

KAPSABET HIGH SCHOOL

1. Outline four internal environment factors that may negatively influence the operations of a business.

(4 marks)

- A well laid out business structure
- Adequate human resources/ skilled workers
- Adequate finances/ proper management of finances
- A positive business culture
- Use of modern technology
- Good management styles
- Research and development
- Clear objectives
- Good decisions by the owners

2. State the characteristic of human wants that match the descriptions given below: (4 marks)

Description	Characteristics
a) Satisfaction of one want automatically leads to creation of another	Complementary
b) Some human wants are experienced by all human beings	Universal
c) Human wants can never be fully satisfied	Insatiable
d) After some wants are satisfied, they recur	Recurrent/ repetitive

3. Give for reasons why direct production is undesirable in a country.

(4 marks)

- Quality and quantity of goods produced is low
- Leads to low standards of living
- Discourages the use of machines
- Encourages individualism
- Discourages invention and innovation
- Time is wasted as one moves from one job to another

4. Highlight four reasons why the Kenyan government encourages entrepreneurship in the country.

(4 marks)

- It helps in employment creation
- Helps to reduce rural-urban migration/ promotes regional balance in development
- Raises the standards of living
- Saving on imports
- Improving of infrastructure
- Reducing foreign dominance
- Making use of local resources/creates market for goods
- Promotion of technology
- Promotion of entrepreneurial culture
- Improves people's standards of living

5. State four modern developments in office management.

(4 marks)

- Offices are moving away from enclosed office layout to open and landscape
- Automation/use of machines for various tasks
- Use of computers for storage of information/communication

- Setting up of offices away from CBD to the outskirts/ suburban/ periurban areas
- Traditional procedures and routines have become outdated due to automation
- Use of cell phones/mobile phones in communication
- Employee identification – by wearing shirts with logos/ badges
- Merging of duties to reduce costs
- Outsourcing/contracting services

6. Give four differences between a Public Limited Company and a Public Corporation. (4 mks)

Public Limited Company	Public Corporation
i) Owned by Shareholders	i) Owned by the Government
ii) Formed under the Companies Act	ii) Formed by an Act of Parliament
iii) Main source of capital is the sale of shares	iii) Capital comes from the government
iv) Directors elected by shareholders	iv) Directors appointed by the government
v) Formed mainly to make profits	v) Formed to provide essential services
vi) Profits shared by shareholders as dividends	v) Profits go to the government

7. Highlight four advantages of mail-order business. (4 marks)

- They save the business the cost of renting offices
- They reach customers who far away from the shopping centres
- Does not require the services of sales personnel/ requires few employees
- No need for skilled labour since selling is routine
- May not require transport facilities
- Stocks according to requisition so no cases of overstocking
- Customers are able to select their purchases and order from home

8. Give four reasons for the popularity of Mpesa as a means of payment in Kenya.(4 marks)

- Confidentiality/ safety secret PIN protects the Customer's mpesa account
- Ease of use – the service is easy to use
- Speed – money transfer is instant/ fast
- Convenient- sender and receiver just need to go to the nearest agent to transact
- Accessible – Mpesa agents are located in most parts of the country
- Affordability – the charges for mpesa transactions are relatively low

9. The following balances were extracted from books Hussein trades on 30th October 2009.

Cash	20,000
Bank	160,000
Premises	200,000
Debtors	40,000
Creditors	95,000
2 years loan	258,000
Stock	210,000

Prepare a balance sheet (5 mks)

Hussein traders
Balance sheet
As at 30th oct 2009

Fixed asset	Shs	Shs	Capital	277,000
Premises		200000		
<u>Current assets</u>			<u>Long term liabilities</u>	
Stock	210,000		2 year loan	258,000
Debtors	40,000		<u>Current liabilities</u>	
Bank	160,000		Creditor	95,000
Cash	20,000	<u>430,000</u>		
		<u>630,000</u>		

10. State four reasons for government involvement in business activities. (4 marks)

- To create employment
- To attract foreign investment
- To provide essential goods and services
- To produce goods and services that require a large amount of capital
- To produce goods and services that are too sensitive to be left in private hands
- To prevent foreign dominance
- To protect consumers from exploitation

11. Outline four problems associated with boda boda (motor cycle) as a means of transport. (4 marks)

- They have a small carrying capacity / carry a limited amount of goods
- The riders are careless/not trained, thus they cause a lot of accidents on the roads
- Are only suitable over short distances
- Cause/contribute to the congestion on the roads
- Affected by adverse weather conditions
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12. For each of the statements below, state the appropriate term as used in insurance. (4mks)

Statement	Term
a) Specified amount of money paid at regular intervals by the insured to the insurer for coverage against losses	Premiums
b) People employed by an insurance company to compute expected losses and value of premiums	Actuaries
c) Amount of money refundable to the insured by the insurer in case the former terminates contract before it matures	Surrender Value
d) Loss incurred by a business as a result of disruption of business in the event of the insured risk occurring	Consequential loss

13. Highlight four problems that would be experienced by consumers in the absence of warehousing.

(4 marks)

- Supply of goods would not be steady
- Prices would be unstable
- Goods would be of poor quality
- Some goods would not improve in quality
- Buyers would not be able to inspect the goods before buying
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14. State four benefits of advertising to a consumer.

