

# KAPSABET HIGH SCHOOL

## INSTRUCTIONS TO CANDIDATES.

1. This paper consist of six questions with section a and b.
2. Answer only five questions, both a and b in the writing material provided.
3. Indicate clearly the questions answered

### For examiner's use only

<b><u>QUESTION</u></b>	<b><u>1</u></b>	<b><u>2</u></b>	<b><u>3</u></b>	<b><u>4</u></b>	<b><u>5</u></b>	<b><u>6</u></b>
<b><u>SCORE</u></b>						

<b><u>TOTAL</u></b>	
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1 .a) There has been rapid rate of unemployment over the years in Kenya. Explain **five** measures the government may put in place to curb this trend. (10 marks)

- **Diversification of economic activities/establish different industries**
- **Population control/encourage family planning-**
- **Adopt relevant education system- to impart relevant skills**
- **Encourage efficient exploitation and use of locally available resources**
- **Partnering with private sector to create employment**
- **Adopt policies that encourage use of labour intensive production methods**

- **Availing investment funds eg through youth fund to start income generating activities.**
- **Encourage rural development-to reduce rural-urban migration**
- **(5x2=10mks)**

**b) Explain five uses of national income statistics ( 10 marks)**

- **To measure a country's economic performance over time/economic growth-a period of higher national income is considered economically better.**
- **To compare standards of living of different countries-countries with higher national income figures are considered to have better standards of living.**
- **Assisting the government in planning the economy-know where to allocate more resources.**
- **As an indicator of a country's standards of living-increase in national income implies improvement in standards of living.**
- **Making investment decisions-provides information about progressing and declining sectors of the economy for investment decisions.**
- **Assessing distribution of wealth/assessing disparities in income distribution.**

**(5x2=10mks)**

**2.a) Explain five benefits a country may get by locating industries in different parts of the country (10 marks)**

- **Enhance regional balance in development**
- **Help reduce rural-urban migration**
- **Reduces effects of attacks by enemies**
- **Facilitate exploitation of resources in different parts of the country**
- **Reduced concentration of pollution**
- **Infrastructural development in many parts**
- **Employment creation in different parts of the country**

( 5x2=10mks)

b) Explain **five** differences between shares and debentures **(10 marks)**

<b>Shares</b>	<b>Debentures</b>
<b>They form unit of capital for a company</b>	<b>They represent liability ( loan) for a company</b>
<b>Shareholders earn dividends</b>	<b>Debenture holders earn interest</b>
<b>Shareholders have voting rights</b>	<b>Debenture holders have no voting rights</b>
<b>They are paid last during liquidation of the company</b>	<b>They are paid first during liquidation of the company</b>
<b>Represent capital owned</b>	<b>Represent borrowed capital</b>
<b>Shareholders are owners to the company</b>	<b>Debenture holders are creditors to the company</b>
<b>Are not convertible to debentures</b>	<b>Are convertible into shares</b>

(5x2=10mks)

3.a) Explain **five** principles that guide operation of insurance companies in Kenya.

**(10 marks)**

- **Utmost good faith-The insured should disclose all material facts about the property or life being insured**

- **Indemnity**-The insured should be restored back to their initial financial position they were in immediately before occurrence of the insured risk
- **Proximate cause**-There must be a very close relationship between the cause of the loss and the insured risk
- **Subrogation**-After total loss and full compensation ,the remains of the insured property belongs to the insurance company
- **Contribution**-Incase of double insurance, upon occurrence of the insured risk, the insurance companies should contribute proportionately to compensate the insured
- **Insurable interest**-One should only insure property that he/she stands to suffer direct financial loss upon occurrence of the insured risk.

**(5x2=10mks)**

b) Explain **five** roles played by non-governmental organizations ( NGOs) in protecting consumers **(10 marks)**

- **Accelerate consumer awareness/ educating consumers on their rights**-Through seminars, brochures
- **Filing law suits on behalf of consumers**
- **Organise protest against adulteration of products, hoarding, underweight products**
- **Help the educational institutions in preparation of courses of study to ensure they have a concept of consumer protection**
- **Collect data on different products and test products to determine authenticity and research on consumer problems**

**(5x2=10mks)**

**4.a)** Explain **five** factors a business should consider while deciding on the office machine to buy **(10 marks)**

- **Availability of space for storage**
- **Availability of spare parts**

- **Cost of the equipment**
- **Possibility of hiring rather than buying**
- **Effects of the equipment on staff morale**
- **Adaptability of the machine too future changes**
- **Security of the machine**
- **Durability of the machine**

(5x2=10mks)

**b.** The following information was extracted from the books of Bondo retailers in December 2019.

Dec 2: Bought a computer worth sh.10, 000 on credit from digital traders.

Dec 5: Bought office furniture worth sh. 5,000 on credit from office suppliers limited.

