

## **FORM FOUR CLUSTER KCSE MODEL9**

### **BUSINESS STUDIES PAPER 1 ANSWERS**

1.
  - Competitors.
  - Demography.
  - Customers.
  - Intermediates.
2.
  - Fall in price of inputs.
  - Use of modern methods of production.
  - Favourable government policies/reduced taxation/more subsidies
  - Availability of input in large amount.
  - Good weather/seasons.
  - Policies in the industries that support continued production.
  - Expected future increase in demand.
  - Expected future increased in price of the product.
  - Expected future increase in price of the product.
3.
  - Can sell surplus thus reduces wastage.
  - Production of goods /services will increase.
  - Good infrastructure will be developed.
  - Peace and understanding is promoted due to interaction.
  - There will be opportunity to utilize available resources.
  - Employment opportunities will be created.
  - Specialization is enhanced leading to quality of goods.
  - Improved technology due to exchange of skills.
  - Consumers can buy they do not produce.
  - Producers and traders get income from selling goods.
4.
  - Created under law /companies Act CAP 486.
  - Have limited liability.
  - Are legal entity.
  - Owner are shareholders.
  - Are regulated by memorandum of Association of A O A.
  - Managed by board of directors.
  - Raise capital by selling shares.

- Have perpetual succession.
  - Required certificate of incorporation to start.
  - Books of accounts must be audited.
5. -Purchases journal.
- Sales return journal.
  - General journal.
  - Purchase returns/returns –outwards journal.
6. -Asset = property of a business that has money value.
- A liability =is debt a business incurs /is supposed to pay.
  - Owner's equity =resources contributed by owner of the business to run it.
  - A balance sheet = a financial statement for a business listing assets ,capital and liabilities of the business.
- 7.
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|---|--|
| <p><u>A Good</u></p> <ul style="list-style-type: none"> <li>- <u>is tangible</u></li> <li>- <u>Can be</u> standardized</li> <li>- <u>can be</u> stored</li> <li>-<u>price paid</u> is for ownership</li> <li>-<u>can be</u> separated from producer.</li> </ul> | <p><u>Service</u></p> <ul style="list-style-type: none"> <li>- Is <u>intangible</u>.</li> <li>-cannot be standardized.</li> <li>- cannot be stored.</li> <li>- Price paid is for experience.</li> <li>- <u>cannot be</u> separated from the <u>producers</u>.</li> </ul> |
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8. -Presence of adequate capital.
- Use of latest technology.
  - Adequate market or products.
  - Good security for the business stock /trader.
  - Good pricing of the firm's products.
  - Good planning which accommodates future changes.
  - Favorable competition /ability to cope with competition.
  - Good marketing strategies increasing sales.
  - Producing right products /service for the available market.
  - Good management recruitment of experts.
  - Proper use of business resources.
9. - Record of payment are easily kept.
- Can pay all sizes of debts.

- Payment can be made any time.
  - Payment of money is guaranteed.
  - Cost of paying is affordable.
  - Most producers /traders are linked to this service of lipa na M-pesa.
10. -By providing capital for operations.
- Appointing board of Directors.
  - Auditing books of accounts.
  - Providing legal advice.
  - Help in training of workers.
  - Provides policy guideline.
  - Supervises activities of parastatals.
11. -The seller can have his goods examined.
- Sellers can get immediate orders for his goods.
  - Can explain detail of the products to customers as they listen and watch
  - Provides immediate feedback.
  - A company can identify regular customers .
  - The company can demonstrate use of the products.
  - Helps persuade customers to buy.
12. - A large number of sellers and buyers.
- Products produced are homogeneous / identical.
  - No government interference.
  - Producers are price takers.
  - There is free entry and exit.
  - There is perfect mobility of factors of production.
  - There is perfect knowledge of the market both sellers / buyers.
13. -Improves corporate images.
- Simplifies work.
  - Wider variety of goods and services for different choices.
  - Reduced cost per unit output.

- High quality goods produced.
  - There is reduction of waste.
  - Standardization of products/services possible .
  - Implement of product /service: delivery noted
  - Increased output levels.
14. -Environmental pollution.
- Expired goods being sold.
  - Poor quality /damaged goods sold.
  - Unfair pricing/high.
  - Operating business in dirty environment.
  - Selling harmful products.
  - Holdings of goods causing shortages.
  - Misleading advertisements.
  - Breach of contract.
  - Incorrect weights or measures being used.
15. - Labour supply reduces.
- Increased in welfare costs.
  - Need to import labours affecting foreign exchange reserves.
  - Exchange reserves.
  - Fall in demand for goods required by the youth.
  - Reduced investments.
  - High dependency ration.
  - High resistance to change.
- 16.