(4 marks)

- Consumers are educated on how to use the goods
- Consumers are informed about the offers in the market
- Consumers benefit from reduced prices from competitive advertising
- Information about price and other features of the product is available
- Customers enjoy wide variety of goods produced as firms strive to outdo each other
- Consumers are made aware of goods available in the market
- Consumers are informed on where to get the product
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15. Identify the source documents used to record the following transactions in the books of original entry.

(4 marks)

Transaction	Source Document
a) Credit purchases	Incoming Invoice
b) Sales returns	Outgoing Credit Note
c) Cash sales	Outgoing Receipt
d) Cash purchases	Incoming Invoice

16. Outline four circumstances that may make a producer to bypass the wholesaler when distributing his goods.

(4 marks)

- When the goods are perishable in nature
- If government policy requires that the product should not be sold through wholesalers
- If the wholesaler is not playing an important role in the distribution
- When level of competition is high/ the producer wants to compete favourably
- When producer wants to have direct personal contact with the customers
- When product is tailored to customer satisfaction
- When the value of the product is high
- If there is need to avoid increase in price of product
- If producer is operating on a small scale/ quantity produced is low
- If the producer is able to bear the risks/ costs in distribution

17. Highlight four external economies of scale that a firm may enjoy as a result of growth in the industry. (4 marks)

- Firms may get skilled labour
- Ready market from surrounding industries
- Firms may be able to dispose of waste products easily
- Improved infrastructure
- Auxiliary services eg banks, post offices etc
- Easy access to raw materials

- Mutual consultation/collaboration

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18. Highlight four characteristics of oligopoly market structure. (4 marks)

- Few large firms controlling a large share of the market
- Products may be homogeneous or differentiated
- Some firms get involved in collusion to maximize profits
- Firms are interdependent
- Faces price rigidity/ kinked demand curve

19. State the type of unemployment relating to each of the following descriptions: (4 marks)

- a) Caused by alternating trading patterns occurring at similar times -**Cyclic Unemployment**
- b) Arises where workers have more skills and higher qualifications than the job requirements
Disguised/ Hidden Unemployment
- c) Arises out of a mismatch between the skills possessed by potential employees and the location of the jobs available **Frictional Unemployment**
- d) Arises when people are unwilling to take up jobs due to low pay **Real Wage / Voluntary Unemployment**

20. The diagram below shows a change in the supply of a product. Outline four factors which may have caused such a change. (4 marks)

- Decrease in the cost of production
- Increased availability of factors of production
- Improvement in technology
- Favourable government policy
- Future expectation of decrease in price
- Favourable natural factors
- Entry of new firms into the industry

21. The following information relates to Jumbo Traders on 31/12/2020

Details	Shs
Capital (1/12/2020)	940,000
Net loss	20,000
Additional Investments	420,000
Monthly drawings	5,000

Determine the capital as at 1/01/2021 (3 marks)

$$CC = OC + I - L - D$$

$$CC = 940,000 + 420,000 - 20,000 - 60,000$$

$$= 1,360,000 - 80,000$$

$$= \underline{\text{Sh. 1,280,000}}$$

22. Outline four roles played by the Nairobi Securities Exchange in the Kenyan economy. (4 marks)

- Facilitates buying of shares
- Facilitates selling of shares
- Safeguards investors interests
- Provides useful information
- Assists companies to raise interest
- Creation of employment
- Raising revenue for the government
- Availing variety of securities
- Fixing prices of shares
- Measure of the country's economic progress
- Promotes the culture of saving

23. Listed below is a set of transaction. In each case state whether the transaction will increase, decrease or have no effect on capital. (4 marks)

	Transaction	Effect
a)	Additional cash invested by the owner	Increase
b)	Receiving cash from a debtor	No Effect
c)	Bought goods on credit	Increase
d)	Owner takes some stock for own use	Decrease

24. Mention four disadvantages of an ageing population to a country. (4 marks)

- Less mobile labour force
- Low labour supply
- High dependency ratio
- Less progressive society
- Fall in demand for goods and services used by the youth
- Increased burden of pension/ taking care of the old

25. Given below is a cash book extract from the books of accounts of Patel Enterprises.

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Date	Details	F	Discount allowed	Cash	Bank	Date	Details	F	Discount received	Cash	Bank
2009						2009					
1/12	Bal b/d			1,500	90,000	14/12	Bank	C		30,000	
2/12	Rono		2,000	36,000		20/12	Equipment				80,000
14/12	Cash	C			30,000	30/12	Drawings			7,000	

In relation to the entries appearing in the cash book extract, state the transactions that took place on each of the following dates. (4 marks)

- a) 2nd December 2009: Received cash Sh. 36,000 from Rono, having allowed him a discount of Sh. 2000
- b) 14th December 2009: Deposited Sh. 30,000 into the bank from the cash till
- c) 20th December 2009: Bought equipment worth Sh. 80,000, paying by cheque
- d) 30th December 2009: Patel/owner took Sh. 7,000 cash from business for personal use