

BUSINESS STUDIES 2016

PAPER 1

No.1..State four external factors that may negatively influence the operations of a business. (4 marks)

- ❖ *Unfair competition.*
- ❖ *Inadequate technology.*
- ❖ *Unstable political environment.*
- ❖ *Unstable economic environment.*
- ❖ *Unfavorable legal frameworks.*
- ❖ *Unreliable supply systems.*
- ❖ *Strong consumer bargaining power.*
- ❖ *Poor physical facilities and infrastructure.*
- ❖ *Low population level.*
- ❖ *Insecurity.*
- ❖ *Unfavorable socio-cultural environment.*
- ❖ *Natural calamities.*

No.2.10.Highlight four benefits of a business plan to an entrepreneur. (4 marks)

- ❖ *Facilitates acquisition of loans from financial institutions and other financiers*
- ❖ *Provides guidance for opening new or expanding existing business / adaptability*
- ❖ *It acts as a management tool for the business / monitoring tool / identifies strengths*
- ❖ *It's a tool for evaluating business performance*
- ❖ *It lays the strategy to be used in marketing the products*
- ❖ *It enhances the credibility of the business*
- ❖ *It's a motivational tool*
- ❖ *To avoid mistakes*
- ❖ *Proper allocation of resources*
- ❖ *To determine how much resources are required e.g. labour, capital etc / source of capital*
- ❖ *Will help to identify the nature and scope of the market.*

No.3.State four ways in which a good filing system may facilitate the operations of an office. (4 marks)

- ❖ *Easy retrieval of information.*
- ❖ *Office is kept tidy.*
- ❖ *Information is preserved for future reference.*
- ❖ *Security of documents is ensured.*
- ❖ *Facilitates quicker decision making.*
- ❖ *Ensures confidentiality of information by restricting access by unauthorized people*

No.4..Highlight four activities that may be carried out in a stock exchange market. (4 marks)

- ❖ *Buying and selling of shares.*
- ❖ *Mobilising savings for investment.*
- ❖ *Listing of companies.*
- ❖ *Issuing of new securities / raising capital.*
- ❖ *Publication of statistical information.*
- ❖ *Advising investors.*

No.5.Outline four circumstances under which a co-operative society may be dissolved. (4 marks)

- ❖ *By government order / change in the law.*
- ❖ *Where the co-operative continuously make losses.*
- ❖ *Where a stipulated majority of members agree to dissolve it .*
- ❖ *By a court order.*
- ❖ *Where the co-operative society has achieved objectives for which it was formed.*

No.6.Outline four methods that the government of Kenya uses to regulate business activities. (4 marks)

- ❖ *Licensing business activities*
- ❖ *Setting of standards*
- ❖ *Formulating of policies – enacting laws / legislation*
- ❖ *Setting quotas*
- ❖ *Enforcement of laws*
- ❖ *Imposing total ban*
- ❖ *Subsidizing businesses*
- ❖ *Taxation*
- ❖ *Price control*

No.7.State four ways in which a youthful population may be useful to an economy. (4 marks)

- ❖ *Less expenditure on social security and pension.*
- ❖ *Wider market for goods meant for the youth like clothing.*
- ❖ *Guaranteed continuous supply of labour.*
- ❖ *Flexibility and adaptability to technological changes which improve production.*
- ❖ *Faster growth of some sectors like the music, fashion and fast food industries.*
- ❖ *Increased innovation due to their adventurous nature.*

No.8.Outline one circumstance under which each of the following telecommunication services may be used: (4 marks)

- (i) Paging**
- (ii) Facsimile (fax)**
- (iii) Radio call.**
- (iv) Telex.**

(i) Paging

- ❖ *When there is need to call a person to attend to an emergency in a specific location*

(ii) Facsimile (fax)

- ❖ *Where there is need to send a copy of a printed document urgently.*

(iii) Radio call

- ❖ *When there is need to give co-ordinated information through a central point*

(iv) Telex.

- ❖ *Sending and receiving written messages*

No.9..The following transactions relate to Jelimo Stores:

(a) 10th October 2015 sold unused stationery for Sh 3,000 on credit to K. Likia.

