

## 29.0 BUSINESS STUDIES (565)

Business Studies is comprised of Commerce, Accounting, Economics and Office Practice which were formerly tested as separate subjects. It also borrows from Entrepreneurship. One of the major objectives of Business Studies is to expose the candidates to broad areas of study and leave them to specialize at post secondary level. For those who may not go for further education, the objective is to enable them be self-reliant and partake of national development through entrepreneurship.

Business Studies was tested in two papers. Paper 1 (565/1), had 25 short answer structured items and was marked out of 100 marks. Paper 2 (565/2), had six extended answer questions out of which the candidates were expected to attempt five questions. The paper was also marked out of 100 marks.

### 29.1 GENERAL CANDIDATES' PERFORMANCE

The table below shows candidates' overall performance in Business Studies (565), in the year 2010.

**Table 29: Candidates' Overall Performance in the year 2006, 2007, 2008, 2009 and 2010**

Year	Paper	Candidature	Maximum Score	Mean Score	Standard Deviation
2006	1		100	54.46	18.61
	2		100	38.02	18.19
	<b>Overall</b>	<b>110,630</b>	<b>200</b>	<b>92.47</b>	<b>35.00</b>
2007	1		100	64.03	18.76
	2		100	46.27	15.54
	<b>Overall</b>	<b>118,361</b>	<b>200</b>	<b>110.29</b>	<b>32.00</b>
2008	1		100	43.79	15.96
	2		100	31.65	16.81
	<b>Overall</b>	<b>127,500</b>	<b>200</b>	<b>75.45</b>	<b>31.28</b>
2009	1		100	38.93	15.77
	2		100	31.95	15.35
	<b>Overall</b>	<b>147,212</b>	<b>200</b>	<b>70.85</b>	<b>29.75</b>
2010	1		100	42.68	14.46
	2		100	36.81	16.93
	<b>Overall</b>	<b>159,567</b>	<b>200</b>	<b>79.49</b>	<b>31.39</b>

From the table above, the following observations can be made:

- 29.1.1 The subject is very popular as attested to by the candidature which was 159,567. This was an increase in candidature as compared to the year 2009 when enrolment was 147,212.
- 29.1.2 Overall performance of candidates in the subject was below average with a mean score of 79.49.
- 29.1.3 Candidates performed better in paper one (565/1), when compared with Paper 2 (565/2) as per the respective means of 42.68 and 36.81. This implies that most candidates find it easier to tackle the short answer questions in Paper 1 (565/1) as compared to the extended answer questions in Paper two (565/2).
- 29.1.4 Generally the paper registered an improvement in overall performance with the mean being 79.49 as compared to the previous year 2009, when the mean was 70.85.

This report discusses some of the questions that candidates found challenging in the two papers offered for the Business Studies examination.

### 29.2 PAPER 1 (565/1)

#### Question 2

Give five reasons why the government may find it necessary to start a parastatal. (5 marks)

The question required the candidates to justify the need for the establishment of government owned organizations.

#### **Weaknesses**

Quite a number of candidates failed to interpret the word parastatal correctly, leading them to give wrong answers.

#### **Expected responses**

- To provide strategic goods and services
- To increase revenue collection
- To encourage import substitution industries
- To encourage foreign investment
- To reduce foreign influence
- To address special social needs
- To take care of sensitive ventures like fire arms, and printing of money
- To take care of businesses that requires a large initial capital
- To create more employment opportunities
- To stimulate economic development
- To provide essential goods and services at low costs.

#### **Advice to Teachers**

Teachers should explain the terms and define them appropriately. They should also vary their testing skills to enable the students understand both direct questions and those that require application.

#### **Question 3**

Name the types of warehouses associated with each of the statements given below:

(4 marks)

Statement	Type of warehouse
(i) Goods can be stored before payment of customs duty.	.....
(ii) Individuals can hire storage facilities.	.....
(iii) Goods are stored from several manufacturers.	.....
(iv) Specialised goods are stored	.....

The question required the candidates to identify the warehouses associated with the given statements.

#### **Weaknesses**

Many candidates could not name the warehouses since they could not deduce the overall function or general characteristic referred to in the statements.

