

## 4.29.2 Business Studies (565/2)

## 1. (a) Uses of National income statistics to a country.

- (i) Indicator/measure of standard of living - an improvement/increase of national income indicates/improved welfare/improved standard of living / vice versa.
- (ii) Comparison of standard of living between countries - countries with high national income are deemed to have high standard of living and vice versa.
- (iii) Assessing performance of the economy over time - the period with high national income is considered to be better off.
- (iv) Economic Planning - comparing performance in different sectors and regions helps the government in planning for better/ efficient allocation/use of resources.
- (v) For investment decision - Data obtained can be used by entrepreneurs to make decision on the sector, when and amount of capital to invest.
- (vi) Provide information on distribution/contribution of income - this helps the government to address income/production disparities eg. through subsidies and tax relief.
- (vii) To attract foreign aid/donor funding, when a country shows strong economic growth/when experiencing challenges to finance its development/for bugetary support.
- (viii) Calculate/determine per capita income - by dividing national income by the population.
- (ix) Compare standards of living in a country between different years/periods. The year/period the NY is high is said to have a high standard of living/vice versa.

Any 5 x 2

(10 marks)

## (b) Principles that would lead to effective use of government resources:

- (i) Economy - requires proper planning to avoid /minimize wastage/ensure maximum benefit.
- (ii) Sanction - Authority should be sought from relevant bodies/parliament before committing public finance.
- (iii) Maximum /optimal social benefit - resources should be used only on projects that improve social welfare / quality of life of the citizens /to benefit as many people as possible.
- (iv) Flexibility - expenditure should be able to be adjusted to reflect the prevailing circumstances.
- (v) Equity - distribution of resources should be fair to all sectors/regions/ minimize incidents of inequalities /imbalances.
- (vi) Productivity - more resources should be spent on development projects than on nonproductive projects / on projects that yield high returns
- (vii) Surplus - savings should be spent on emergencies and fill the revenue gap between collection and projection / expenditure should be less than (total) revenue collected.
- (viii) Elasticity - expenditure should be capable of being expanded/contracted in line with the size of the economy.
- (ix) Good/proper financial management to ensure accountability/good governance/ transparency through proper record keeping.

Any 5 x 2

(10 marks)

2. (a) **Ways in which the consumer may benefit from warehousing.**

- (i) It helps maintain / improve quality of goods - this is mainly for goods that mature over time such as wine /for them to get goods when still fresh.
- (ii) It ensures constant supply of goods - facilitates release of goods in the market regularly which minimize shortages/so as to get goods as/ when needed.
- (iii) Preparation of goods for sale - goods are sorted, graded, packaged, blended, branded.
- (iv) Availability of seasonally produced goods - consumers can access goods that are off season from the warehouse eg. farm produce.
- (v) Stability in prices of goods - ensures constant supply of goods leading to stable prices throughout the year/due to minimal shortages.
- (vi) Creates time utility - ensures that the consumer accesses and uses goods at appropriate time.
- (vii) It enables the breaking of bulk - where he/she is able to buy goods in convenient /affordable quantities.
- (viii) Availability of seasonally demanded goods. That are produced but only come to use at certain times/such as gumboots/umbrellas.
- (ix) Availing a variety/different goods enabling him/her have a wider choice/satisfy different wants/tastes
- (x) Providing security - to avoid loss due to theft/pilferage.

Any 5 x 2

(10 marks)

(b)

**Mambo Leo Traders  
Cash book**

Date	Details	Cash	Bank	Date	Details	Cash	Bank
1/9	Bal b/d	15,500		1/9	Bal c/d		9,700
5/9	Sales	8,500		15/9	Creditor	10,000	
12/9	Debtor		9,000	17/9	Wages	2,600	
19/9	Samson		23,400	23/9	Cash		7,700
20/9	Debtor	6,700		24/9	Electricity		1,200
23/9	Bank	7,700		27/9	Purchases	8,950	
25/9	Debtor		11,500	30/9	Water		2,800
26/9	Sales	12,800		31/9	Bal b/d	29,650	26,000
28/9	Investment		3,500				
		<u>51,200</u>	<u>47,400</u>			<u>51,200</u>	<u>47,400</u>