(b) 23rd October 2015, bought a motor vehicle on credit from Onjwaria Motors for Sh 700,000.

Required: Record the above transactions in the general Journal given below:(4 marks)

<i>Date</i>	<i>Particulars</i>	<i>Folio</i>	<i>Dr.</i>	<i>Cr.</i>

<i>Date</i>	<i>Particulars</i>	<i>Folio</i>	<i>Dr.</i>	<i>Cr.</i>
2015				
Oct. 10	K Likia <i>Stationery (sale of stationery on credit)</i>		3,000	3,000
Oct. 23	Motor vehicle <i>Onjwaria Motors (purchase of motor vehicle on credit)</i>		700,000	700,000

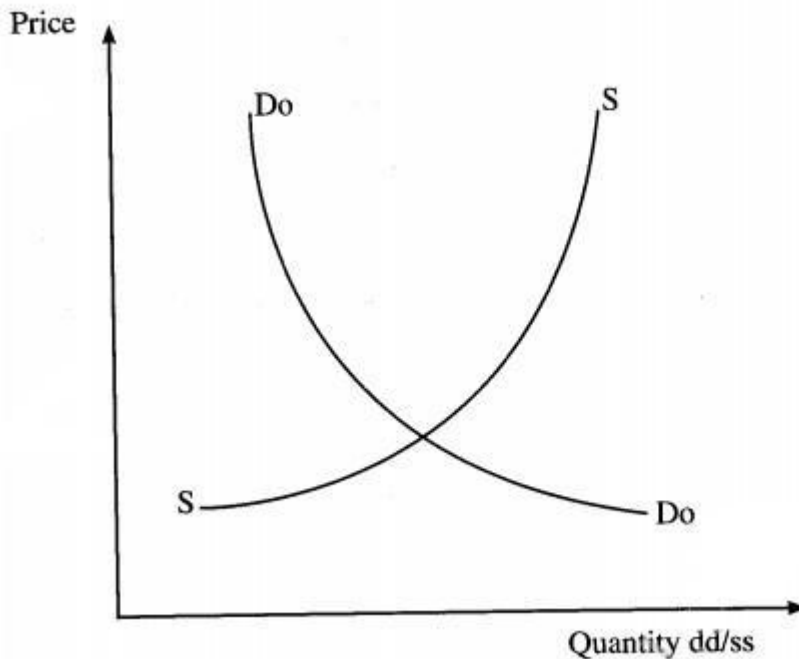
No.10.State four features of an insurable interest. (4 marks)

- ❖ *Presence of property rights or interest*
- ❖ *Potential insurable risk must be present*
- ❖ *The property must have monetary value*
- ❖ *The insurable risk must be legal*
- ❖ *There must be the possibility of suffering financial loss in case of a risk happening*

No.11.State four features of a parastatal. (4 marks)

- ❖ Provide essential services.
- ❖ Not profit motivated.
- ❖ Is formed by an Act of Parliament.
- ❖ Is mainly funded by the government.
- ❖ Is managed by government appointees.
- ❖ Any surplus earned-is surrendered to the government.
- ❖ Has limited liabilities.
- ❖ Attachment to a government ministry.
- ❖ Can be dissolved only through an act of parliament

No.12..The graph given below represents the demand and supply curves of milk:



State four effects of a shift of the demand curve to the right. (4 marks)

- ❖ The price will increase
- ❖ The quantity demanded will increase / demand will increase
- ❖ The equilibrium quantity shifts to right / increases
- ❖ The equilibrium price shifts upwards / increases
- ❖ The equilibrium point shifts upwards / right

No.13 .Outline four functions of the World Bank. (4 marks)

- ❖ Providing finances to reduce budgetary deficits
- ❖ Provide loans for development projects.
- ❖ Provide finance to correct and adverse balance of payments.
- ❖ Provide technical expertise to support development.