#### **Expected responses**

- Bonded warehouse
- Public warehouse
- Wholesalers warehouse
- Manufacturers warehouse

#### **Advice to Teachers**

After teaching the types of warehouses, teachers should give adequate examples of each type and also cover their overall characteristics with the students.

#### **Question 15**

Outline four ways in which government expenditure may stabilize the economy of a country. (4 marks)

This question required the candidates to outline the stabilizing effect that government expenditure has on the economy.

### Weaknesses

Most candidates came up with the forms of government expenditure and omitted the stabilizing effect of the expenditure which was required by the question.

### Expected responses

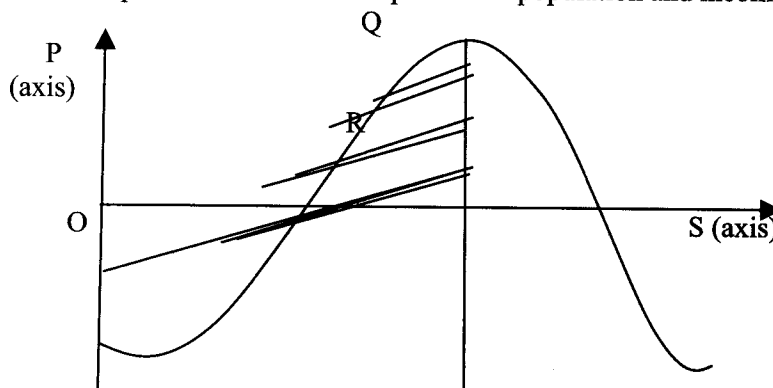
- Provision of security - This creates an enabling environment for economic activities
- Creation and maintenance of administrative departments. These are created for effective operation of a country's economy.
- Social services - This enhances the welfare of the population for effective participation in economic activities.
- Spending on infrastructure - It improves efficiency in production and distribution of goods and services in the economy.
- Advancement of non-interest earning capital to entrepreneurs during economic recess.
- Provision of basic goods and services through subsidies
- Promoting local industries by giving them incentives.

### Advice to Teachers

Teachers must always encourage students to always read through questions and understand their requirements before embarking on responding to them.

### Question 19

The diagram below represents the relationship between population and income per capita.



State what is represented by P and S axes, and letters R and Q.

(4 marks)

- P (axis).....
- S (axis).....
- R .....
- Q .....

This question required candidates to identify what the letters in the diagram showing the relationship between population and income per capita stood for.

### Weaknesses

Most candidates thought that the letter P on the vertical axis stood for population, and therefore mistook the horizontal axis to be per capita income. They used a lot of guesswork in answering this question.

### Expected responses

- P - Income per capita
- S - Population
- R - Under population
- Q - Optimum population

### Advice to Teachers

Teachers should allocate enough time to teach learners various methods of answering question so as to avoid guess work.

### 29.3 PAPER 2 (565/2)

#### Question 1 (a)

Commodities A and B are substitutes. Using two diagrams, explain how an increase in the supply of commodity A will affect the equilibrium price and quantity of commodity B.

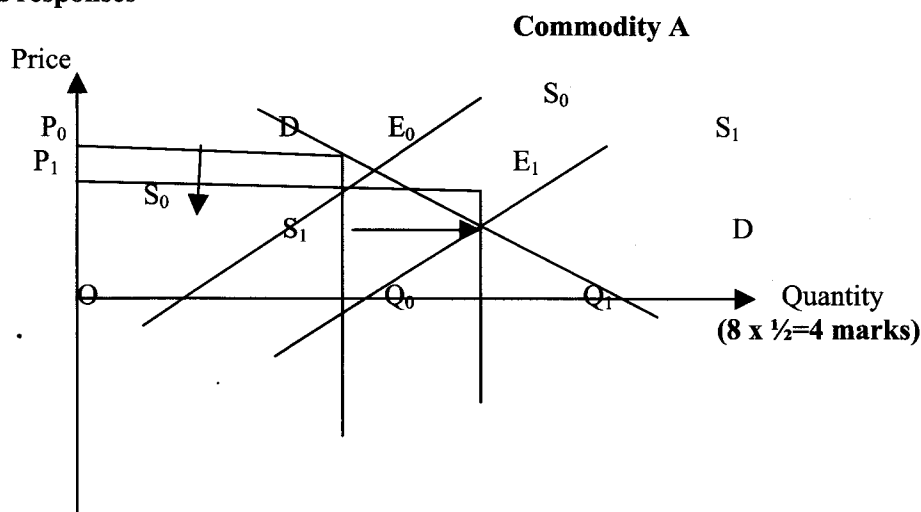
(10 marks)

