditors	3 960 000
Debtors	2 700 000		
Bank	2 000 000		
Cash	<u>500 000</u>		
	<u>5 405 000</u>		
	<u>34 905 000</u>		<u>34,905,000</u>

3. a)

i. Cost of buying- whether it can afford or not.

- ii. Durability- if can last for a considerable period or not
- iii. Extent of use/adaptability- whether it can serve more than one purpose or not.
- iv. Manpower/operator-if it can be run/operated by the staff/or may need hiring of new staff.
- v. Spare parts- whether the necessary spare parts are available or not/can be serviced or not.
- vi. Space/room- if there is space to keep it or not.
- vii. Type/nature of work – consider whether to go for a simple or advanced/complex machine.

b)

- i. High cost – construction/maintenance are huge/large and may not be affordable.
- ii. Existence of a good road network-which may have led to low demand for railway system.
- iii. Poor management- which result into huge losses/leading to provision of poor services.
- iv. Lack of modern technology- which may not be available and can only be imported/has to be developed at a high cost/has not been developed/trained locally.
- v. Inflexibility- which makes it less attractive to develop.
- vi. Low industrial base- which has led to low demand for railway services making its construction

economically unviable.

4. a)

- i. Personal contact/personalized services- which attracts/appeals to customers and which are not offered by supermarkets.
- ii. Convenience of location/availability- mostly located/found near to consumers/in many places including the countryside unlike supermarkets which are mostly located in urban/town centres.
- iii. Credit facilities- they can sale goods/services on credit to some of their customers whereas supermarkets sale on cash basis.
- iv. Adaptation to specific customer/quantity needs- They can sell gods in smaller units to meet specific customer needs which supermarkets may not be able to do.

v. Starting/initial capital – require small/little capital unlike supermarkets which require large sums

of money for investment to start.

vi. Flexibility- easier for small scale retailers to change from one business/location to another unlike supermarkets which may find it more difficult.

vii. Appeal to class – they appeal to a large section of members of the society including the poor/illiterate unlike supermarkets which appeal to more educated/ enlightened/well off members

of the society

5. a

- i. Foreign producer → local consumer
- ii. Foreign producer → local retailer → local consumer
- iii. Foreign producer → local wholesaler → local retailer → local consumer
- iv. Foreign producer → foreign agent → local retailer → local consumer
- v. Foreign producer → foreign retailer → local consumer
- vi. Foreign producer → foreign wholesaler → local agent → local consumer

Issue of currency- used in the economy to facilitate exchange.

ii. Generates government revenue- from dividends/profits which are used to finance government expenditure.

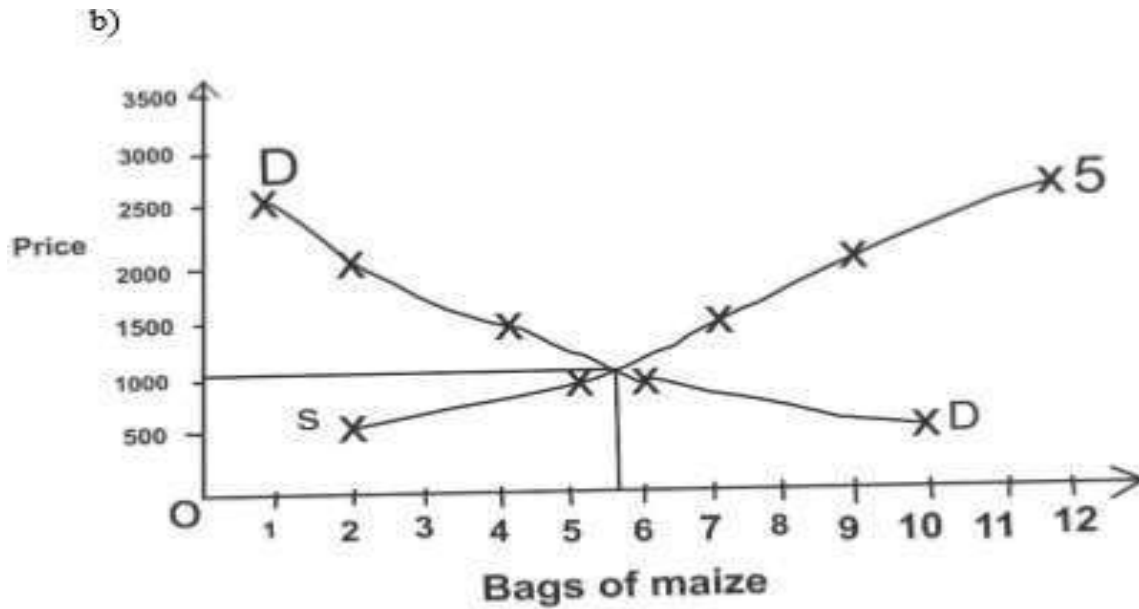
iii. Creation of employment- by hiring people who are able to earn an income.

iv. Avails credit –to the government/commercial banks are low interest rates/to finance their operations.

v. Controls money supply/credit- which stabilizes the economy/regulates inflation.

vi. Provides banking services- for government/commercial banks funds for safe keeping.

vii. Supervises commercial banks-to ensure that public funds are protected.



6. a)

- i. Expanded market- by selling its surplus to member countries.
- ii. Access to variety of goods-which satisfy different consumer needs.
- iii. Improved quality goods- due to competition among firms in the region
- iv. International understanding/peace-due to interaction/exchange among member countries.
- v. Technology transfer- which may be borrowed from member countries to improve production
- vi. Increased specialization- by concentrating in production of goods/services it has a better comparative advantage/best endowed with

b) Dr. 3- Column Cash Book Cr.									
Date	Details	Disc allowed	Cash	Bank	Date	Details	Disc recei	Cash	Bank
2015		sh.		Sh.	2015		Sh.	Sh.	Sh.
Mar 1	balances b/d		7800	52000	Mar 4	Motor van			150000
" 2	Sales			6100	" 12	Stationery		580	
" 7	Harry	500		9500	" 15	Mugo	200	1800	
" 18	Sales			140000	" 21	Salaries			4000
" 23	Bank		23000		" 23	Cash			23000
" 28	Anne	100	7100		" 30	Drawings		2000	
" 31	Cash			33300	" 31	Bank		33300	
					" 31	Balances c/d		300	63900
		600	37900	240900			200	37900	240900