Youth traders  
Balance sheet  
As at 30<sup>th</sup> sept 2013

	<u>Shs</u>		<u>shs</u>
<u>Fixed assets</u>		Capital	127000✓
Land	120,000✓	<u>Longterm liabilities</u>	
Machinery	45,000✓	Loan	38700✓
<u>Current Assets</u>		<u>Current liabilities</u>	
Debtors	8000✓	Creditors	16800✓
Cash	9500✓		
	182500		

$$\begin{aligned}
 \text{Capital} &= \text{Assets} - \text{Liability} \\
 &= 182500 - 55500 \\
 &= \text{sh } 127,0000
 \end{aligned}$$

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|--|---|
| <p>17. Machine</p> <ul style="list-style-type: none"> <li>✓ <u>paper punch</u></li> <li>✓ <u>Stapler</u></li> <li>✓ <u>Staple remover</u></li> <li>✓ <u>Paper shredders</u></li> <li>✓ <u>guillotine</u></li> <li>✓ <u>Type writer</u></li> <li>✓ <u>Franking machine</u></li> <li>✓ <u>Computer</u></li> <br/> <li>✓ <u>Fax</u></li> <li>✓ <u>Photocopy</u></li> <br/> <li>✓ <u>Duplicating</u></li> <li>✓ <u>Telephone/mobile phone</u></li> <li>✓ <u>T.V</u></li> <li>✓ <u>Clock</u></li> </ul> | <p>Use</p> <ul style="list-style-type: none"> <li><u>make holes in documents</u></li> <li><u>fix document together.</u></li> <li><u>remove staple from document.</u></li> <li><u>destroy west papers.</u></li> <li><u>Cut paper to required size.</u></li> <br/> <li><u>affix postage</u></li> <li><u>communication /typing</u></li> <li><u>documents.</u></li> <li><u>sent printed message.</u></li> <li><u>make more copies of a</u></li> <li><u>documents.</u></li> <li><u>make many copies.</u></li> <li><u>sent messages.</u></li> <li><u>entertaining.</u></li> <li><u>timing.</u></li> </ul> |
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18. - Consumers will not assured of delayed supply of goods.
- lack of variety of goods for wider choice.
  - Lack of time utility.
  - Consumers may not enjoy lower prices from quantity discount earned by traders for buying goods

in large amount.

-Prices of goods are likely to be unstable.

-Consumers may not get goods in amounts each may want especially for large amounts .

-Quality of goods may not be compromised.

19. - Where additional income is needed/profit

-When the wants to create employment for one's self/others.

-When the wants to apply business skills acquired in training.

-Where he has idle money that can be invested.

-Where one has a business idea to implement.

-Need to use spare time economically.

-If there is a market gap (niche)

-Where there is need to use others talent /hobby.

20. - Air transport is faster.

-Flowers are perishable.

-Flowers have a very high per unit value.

-Flowers are ligh not bulky / do not take big space .

-Flowers are light in weight.

-There is high security.

21. - Sales promotions can be carried out through mobilephones.

-Storage of money.

-Payment of debt / purchase of goods.

-Calculation as they have calculators.

-Entertainment - radio /memory card.

-Storage of messages.

-Photography by use of camera.

-Video shooting.

-Twitter/facebook.

22. = Principle of insurable intrest.

-Principle of uberimmae fidei.

-Principle of proximate cause.

- Principle of contribution.
  - Principle of indemnity.
  - Principle of subrogation
23. - Presence of Raw materials.
- Presence of adequate market /customers.
  - Water supply.
  - Availability of power.
  - Required labour.
  - Goods transport system.
  - Presence of modern communication system.
  - Presence of security.
  - Government towards the business.
  - Social amenities.
  - Auxiliary services.
  - Social considerations.
24. - Lending loans/ credits.
- Provision of excellent means of payments.
  - Purchase and sale of foreign currency.
  - Provision of night safes for late bankers.
  - Availing lockers facilities for valuables.
  - Create credits.
  - Agency services to their customers e.g. trustee ,guarantors, executors.
  - Safe keepings of customers deposits.