This question required candidates to use two diagrams to explain the effect of increase in the supply of a commodity A, on the equilibrium price and equilibrium quantity of another B, to which it is a substitute.

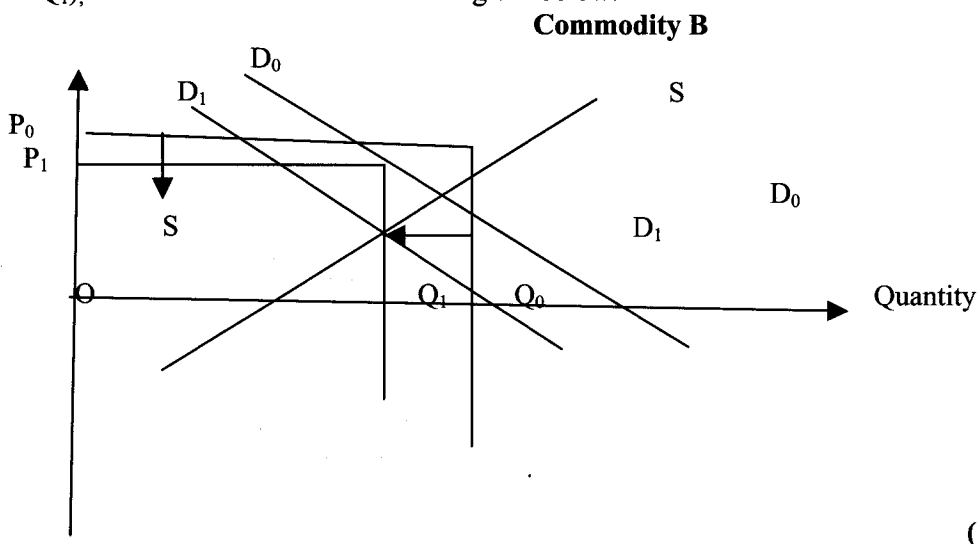
#### Weaknesses

A good number of candidates failed to label the diagrams, while others combined both commodities A and B on the same diagram. Some students also drew two diagrams for B while ignoring commodity A altogether.

#### Expected responses



Since the price of A has decreased, consumers are likely to buy more of A (as quantity moves from  $Q_0$  to  $Q_1$ ), and less of B as shown in the diagram below.



Demand for commodity B reduces from  $Q_0$  to  $Q_1$  as the price also reduces from  $P_0$  to  $P_1$ . The effect is a shift in demand curve to the left, creating a new equilibrium quantity  $Q_1$  and equilibrium price  $P_1$  at equilibrium point  $E_1$ . (4x1/2=2marks)

**Advice to Teachers**

Students should be taught interrelated demand and supply as well as shifts in the demand and supply curves thoroughly.

**Question 2 (a)**

Describe five principles that distinguish co-operative societies from other forms of business organizations.  
(10 marks)

This question required the candidates to discuss the uniqueness of co-operative societies from other business organizations based on their principles

**Weaknesses**

Most candidates confused the principles of co-operatives with their functions, features, advantages and disadvantages.

**Expected responses**

- Democratic control. Decisions are made by members on a one-man-one-vote basis.
- Voluntary membership:-members are affiliated to co-operatives freely and may also exit freely.
- Political/religious neutrality. Co-operative societies are not supposed to favour, align or identify with any political or religious grouping.
- C-operation with other co-operatives. They do this in order to share ideas and experiences at different levels.
- Limited interest on share capital. The capital paid is meant for running the society's affairs rather than generating interest.
- Promotion of education to members. The co-operatives are obliged to educate their staff, management and the members in general.
- Repayment of dividends. They distribute their surplus on a prorate basis.
- Offer of utmost service to members. They are formed to cater for members' interests and welfare.
- Limited number of shares to be held by any single member. This is to avoid dominance or control of the business by one or just a few members.

