

	<ul style="list-style-type: none"> (b) Restricting imports. (c) Controlling of exports. (d) Restricting terms of hire purchase and credit terms of sale. (e) Price control. (f) Offer of subsidies and other incentives to local producers. (g) Controlling the supply and circulation of money in the economy. 	(Any 4 x 1 = 4 marks)																				
6.	<p>Measures that may be taken by the government to curb unemployment include:</p> <ul style="list-style-type: none"> (a) Diversification of economic activities. (b) Control of population growth. (c) Adoption of policies that encourage labour intensive methods of production. (d) Partner with the private sector to create employment. (e) Adopting relevant education system. (f) Encouraging direct foreign investment. (g) Encouraging efficient exploitation and use of locally available resources. (h) Availing investment funds through favourable credit like the Youth Fund and Uwezo Fund. 	(Any 4 x 1 = 4 marks)																				
7.	<p>Benefits of national income statistics to the government include:</p> <ul style="list-style-type: none"> (a) Provides information on the country's economic performance over a period of time. (b) Provides information to be used for making economic policies/budgeting/planning. (c) Provides information on the contribution of each sector of the economy to the national income. (d) Provides a breakdown on consumer expenditure and government expenditure. (e) Provides information on the distribution of income. (f) Provide information on the types of factor incomes in the economy. (g) Provide statistics for measuring the economic growth of the country. (h) Provides information that is used to measure the standard of living in the country. (i) Provide information used for comparing economic performance of the country across two or more years. 	(Any 4 x 1 = 4 marks)																				
8.	<table border="1"> <thead> <tr> <th>Business</th> <th>Assets</th> <th>Capital</th> <th>Liabilities</th> </tr> </thead> <tbody> <tr> <td>A</td> <td></td> <td>24,266</td> <td></td> </tr> <tr> <td>B</td> <td>219,800</td> <td></td> <td></td> </tr> <tr> <td>C</td> <td></td> <td></td> <td>11,990</td> </tr> <tr> <td>D</td> <td></td> <td>42,295</td> <td></td> </tr> </tbody> </table>	Business	Assets	Capital	Liabilities	A		24,266		B	219,800			C			11,990	D		42,295		(4 x 1 = 4 marks)
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9.	<p>Categories in which the various types of business partners may be classified include:</p> <p>(a) By capital contribution. (b) By extent of liability to be borne. (c) By activity (part played in the day-to-day running of the business) (d) By age.</p>	(4 x 1 = 4 marks)
10.	<p>Ways in which the government creates an enabling environment for the conduct of business include:</p> <p>(a) Provision of credit facilities at favourable rates. (b) Ensuring political stability and good will. (c) Training and educating the population to create a pool of skilled manpower. (d) Marketing of final products for producers. (e) Provision of essential social amenities like water and sewerage, health and education. (f) Favourable policies and easy procedures like licensing, subsidies and favourable taxation. (g) Provision of infrastructure.</p>	(Any 4x1) (4 marks)
11.	<p>Roles of transport in the facilitation of trade include:</p> <p>(a) Facilitates the movement of factors of production and other inputs like raw materials. (b) Enables goods to be moved to the market from their point of production. (c) Adds value to goods and services by moving them to the point of consumption. (d) Opens up new markets. (e) Makes it possible for the exploitation of natural resources. (f) Allows for specialization since it allows people to access goods produced elsewhere. (g) Promotes mass production since goods can be moved to be stored and sold elsewhere.</p>	(Any 4 x 1 = 4 marks)
12.	<p>Circumstances under which firms would form a cartel include:</p> <p>(a) When there is need to control output by each firm. (b) When there is need to be in control of market prices. (c) When there is need to eliminate stiff competition among the firms. (d) When there is need to restrict entry of new firms into the market. (e) When there is need to increase the firms' bargaining power. (f) When there is need to guarantee the income and financial strength of the firms.</p>	(Any 3 x 1 = 3 marks)

13	<p>Conditions under which a manufacturer would distribute his products through a wholesaler include:</p> <ul style="list-style-type: none"> (a) When it is the dictate of government policy. (b) When the manufacturer needs time to concentrate on production. (c) When he wants to avoid the high costs of distribution. (d) Where it is too expensive to distribute using the manufacture's own outlet. (e) Where wholesalers prefer to market the product under their own brand names. (f) Where the manufacturer wants to avoid marketing risks like drop in prices. (g) When the wholesaler provides ready cash while purchasing in bulk. (h) Where the manufacturer needs to free storage space. 	(Any 4 x 1 = 4 marks)
14.	<p>Reasons for maintaining a cash book in a business enterprise include:</p> <ul style="list-style-type: none"> (a) To reduce the number of entries made into the general ledger. (b) To easily avail cash balances/show cash balances at a glance. (c) To enhance specialization in book keeping by allocating different ledgers to different workers. (d) To easily monitor the cash inflow and outflow. (e) To show the sources of funds into the business. (f) To show the expenditure in the business. 	(Any 4 x 1 = 4 marks)
15.	<p>Other methods of determining the price of a product apart from the forces of demand and supply include:</p> <ul style="list-style-type: none"> (a) Auction (b) Hagglng (Bargaining) (c) Price legislation/price control (d) Price discrimination (e) Tendering (f) Retain price maintenance 	(Any 4 x 1 = 4 marks)
16.	<p>Factors that would make two people taking the same type of life assurance policy with the same insurer to pay different premiums include:</p> <ul style="list-style-type: none"> (a) Differences in their ages. (b) Difference in their occupations and the risks they are exposed to. (c) Difference in their sum assured. (d) Difference in their places of residence. (e) Difference in their health status. (f) Deferring maturity period of their policies. 	(Any 4 x 1 = 4 marks)