20 ticks x  $\frac{1}{2}$

(10 marks)

3. (a) **Characteristics of a monopolistic competitive market.**

- (i) There are many independent buyers and sellers of the commodity.
- (ii) The products are close substitutes/differentiated /similar but differ by names shape/colour package/ scent.
- (iii) Free entry / exit - there are no barriers for new firms that require to supply the same commodity nor are there barriers for those wishing to exit the market. Firms' decision to enter or leave is influenced by profits or losses.
- (iv) Wide knowledge of market. As buyers /sellers are aware of price/output market factors conditions.
- (v) Firms set their own prices - prices are set depending on cost incurred and demand in the market.
- (vi) No single firm controls any factor of production - firms acquire factors at prevailing market prices / conditions.
- (vii) Individual firms have highly elastic/gently sloping demand curve since commodities are close substitutes.
- (viii) It is possible for a single/some firms to dominate/influence market price through extensive advertising/product promotion/differentiation.
- (ix) All firms earn normal profits in the long run since super normal profits attract new firms/losses make firms to leave/quit.

Any 5 x 2

(10 marks)

(b) **Features of human wants:**

- (i) They are numerous and unlimited - when one is satisfied another crops up to take its place/begin at birth and end at death.
- (ii) They continually change with time, age and gender. What is required when it is cold may not be the same as what is required when it is hot.
- (iii) They are habit forming - once an individual develops taste for a commodity he/she tends to use it over and over again.
- (iv) Require resources - limitation in resources required means only a few human wants are fulfilled/require resources in order for them to be satisfied.
- (v) They are universal/common to all human beings - all human beings need goods and services for existence though quantities may vary.
- (vi) They are competitive - wants compete for attention each yearning to be satisfied.
- (vii) They vary in intensity - urgency/some wants are more felt than others eg. basic wants/some may not be postponed.
- (viii) They are complimentary - satisfaction of one creates a second derived from the first. eg. for the second to be satisfied, it requires to be complemented by the first while others are satisfied jointly.
- (ix) Insatiable - wants cannot be fully satisfied.
- (x) Recurrent/repetitive - once satisfied they are felt again.

Any 5 x 2

(10 marks)

4. (a) **Chui Trader's Trading, Profit and Loss Account**

**Chui Traders**  
**Trading, Profit and Loss Account**  
**For the year ended 31st December 2014**

	Ksh			Ksh
Opening stock		10,000	Sales	28,000
Add: Purchases	15,000		Less: Returns inwards	<u>800</u>
Carriage inwards	<u>1,200</u>			27,200
		16,200		
Less: Returns outwards	<u>1,100</u>	<u>15,100</u>		
Cost of goods available for sales		25,100		
Les: Closing stock		<u>2,500</u>		
Cost of sales		22,600		
Gross profit c/d		<u>4,600</u>		
		<u>27,200</u>		<u>27,200</u>
Expenses			Gross profit b/d	4,600
Carriage outwards		1,200	Add: Rent	580
Discount allowed		300	Discount received	1,620
Insurance		950		
Net profit		<u>4,350</u>		
		<u>6,800</u>		<u>6,800</u>

20 ticks x  $\frac{1}{2}$

(10 marks)

(b) **Five methods of determining the price of a product other than price control:**

- (i) Bargaining/Haggling - terms of exchange is negotiated /argued/debated between buyers and sellers.
- (ii) Demand and supply/price mechanism - Interactions between forces of demand and supply.
- (iii) Auction - prices determined by the highest bidder.
- (iv) Tendering - prices determined by the lowest bidder who meets the required specifications.
- (v) Price fixing/ retail price maintenance / recommended retail price - as producers / manufacturers / producer agree on the price of commodities.
- (vi) Prices collusion - where different market players (such as sellers/buyers) conspire to fix the price.
- (vii) Taxation/subsidies - which will influence the selling/buying price.
- (viii) Private treaty - sale of property at a price agreed on by the seller and buyer without an intervening agency.