**Advice to Teachers**

Teachers should exhaustively cover the principles of co-operatives and also expose learners to the differences between various forms of business organizations.

**Question 5 (a)**

Discuss five problems that a country may face when measuring her national income using the output approach.  
(10 marks)

This question required candidates to single out the output approach in measuring national income and the problems that a country may face when using it to measure national income.

**Weaknesses**

Most students seemed to be ignorant of the output approach and simply gave problems associated with the income approach and the expenditure approach.

**Expected responses**

- Inadequate or incomplete data – difficulties will be experienced in valuation due to unavailability or inaccuracy of output figures.
- Determination of goods and services to be included – difficulties regarding which goods and services to include in the calculation of national income.
- Subsistence sector – problem arises in the valuation of output of the subsistence sector since the goods are never priced.

- Value of stock – There is a problem on what to assign to the stock of goods to be included in the national income, whether it should be value at cost or at market price.
- Price fluctuation – prices of goods may vary from time to time hence there is a problem of deciding whether to attach historical cost or market price.
- Double counting. It may be difficult to distinguish between primary and intermediate output or between intermediate and final output.
- Lack of qualified personnel who may be to compute and even collect data.
- Inadequate finance capital equipment and technology to be used when gathering and compiling data.

#### **Advice to Teachers**

Teachers should cover all the three approaches to measuring national income and teach the problems associated with each of them distinctly.

#### **Question 6(a)**

Discuss five benefits that a customer may get by using Automated Teller Machines (ATMS) for financial transactions. (10marks)

This question required the candidates to discuss the benefits that a customer may get by using ATMS.

#### **Weaknesses**

Majority of the candidates seemed unaware of ATMS.

#### **Expected responses**

- Customer can withdraw and deposit money at any time.
- Customer can pay utility bills through the ATMs.
- Fees charged FOR withdrawal is low compared to over-the-counter with draws.
- ATMs may be found even where banks are non-existent
- The customer has a pin number which guarantees confidentiality.
- Customer can use it to monitor his transactions with the bank by getting mini-statements.
- Customers can deposit money or cheques at any time since it offers a twenty-four hour service.
- Customers can make interbank withdrawals by use of visa cards.
- ATM cards are visible and very easy to carry around.

#### **Advice to Teachers**

Teachers should integrate emerging issues in their teaching.

**29.29 BUSINESS STUDIES (565)**

**29.29.1 Business Studies Paper 1 (565/1)**



- 1** In the spaces provided below, indicate the type of utility created by each of the following commercial activities:

**(4 marks)**

<b>Commercial activity</b>	<b>Type of utility</b>
(i) Selling goods to customers;	.....
(ii) Transporting goods;	.....
(iii) Storekeeping;	.....
(iv) Making a chair.	.....

- 2** Give five reasons why the government may find it necessary to start a parastatal.

**(5 marks)**

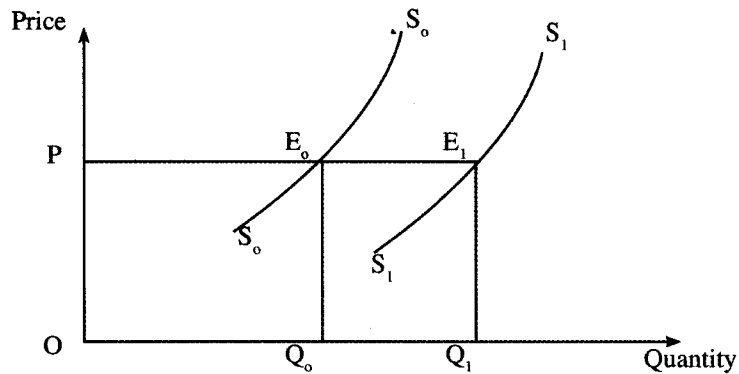
- (i) .....
- (ii) .....
- (iii) .....
- (iv) .....
- (v) .....