PP1 No.14.Outline four ways of reducing the level of unemployment in Kenya.(4mks)

- ❖ Diversification of the economy by encouraging the establishing of different industries /sectors to create employments opportunities
- ❖ Transforming agricultural sector to curb rural urban migration to create more jobs and reduce unemployment)
- ❖ Transforming education sector making graduates acquire relevant skills.
- ❖ Establishing an employment policy by government to make it easy for people to get jobs/ Accept e.gs of policy as mention
- ❖ Lending /setting of a fund to assist unemployed to stat income generating activities/accept e.gs of funds as a mention
- ❖ Exporting Labour by assisting unemployed people to acquire jobs abroad /countries with labour deficiency.
- ❖ Encouraging the informal Jua Kali sector to promote self employment
- ❖ Delocalization/ decentralization policy for balanced regional development/reduced rural urban irrigation
- ❖ Population policy to control growth/have a labour force that the economy can absorb
- ❖ To improve infrastructure in order to have suitable economic activities /accept e gs of infrastructure as a rating.
- ❖ Increase government expenditure to expand the size of the economy/ to finance development projects.
- ❖ Effective use of natural resources to increase production activities
- ❖ Income / wage policy to harmonize differences between regions/sectors
- ❖ Attract (Local /foreign) investments through vision incentives/to grow the economy
- ❖ Reviving collapsed industries/projects by injector, funds/selling them /increased production activities

No.15.The following balances were extracted from the books of Highlife General Stores on 31st December 2015.

Item	Ksh
Land and buildings	650,000
Stock	470,000
Bank overdraft	80,000
Debtors	350,000
10 year Bank Loan	500,000
Creditors	220,000
Cash	50,000
Motor Van	150,000
Capital	?

Required: Prepare the balance sheet of Highlife General Stores as at 31st December 2015. (4 marks)

Highlife General Stores
Balance Sheet
as at 31st December 2008

	Sh.	Sh.		Sh.	Sh.
<u>Fixed Assets</u>			<u>Capital</u>		
870,000					
Land and building	650,000				
Motor Van	150,000	800,000	<u>Long term liabilities</u>		
			10 year bank loan		
500,000					
<u>Current Assets</u>			<u>Current liabilities</u>		
Stock	470,000		Creditors	220,000	
Debtors	350,000		Bank overdraft	80,000	
Cash	50,000	<u>870,000</u>			
<u>300,000</u>					
		<u>1,679,000</u>		<u>1,670,000</u>	

No.16..Outline four circumstances in which the government may be involved in business. (4 marks)

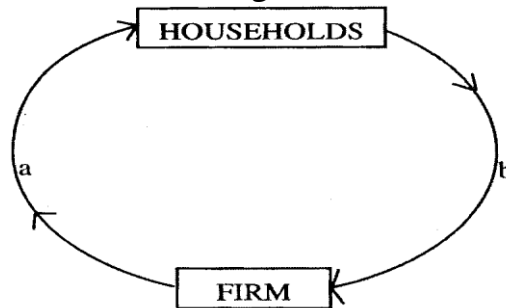
- ❖ When a business venture requires investment of large sums of money which individual entrepreneurs may not provide.
- ❖ When the goods or services to be provided are essential to the welfare of the citizens.
- ❖ When there is need to protect citizens from exploitation by private entrepreneurs.
- ❖ When the government desires to create employment for the citizens.
- ❖ When the government needs to generate income through revenue collection.
- ❖ When there is need to safeguard national security.
- ❖ When the venture is strategic but provides low profits hence unattractive to private investors.
- ❖ Where there are monopolies in the economy, the government gets involved in business to increase competition.
- ❖ Where there is need to balance regional development.
- ❖ To reduce foreign dominance in the economy.
- ❖ Where there is need to attract foreign investment.

No.17..Identify the ledgers in which the following accounts are kept.(4mks)

ACCOUNT	LEDGER
(i) Pendo (debtor)	
(ii) Machinery	
(iii) Rent	
(iv) Capital	

Account	Ledger
Debtors	Sales / Debtors
Machinery	General
Rent	Nominal;
Capital	Private
Juma (Creditor)	Purchases / Creditors

PP1 No.18. The following diagram represents the circular flow of income in a two sector closed economy



Identify two factors represented by each of the arrows labelled a and b. (4 marks)

- (a) (i) Payment for goods and services.
 (ii) Factor services / inputs / factors of production.
- b) (i) Payment for factor inputs,
 (ii) Goods and services.