17.	<p>The lines of communication are:</p> <p>(a) Horizontal communication (b) Upward vertical communication (c) Downward diagonal communication (d) Upward diagonal communication</p>	(4 x 1 = 4 marks)
18.	<p>Books of original entry that may be used to record transactions affecting stock are:</p> <p>(a) Purchases journal. (b) Sales journal. (c) Sales returns journal/Returns inwards journal. (d) Purchases returns/Returns outwards journal.</p>	(Any 4 x 1 = 4 marks)
19.	<p>External economies of scale that a firm may get when operating on a large scale include:</p> <p>(a) Ready market from the surrounding industries. (b) Access to skilled labour force. (c) Enjoy improved infrastructure. (d) Easy disposal of wastes. (e) Readily available complementary services like banking, insurance and warehousing. (f) Improved security. (g) Government support/favourable policies.</p>	(Any 4 x 1 = 4 marks)
20.	<p>Capital owned = IC + NP – D</p> <p>(a) = 90,000 + 15,000 – 5,000 = <u>100,000</u></p>	(4 x ½ = 2 marks)
(b)	<p>Acid Test Ratio = $\frac{CA-Stock}{CL}$</p> <p>= $\frac{20,000}{20,000}$ = <u>1:1</u></p>	(4 x ½ = 2 marks)

21.	<p style="text-align: center;">Watamu Enterprises Balance Sheet As at 2nd May, 2014</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;"></th> <th style="width: 20%; text-align: center;">Shs</th> <th style="width: 20%;"></th> <th style="width: 20%; text-align: right;">Shs</th> </tr> </thead> <tbody> <tr> <td>Cash in hand</td> <td style="text-align: right;">900,000</td> <td>Capital</td> <td style="text-align: right;">1,300,000</td> </tr> <tr> <td>Cash at Bank</td> <td style="text-align: right;">150,000</td> <td><u>S.T.L.</u></td> <td></td> </tr> <tr> <td>Debtors</td> <td style="text-align: right;">100,000</td> <td>Creditors</td> <td style="text-align: right;">250,000</td> </tr> <tr> <td>Stock</td> <td style="text-align: right;"><u>400,000</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>1,550,000</u></td> <td></td> <td style="text-align: right;"><u>1,550,000</u></td> </tr> </tbody> </table>		Shs		Shs	Cash in hand	900,000	Capital	1,300,000	Cash at Bank	150,000	<u>S.T.L.</u>		Debtors	100,000	Creditors	250,000	Stock	<u>400,000</u>				<u>1,550,000</u>		<u>1,550,000</u>	(10 x ½ = 5 marks)
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22.	<p>Merits of indirect taxes include:-</p> <ul style="list-style-type: none"> (a) Tax payment is voluntary. (b) It's not easily evaded. (c) More revenue can be raised/covers a wide range of items. (d) It is convenient/paid in bits. (e) It's easy to collect at the selling point. (f) It promotes equality/paid by everyone who purchases the goods. (g) It's flexible. (h) Can be used selectively. 	(Any 4 x 1 = 4 marks)
23.	<p>Ways in which the technological environment may improve business performance include:</p> <ul style="list-style-type: none"> (a) Increased output/mass production. (b) Lower cost per unit of production. (c) Minimal incidences of fraud. (d) High quality products. (e) Improved business image/reputation. (f) Increased sales. (g) Better communication. (h) Wider market/globalization. (i) Faster conduct of business transactions. 	(Any 4 x 1 = 4 marks)
24.	<p>Types of ledgers into which the accounts would be found are:</p> <ul style="list-style-type: none"> (a) Debtors ledger/Sales ledger. (b) Nominal ledger/General ledger. (c) Creditors ledger/Purchases ledger. (d) Cash book. 	(Any 4 x 1 = 4 marks)
25.	<p>Ways in which the introduction of money helped eliminate problems faced in the conduct of barter trade include:</p> <ul style="list-style-type: none"> (a) Money eliminates the need for double coincidence of wants since it is a medium of exchange. (b) Stores the value of perishable goods by selling them and keeping the money for future use. (c) Ensures that commodities exchanged are of comparable value, by offering a standard measure of value. (d) Help in the exchange of indivisible commodities since it can be divided into smaller denominations without losing value.. (e) Money provides a unit of account by which goods and services are valued unlike in barter trade. (f) Money is a standard for deferred payment whereas it was not possible to make payments in the future under the barter system. (g) Money enables the exchange of fixed property like land. 	(Any 4 x 1 = 4 marks)