Any 5 x 2

(10 marks)

5. (a) **Trends in office management:**

- (i) Location - Organizations tend to move away from congested town centres to peri-urban areas/outskirts.
- (ii) Use of modern equipment/computer/automation - organizations have adopted modern equipment / computers for efficiency to make work easier.
- (iii) Open office layout /landscaped - adopted to facilitate supervision and economize on floor space/ improve ambiance/comfort in the office.
- (iv) Engagement of multi skilled staff able to carry out different tasks/ to save on labour costs/ wage bill.
- (v) Innovative ways of motivating staff eg. tours, meals at work
- (vi) Capacity building to develop staff skills.
- (vii) Time management - use of biometric clocking system to control staff movement.
- (viii) Customer care services/desk - to enhance customer satisfaction.
- (ix) HIV/AIDs awareness/policy to sensitize employees/ avoid discrimination.
- (x) Stress management - to promote good health/coping of the work place.
- (xi) Corporate social responsibility - to give back to the community.
- (xii) Use of name tags/badges for identification of employees.

Any 5 x 2

(10 marks)

(b) **Advantages of government involvement in business.**

- (i) Provision of essential services/good at fair prices/affordable/reasonable.
- (ii) Provision of large capital investment - undertake ventures that require large sums which private sectors may not be able to raise / without which development would be minimal.
- (iii) Protection of citizens - from exploitation/malpractice by businesses.
- (iv) Stimulation of economic development - by developing social ammenities/ infrastructure roads / injecting funds into economy through development projects.
- (v) Creation of employment - to create jobs for its citizens to earn a living/improve their standard of living.
- (vi) Income generation - to increase government revenue through licensing/taxation/ to finance public expenditure.
- (vii) Stabilization of the economy through regulation/market intervention.
- (viii) Promotes equity/fairness in the distribution/use of resources.
- (ix) Control use of resources through conservation/legislative measures / to ensure their sustainability.
- (x) Maintenance of law/order - for smooth operations of a country's affairs.
- (xi) Promotion of best practices - through encouraging adoption of ICT/good governance/social programmes/inclusivity.
- (xii) Promotes investment in the country by creating an enabling environment.
- (xiii) Promotes country's identity/image - through cultural programmes /branding initiatives

Any 5 x 2

(10 marks)

6. (a) **Benefits that Kenya may enjoy by being a member of the African Development Bank (ADB/AFDB).**

- (i) The country will obtain loans/credit for economic /social advancement/ development.
- (ii) Kenya will get technical assistance /expert advice/consultancy to strengthen and execute development programmes.
- (iii) Kenya will get assistance in policy coordination / development formulation for effective implementation of projects.
- (iv) The country will get technological assistance to utilize its economic resources.
- (v) The country will enjoy cooperation/support from regional economic institutions in Africa/internationally.
- (vi) The country will gain from capital funding for public/private investment that boost development.
- (vii) Promote better/effective use/management of funds/resources/accountability through oversight/monitoring by AFDB agencies.
- (viii) Boosts the country's credibility/image/credit standing - thus enabling it access more funds (from international lenders/development partners) since AFDB can guarantee the country for funding.
- (ix) Kenya can get international platform/opportunity /forum - to promote its development agenda.
- (x) Cheap affordable credit/easy terms - due to low interest rates/longer repayment period.

Any 5 x 2

(10 marks)

(b) **Features of under development.**

- (i) High population growth - the growth rate of population is higher than output.
- (ii) Dominant large subsistence sectors - traditional subsistence sector such as agriculture tend to dominate the economies.
- (iii) High level of poverty - large proportion of citizens live below the poverty line.
- (iv) Low level of technology - due to lack of capital to acquire modern technology leading to low quantity/quality of output.
- (v) Disparity in income distribution - much of the wealth is in the hands of few individuals while majority are poor.
- (vi) Low levels of savings - due to low per capita income leading to low investment.
- (vii) Under utilization of natural resources - natural resources remain under exploited due to lack of capital / appropriate technology / skills/knowledge.
- (viii) Low levels of investment due to limited markets/low savings/capital.
- (ix) Poor governance - due to corruption/embezzlement/mismanagement of resources/misappropriation/lack of transparency/accountability.
- (x) Limited market/low demand - due to low levels of income.
- (xi) High rates of unemployment - due to low levels of economic activities.
- (xii) Negative social/cultural practices - which hinders production /consumption.
- (xiii) High levels of illiteracy - leading to ignorance/limited exposure.

Any 5 x 2

(10 marks)