

## FORM FOUR CLUSTER KCSE MODEL9

### BUSINESS STUDIES PAPER 2 ANSWERS

**Answer ANY FIVE questions.**

1. a)
  - i. Provides market for shares /security-provides a (conducive) environment to(professional )investors who want to buy shares/those who wish to sell their security.
  - ii. Provides (useful) information that enables investment make decisions on the type of investment to make.
  - iii. Assist companies to raise capital by creating an environment through which new share are issued to the public.
  - iv. Measure of a country economic progress / a barometer of economic progress as the performance of security in stock exchange is an indicator of (a country's economic progress)
  - v. Creation of employment has assisted for creating jobs for those who facilitate the buying and selling of securities.
  - vi. Raise revenue of the government through fees and other duties from activities carried out in the Bourse.
  - vii. Avails a variety of securities from which different investors choose from. viii. Safeguards investors interest as it monitors performance of the (quoted) companies/those not meeting the expectations are stuck off from the register.
  - ix. Promotes the culture of savings/ invests in accumulation of capital so investors who buy shares are saving their capital .
  - x. Assist in determining prices of security through the N.S.E the prices of the various companies are determined.
- b)
  - i. Unequal /unfair income distribution : of the income is inequitable(unfairly/unevenly)distributed, the welfare may not have improved even increased per capital income.
  - ii. Overworking/little/no recreation (leisure)-increased per capital may be due to overworking /with recreation leading to poor standard of living.
  - iii. Per capital income is derived from arithmetical calculations which may not show a true picture of rise /fall of standards of living.
  - iv. Inflation /highly priced gross may raise the per capital income bit not improving standard of living.
  - v. Devaluation of currency may increased per capital income but not improve people welfare.
  - vi. Increased social cost-increase in per capital for those working in urban areas may cause strain on family relationships.
  - vii. Wrong /inaccurate data from people /income may give wrong /false exaggerated information of the standard of living.
  - viii. Difficult to measure welfare as people's wants aspirations /task keeps on changing it time hence this method not best to measure.
2. a)
  - i. Provides a link between procedures and consumers /reduces the number transactions between producers and consumers /producers are linked to various consumers.
  - ii. Takes up risks (in distribution of goods) by possessing/transporting/storing of goods on behalf of

producers.

iii. Prepare goods for sales by sorting/grading/brading/packaging /blending NB:accept any example of preparation for sale as an explanation. iv. Availing goods to consumers at convenient location/ by ensuring steady supply of goods to consumers.

v. Assist in market research by passing information about the market to producers.

vi. Accumulates bulk from various (small scale) producers/that is convenient to large scale consumers.

vii. Breaks bulk to allow consumers buy/get goods in convenience sizes /on behalf of producers.

viii. Carries out products promotion on behalf of producers /by passing relevant information about products to consumers.

ix. Provides finance to producers by promptly paying the producers.

x. Provides a variety of goods to consumers/from various produces/at one place.

xi. Provides transport to producers by moving goods to other traders/consumers.

b)

i. Courtesy –one should have regard for others.

ii. Respect-one should show due respect.

iii. Punctuality –observe working hours /report on time to duty..

iv. Loyalty – commitment /devotion to one work.

v. Accuracy –performance of duty with excellence/precision/correctness.

vi. Honest –tell the truth all the time /sincere.

vii. Cooperation –enforce team work and without mace /friction/selfishness.

viii. Initiative – make proper decision /creativity in ideas.

ix. Judgment – must weigh all possibilities before making decision.

x. Diplomacy - must convince others fact fully. NB mention of the attribute

3.

<u>Wekhombe Taders</u> <u>Profit and loss a/c</u> <u>For the year ended 31<sup>st</sup> Dec-2008</u>			
Salaries	12400 ✓	<u>Gross profit b/d</u>	38100
Carriage outwards	14400 ✓	<u>Add-Discourt received</u>	26400
Airtime	22200 ✓	<u>Rent income</u>	12600
<u>Bad debts</u>	9400 ✓		
<u>Net profit dd</u>	18700 ✓		
	<u>77100</u>		<u>77100</u>
		Net profit b/d	18700

<u>Wekhombe Traders</u> <u>Balance sheet</u> <u>As at 31<sup>st</sup> Dec-2008</u>			
<u>Fixed Assets</u>		Capital	653560
<u>Motor vehicle</u>	603000 ✓	Add.Net profit	18700
Equipment	200600 ✓		<u>672260</u>
Furniture	94400 ✓		
	<u>898000</u>	Creditors	74300
		B/overdraft	<u>412600</u>
<u>Current Assets</u>			486900
Stock	80200		
Cash	105060		
Debtors	75900		
	<u>261160</u>		
	<u>1,159160</u>		<u>1,159,160</u>

(b)

- Desire for higher /better /improved /good standard of living making people to opt for smaller families.
- Social status where a small family is considered fashionable.
- Delayed marriage due to staying in school/pursuing a career for long periods.

- iv. Decline in mortality rates as people are confident there few children all survive /not die.
- v. Gender /affirmative action which has made more women to be employed in management positions hence have less time to bring up more children.
- vi. High/expensive cost of living has force many people to desire small families that they can afford to care of.