Dec 11: Settled a debt owed to Kamau, a creditor by giving up stock worth sh. 6,000

Dec 15: Sold a printer worth sh.15,500 for sh 18,000 to Kiamaiko ltd on credit

Dec 23: Settled a debt of sh 200,000 owed to a creditor Omoka by giving up a motor vehicle

Worth the same amount

Dec 25. Sold an old set of chairs for sh 53,000 to Milele traders

Dec 27: Sold a motor vehicle worth sh 87,000 for sh 80,000 on credit to Gitau

Dec 30: realized that goods worth sh 10000 sold on credit to Muasya had been recorded in

The books of account as sh 1000

Record the information in the relevant book of original entry

**(10 marks)**

**Bondo traders**

### General journal

Date	Details	LF	Dr ( sh)	Cr (sh)
<b>2019</b>				
<b>Dec 2</b>	office equipment a/c  digital traders a/c  Being a record of purchase of a computer on credit from digital traders		✓ 10000	✓ 10000
<b>Dec 5</b>	Furniture a/c  office supplies a/c  Being a record of purchase of office furniture on credit from Office supplies ltd		✓ 5000	✓ 5000
Dec 11	Kamau a/c  Stock a/c		✓ 6000	✓ 6000
Dec 15	To record settlement of a debt owed to Kamau through stock  Kiamaiko ltd a/c  Office equipment a/c		✓ 18000	✓ 15500 ✓ 2500
Dec 23	Gain on disposal a/c  To record sale of a printer at a gain to Kiamaiko ltd at a		✓ 200000	✓ 200,000

Dec 25	gain  Omoka a/c  Motor vehicle a/c		✓ 53000	✓ 53000
Dec 27	Being a record of settlement of a debt through a motor vehicle  Milele a/c  Furniture a/c		✓ 80000 ✓ 7000	✓ 87000
Dec 30	Being a record of sale of chairs on credit  Gitau a/c  Loss on disposal a/c  Motor vehicle a/c  Being a record of sale of a motor vehicle on credit at a gain  Muasya a/c  Sales a/c  Being a correction of wrong recording of sale of stock on credit.		✓ 9000	✓ 9000

( 20x0.5=10)

5.a) Explain **five** benefits a trader may enjoy by operating a unit shop

(10 marks).

- **May have loyal group of customers**
- **The trader get close contact with the customers**
- **Minimal operating cost since the owner can get assistance from family members**
- **May have more sales since the trader may provide credit facilities to trustworthy customers**
- **Easy to start with only a trading license required**
- **The owner can stock goods from different manufacturers**

**(5x2=10mks)**

**b.** Explain **five** reasons why the demand curve for second hand clothes may shift to the left **(10 marks)**

- **Change in consumers tastes/preferences in favour of second hand clothes**
- **Increase in consumers disposable income-improve their purchasing power**
- **Favourable terms of sale for second hand clothes eg discounts, attractive packaging**
- **Increase in population-Increasing the market for the second hand clothes**
- **Decrease in indirect taxes on second hand clothes-make the clothes more affordable**

**( 5x2=10mks)**

**6.a)** Explain **five** circumstances under which a business may decide to offer its customers after sale services **(10 marks).**

- **Where there is need to increase sales, by encouraging repeat purchase**
- **When there is need to create customer loyalty-retain customers**
- **When there is need to have competitive advantage-use it against your competitor, give the business/product unique selling proposition**
- **When there is need to make customers trust the particular brand-give guarantee**
- **When there is need to build and retain a relationship with the customers eg loyalty program**



( 5x2=10mks)

b) On 1<sup>st</sup> May 2020,,Kihenjo ltd had cash in hand sh.178,000 and a bank overdraft of shs.23,400.

During the month, the following transactions took place:

May 3: Cash sales sh 16,500 paid direct into the bank.

May 4: Bought goods for sh.15,000 and paid by cheque.

May 6: Cash sales sh.50, 000.

May 9: Received a cheque for Sh.76, 500 from Mwikali in full settlement of her debts.

May 13: Paid insurance premium sh.16,000 in cash.

May 14: Paid Otieno Sh.9,700 by cheque in full settlement of his account having deducted 3% cash discount.

May 21: Withdrew Sh 30,000 from bank for office use.

May 23: Received a cheque of sh 23,750 from Kimani in full settlement of his account less 5% cash discount.

May 25: Paid wages of shs. 20,000 in cash.

May 26: Cheque received from Mwikali was dishonored, the bank charged sh 350.

May 30:Banked all cash except Sh 3,000.

Prepare a three-column cash book duly balanced.

**(10 marks)**

KIHENJO LTD

3-COLUMN CASH BOOK

FOR THE MONTH OF MAY 2020

DR

CR

DATE	DETAILS	LF	DISC ALL SH	CASH SH	BANK SH		DATE	DETAILS	LF	DISC REC SH	CASH SH	BANK SH
2020							2020					
May 1	Balance	b/ d		178,000			May 1	Balance	b/d			23,400
3	Sales				16,500		4	Purchases				15,000
6	Sales			50,000			13	insurance			16000	
9	Mwikali				76500		14	Otieno		291		9409
21	Bank	C		30,000			21	Cash	C			30000
23	Kimani		1250		23750		25	Wages			20000	
30	Cash	C			219000		26	Mwikali				76500
							26	Bank charges				350
							30	Bank	C		219000	
							31	balance	c/d		3000	181091
				258000	335750						258000	335750
31	balance	b/ d		3000	181091							