- 3** Name the types of warehouses associated with each of the statements given below:

**(4 marks)**

<b>Statement</b>	<b>Type of warehouse</b>
(i) Goods can be stored before payment of customs duty.	.....
(ii) Individuals can hire storage facilities.	.....
(iii) Goods are stored from several manufacturers.	.....
(iv) Specialised goods are stored	.....

- 4 The figure below shows a shift in the supply curve of a given commodity.



Outline **four** factors that may have caused the shift in the supply curve from  $S_0$  to  $S_1$ .

(4 marks)

- (i) .....
- (ii) .....
- (iii) .....
- (iv) .....

- 5 The balances given below relate to Enotika Traders for the year ended 31st December 2008.

	Shs
Capital	?
2 year bank loan	230,020
Creditors	95,200
Fixed assets	480,000
Current assets	145,220

Prepare a balance sheet as at 31st December 2008.

(5 marks)

- 6 Give **two** reasons why a three column cashbook is used both as a journal and a ledger.

(4 marks)

- (i) .....
- (ii) .....

- 7 The management of national debt, credit control and lender of last resort are some of the functions of the Central Bank. Match these functions with the statements given below.

(3 marks)



	Statement	Function
i.	Repayment of Government securities as they mature.	
ii.	Receipt of treasury bills to secure loans.	
iii.	Directing commercial banks on the preferred sectors to lend money.	

8 State the meaning of the following terms of sale as used in international trade:

(4 marks)

- (i) LOCO .....
- (ii) C.I.F. ....
- (iii) F.A.S. ....
- (iv) F.O.Q .....

9 The manager of Tasa Limited constantly walks around various departments. State four merits of this style of management.

(4 marks)

- (i) .....
- (ii) .....
- (iii) .....
- (iv) .....

10 State four reasons why the government should create an enabling environment for investors.

(4 marks)

- (i) .....
- (ii) .....
- (iii) .....
- (iv) .....

- 11 Outline **four** differences between insurance and assurance. (4 marks)

Insurance	Assurance
(i) .....	(i) .....
.....	.....
(ii) .....	(ii) .....
.....	.....
(iii) .....	(iii) .....
.....	.....
(iv) .....	(iv) .....
.....	.....

- 12 State **four** factors that may influence the level of national income. (4 marks)

- (i) .....
- (ii) .....
- (iii) .....
- (iv) .....

- 13 Outline the difference between cash and credit transactions. (2 marks)

- 14 The terms capital employed, working capital, owner's equity and borrowed capital are types of capital found in a business. Match each of the statements given below with the relevant type of capital. (3 marks)

Statement	Type of capital
(i) Resources invested into the business by the owner.	.....
(ii) Excess of current assets over current liabilities.	.....
(iii) Amount invested into the business by outsiders.	.....

15 Outline **four** ways in which government expenditure may stabilize the economy of a country. (4 marks)

- (i) .....
- (ii) .....
- (iii) .....
- (iv) .....

16 State **four** problems associated with development planning. (4 marks)

- (i) .....
- (ii) .....
- (iii) .....
- (iv) .....

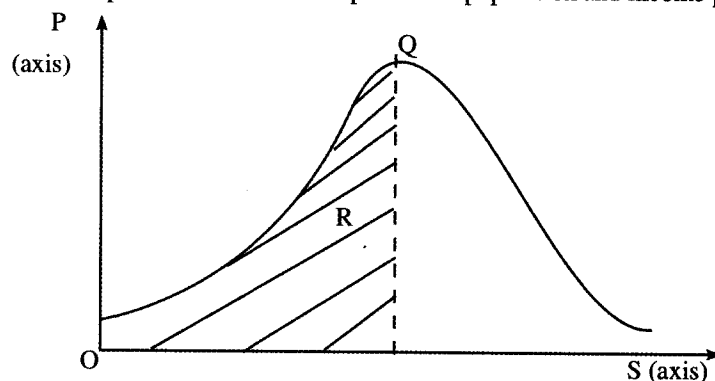
17 State **four** services that a wholesaler may offer to a manufacturer. (4 marks)

- (i) .....
- (ii) .....
- (iii) .....
- (iv) .....