No.19.State four reasons for privatising public corporations. (4 marks)

- ❖ To improve efficiency in their operations.
- ❖ To generate revenue to the government through sale of shares and taxes.
- ❖ To enhance competition.
- ❖ To increase public participation in economic activities of the country.
- ❖ To reduce government expenditure.
- ❖ To comply with conditions set by development partners and international donor agencies.
- ❖ To enable the government to concentrate on other state responsibilities.
- ❖ To minimize political interference.

No.20..State four reasons for the increased use of cell phones in banking. (4 marks)

- ❖ Easy to transact / easy ownership
- ❖ It saves on time since there is no traveling and queuing for the services.
- ❖ The speed of transaction is fast / quick feedback.
- ❖ It reduces paper- work by eliminating the need for physical files and other documentations.
- ❖ The use of PIN enhances security
- ❖ Increased ownership of mobile phones
- ❖ Transactions can be conducted any time
- ❖ Reduce transaction costs (travel and bank charges)
- ❖ Easy access to transaction records
- ❖ It is a requirement by service providers (utility bills)
- ❖ Easy to obtain credit facilities e.g. M-Shwari loan

No.21.List four sources of public finance. (4 marks)

- ❖ Taxes
- ❖ Licenses
- ❖ Court fines
- ❖ Donor aid
- ❖ Fees
- ❖ Treasury bonds and bills

No.22.State two situations in which each of the following types of inflation may occur.

(i) Creeping inflation (2 marks)

- ❖ When the general price levels rise gradually/ single digit over a period of time usually at single digit. Where the value of money tends to be stable over time the effects on the economy is not severe.

(ii) Hyperinflation (2 marks)

- ❖ Where the general price rise at high rate/ usually more than two digits. Where there is drastic loss in the value of money effect on the economy is very severe

No.23..Outline four factors that may make a producer to by-pass the wholesaler when distributing goods. (4 marks)

- ❖ Having own retail outlet.
- ❖ Dealing in perishable goods like bread which require shorter channels.
- ❖ Dealing in technical goods which require elaborate after sales services.
- ❖ Consumers and retailers buying in large quantities.
- ❖ Need to keep price of goods low.
- ❖ Limited geographical spread of the market.
- ❖ Government policy.
- ❖ When the production is in small quantity.
- ❖ Where the producer has enough storage facilities.
- ❖ When goods are produced on order

No.24.Outline four goals of development to a country. (4 marks)

- ❖ Alleviation of poverty
- ❖ Attainment of high and sustainable economic growth
- ❖ Provision of adequate social amenities e.g. health
- ❖ Diversification of the economy to reduce over-reliance on a few products
- ❖ Alleviation of unemployment
- ❖ Attainment of more equitable distribution of incomes
- ❖ Enhancement / upholding of human freedom, rights and self esteem / democracy
- ❖ Provision of security
- ❖ Maintenance of political sustainability / good governance.
- ❖ Attainment of food security for population
- ❖ Alleviation of illiteracy
- ❖ Elimination of harmful cultural practices
- ❖ Improvement of infrastructure e.g. transport, communication, water

No.25..Outline four characteristics of services. (4 mark

- ❖ *Difficult standardize/ heterogeneous give to varying quality (over time)/ the quality cannot be uniform (from time to time) may be offered by sufficient people.*
- ❖ *Service cannot be stored for future/ service is only consumed at the time it is being offered/ service capacity cannot be stored.*
- ❖ *Service cannot be touched/ it is intangible/ invisible can only be felt/ experienced*
- ❖ *Services cannot be separated from service properties the provider must directly offer the service to the user*
- ❖ *Service is perishable service can only be enjoyed at the time the provider is available/ it expires after it is provided.*
- ❖ *Services cannot be owned by the buyer/ ownership cannot be transferred as the buyer only pays for the experience*
- ❖ *Services/ have utility to satisfy wants.*
- ❖ *Services are mobile since they can be received/ provided at different places/locations*