4. (a)

- i. Any amount can be withdraw at any time during banking hours(without giving notice).
- ii. No minimum balance is maintained hence one can use the money in the account(when in need).
- iii. The account holder can conveniently make payments using cheque/without travelling to the bank.
- iv. Post dated cheque can be issued (by account holder) which can be honored at a later date.
- v. Periodic statements are issued to for wish the a/c holder with information about the transaction with the bank/is aware of the transaction in the bank/ can set timely reports to monitor cash in and out of the bank.
- vi. Can set bank overdraft facilities with the arrangement by the bank /by reposting the bank/by modifying the bank.

b)

- i. Publishing trade journals/magazines for the benefit of trade in the home country.
- ii. Select buyers/agents/distributors in foreign countries for the exports from the home country.
- iii. Organize educational tour/sales missions for local trades on standards /quality requirements in the country they serve.
- iv. Organize international trade exhibitions/shows for Kenyan missions to showcase their waves.
- v. Search /identify new foreign markets for Kenyans exports in foreign country.
- vi. Provide information to local producers on oversee markets /goods/exports procedures.
- vii. Keep statistics of production /semics that are required from our exports e.g. packaging /sizes/methods of manufacturing NB:accept example of statistics as explanation. viii. Attend meetings/seminars /workshops in foreign countries to collect information for Kenya exports.

5. (a)

- i. Open market operations - this is by selling government securities to public commercial banks with less to lent.
- ii. Cash/ration by in increasingly the cash /highly quality reduces the amount the commercial banks are left with i.e. land.
- iii. Selection credit control -by withstanding the commercial banks to allow only a few sectors to borrow from them.
- iv. Compulsory deposit -by instructing the commercial banks to deposit more less with their central bank this limiting the amount available to give of.
- v. Moral suasion – this is arguing the commercial banks to exercise restraint in lending money to the public.

vi. Bank rate –the central bank increased the rate at which it lends money to the commercial banks which in turn increases the interest rate on loans to public (this discouraging them from borrowing).

b)

Dr Capital a/c				Cr			
Date	Details	F	Amount	Date	Details	F	Amount
6/1/2014	Bad	dd	150,000 ✓	1.1.2014	Cash		150,000/
			<u>150,000</u>				<u>100,000</u>
					Bal	b/d	<u>50,000/</u>

Dr Cash a/c				C			
Date	Details	F	Amount	Date	Details	F	Amount
1.1.2014	Capital		150,000✓	2.1.2014	Bank		30,000/
4.1.2014	loan		20,000/	3.1.2014	building		60,000/
			<u>170,000</u>	6.1.2014	bal	b/d	80,000/
	Bal	b/d	<u>170,000✓</u>				<u>170,000</u>
			80,000				

Dr Bank a/c				Cr			
Date	Details	F	Mount	Date	Details	F	Amount
2.1.2014	Cash		30,000/	5.1.2014	Stationary		6000/
				6.1.2014	loan		10,000/
				6.1.2014	Bal	c/d	14000/
			<u>30,000</u>				<u>30,000</u>
	bal	bal	14,000/				

Dr Building a/c				cr			
Date	Details	F	Amount	Date	Details	F	Amount
<u>3.1.2014</u>	Cash		60,000/	6.1.2014	Bal	c/d	60,000/
			60,000				<u>60,000</u>
	Bal	b/d	<u>60,000/</u>				

Dr Loan a/c				Cr			
Date	Details	F	Amount	Date	Details	F	Amount
<u>6.1.2014</u>	Bank		10,000 /	4.1.2014	Cash		20,000/
	Bal	c/d	10,000 /				<u>20,000</u>
			<u>20,000</u>		Bal	b/d	10,000/

Dr Stationary a/c				cr			
Date	Details	F	Amount	Date	Details	F	Amount
5.1.2014	Bank		6000/	6.1.2014	Bal	c/d	6000/
			6000				<u>6000</u>
	Bal	b/d	<u>6000</u>				

Nabiekomba Trial As at 6.1.2014 ✓

	<u>Dr(shs)</u>	<u>cr(shs)</u>
Capital		150,000✓
Cash	80000 ✓	
Bank	14,000✓	
Loan		10,000✓
Stationary	6,000✓	
Buildings	60,000✓	
	160,000	160000

6. (a)
- i. Minimizes risks of loss /damage of goods as containers are sealed at the source.
  - ii. Saves times in loading/off loading due to use of machine accept e.g of machine as explanation like fork-lifts / cranes /convey belt.
  - iii. Special containers are available for goods requiring special attention e.g those for inflammables.
  - iv. Insurance costs are relatively low since the cost are less.
  - v. Saves on space size items are well arranged /packed in the containers /different traders can carry goods in one container.
  - vi. Movement /hadlind goods is easy as the containers are fitted with devices to facilitate.
  - vii. Reduces delay on the way siince the goods are sealesd in the presence of certain officials and are not opened until their final destination.
- (b)
- i. Is a gift of nature /God given since man has no ability to creat it.
  - ii. Is fixed in supply /inelastic supply for it cannot be increased beyond what nature /God has provided.
  - iii. Is geographically immobile since it cannot be moved from one area/place to another.
  - iv. Quality of land is not homogenious/uniform /saves because one piece of land is diffrrtent from another in terms of productivity.
  - v. Is occupationally mobile as it can be put into different uses.
  - vi. Its productivity can be improved by increasngly quantity/quality of capital.
  - vii. Is subject to the low diminishing returns since increase in inputs can improve output upto a certain level than drop over when the input rate increased.