18 State **four** reasons why flower exporters would transport their produce by air rather than by sea. (4 marks)

- (i) .....
- (ii) .....
- (iii) .....
- (iv) .....

19 The diagram below represents the relationship between population and income per capita.



State what is represented by P and S axes, and letters R and Q. (4 marks)

- (i) P (axis) .....
- (ii) S (axis) .....
- (iii) R .....
- (iv) Q .....

20 The following information was extracted from the books of Helen Traders;

	1/1/2008	31/12/2008
	Shs	Shs
(i) Salaries pre-paid	24,800	52,400
(ii) Salaries paid	-	48,200

Prepare a salary expense account using the above information. (5 marks)

21 State **four** circumstances under which one may decide to start a personal business. (4 marks)

- (i) .....
- (ii) .....
- (iii) .....
- (iv) .....

22 Highlight **four** ways in which a business idea can be implemented. (4 marks)

- (i) .....
- (ii) .....
- (iii) .....
- (iv) .....

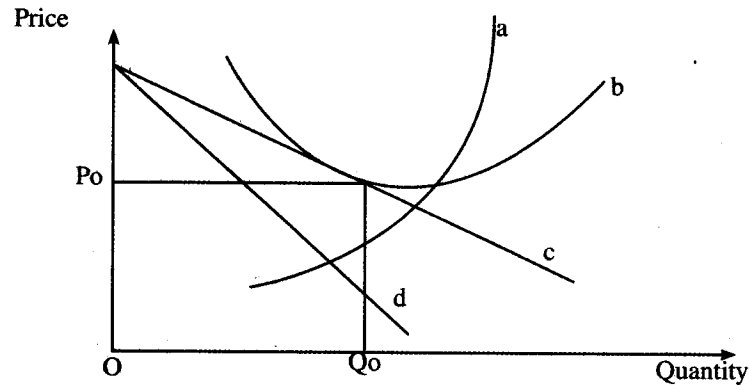
23 Outline **five** measures that a manager can take to improve the working environment in the office. (5 marks)

- (i) .....
- (ii) .....
- (iii) .....
- (iv) .....

- 24 Highlight **four** challenges that a person may encounter when using a cellphone (mobile phone). (4 marks)

- (i) .....
- (ii) .....
- (iii) .....
- (iv) .....

- 25 The diagram below represents the long-run equilibrium of a firm under monopolistic competition.



Name the curves represented by the letters a, b, c, and d. (4 marks)

- (i) a is .....
- (ii) b is .....
- (iii) c is .....
- (iv) d is .....

### 29.29.2 Business Studies Paper 2 (565/2)

- 1 (a) Commodities A and B are substitutes. Using two diagrams, explain how an increase in the supply of commodity A will affect the equilibrium price and quantity demanded of commodity B. (10 marks)
- (b) Explain **five** negative effects that inflation may have on the economy of a country. (10 marks)
- 2 (a) Describe **five** principles that distinguish co-operative societies from other forms of business organizations. (10 marks)
- (b) Explain **five** ways of making face-to-face communication effective. (10 marks)
- 3 (a) The following balances were extracted from the books of K100 Traders for the year ended 30th June 2008.

Item	shs.
Stock on 1st July 2007	80,200
Discount received	7,500
Furniture	3,000,000
Motor vehicle	690,000
Returns inwards	5,800
Returns outwards	20,800
Debtors	316,800
Creditors	510,400
Purchases	1,120,000
Carriage on sales	12,700
Carriage on purchases	40,000
Lighting	15,000
Sales	1,880,000
Insurance	4,000
Repairs	230,000
Water bill	250,000
General expenses	56,700
Cash	80,000
Capital	4,000,000
Bank	520,000
Bank overdraft	2,500

Additional information:

- (i) Stock on 30th June 2008 was valued at shs 120,000.

Prepare:

- (i) Trading, Profit and Loss accounts for the year ended 30th June 2008. (9 marks)
- (ii) Balance sheet as at 30th June 2008. (5 marks)
- (b) Explain **three** factors that should be considered when choosing a means of transport. (6 marks)

- 4 (a) Explain **five** benefits that a member country may get from economic integration. (10 marks)
- (b) The information in the table below relates to product ZX whose unit price in the market is Shs 20.00.

Units Produced (in tones)	Total Fixed cost (Shs)	Total Variable cost (Shs)	Total Cost (Shs)	Total Average Cost (Shs)	Marginal Cost (Shs)
0	200	0			
10	200	50			
20	200	80			
30	200	100			
40	200	140			
50	200	200			

Required:

- (i) Determine total costs, total average costs, and marginal costs at each level of output. (8 marks)
- (ii) Determine the units to be produced in order to maximize profits. (2 marks)
- 5 (a) Discuss **five** problems that a country may face when measuring her national income using the output approach. (10 marks)
- (b) Explain **five** factors that an entrepreneur would consider when evaluating a business idea. (10 marks)
- 6 (a) Discuss **five** benefits that a customer may get by using Automated Teller Machines (ATMs) for financial transactions. (10 marks)
- (b) Amina operates a fleet of Public Service Vehicles (PSVs). Explain **five** possible risks she can insure her business against. (10 marks)

## 29.29 BUSINESS STUDIES (565)

### 29.29.1 Business Studies Paper 1 (565/1)



MANYAM FRANCHISE  
Discover! Learn! Apply

1. Type of utility created in each case is:

- Possession
- Place
- Time
- Form

*(4x1)=4 marks*

2. Reasons why the government may find it necessary to start a parastatal include:

- To provide strategic goods and services
- To increase revenue collection
- To encourage import substitution industries
- To encourage foreign investment
- To reduce foreign influence
- To address special social needs
- To take care of sensitive ventures like fire arms, and printing of money
- To take care of businesses that requires a large initial capital
- To create more employment opportunities
- To stimulate economic development
- To provide essential goods and services at low costs.

*(Any 5 x 1) = 5 marks*

3. Types of warehouses referred to are:

- Bonded warehouse
- Public warehouse
- Wholesalers warehouse
- Manufacturers warehouse

*(4x1=4) marks*

4. Factors that may have caused the shift in supply include:

- A fall in the cost of production
- Fall in price of competitively produced goods e.g. Coffee and Napier grass
- Technological progress
- Conducive natural factors e.g. good weather
- Favourable government policies like reduced tax and increased subsidies
- Future expectations of a fall in price of the commodity
- Entry of new firms in the industry
- Increase in factors of production
- Longer time
- Less strikes
- Increase in the price of jointly supplied goods.

*(Any 4x1)=4 marks*



5.

**ENOTIKA TRADERS  
BALANCE SHEET**

**AS AT 31ST DECEMBER 2008**

Fixed Assets	480,000	Capital	300,000
Current Assets	145,220	<u>Long term Liabilities</u>	
		2 year Bank loan	230,020
		<u>Current Liabilities</u>	
		Creditors	95,200
	<u>625,220</u>		<u>625,220</u>

(5x1)=5 marks

6. Reasons why a three column cash book is used both as a journal and a ledger:
- Cash and bank columns in the cash book act as a ledger and total balances are used to prepare trial balance like other ledger accounts.
  - Both discount allowed and discount received columns act as a journal and their total balances are transferred to the ledger.
  - Cash transactions are entered in the three column cash book directly as they occur.

(2x2) = 4 marks

7. Appropriate functions are:

- Management of national debt
- Lender of last resort
- Credit control

(3x1)=3 marks

8. Terms of sale as used in international trade.

- Loco - This means the price of goods quoted at the exporters warehouse/premises. The importer bears the cost of packaging and transport./factory price/ex-works
- C.I.F. - Cost Insurance and Freight. Cost of Insurance and freight included up to the port of entry.
- F.A.S. - Free Alongside Ship. Costs incurred on goods up to the point where they are ready to be loaded onto the ship.
- F.O.Q - Free on Quay. This means the price quoted include all costs incurred up to the quay.

(4x1=4) marks

9. Merits of Management by Walking around (MBWA) include:

- Manager has first-hand information on the goings - on in the organization,
- Manager has instant feedback from the workers.
- Manager can tackle issues as they arise
- Manager can enhance interpersonal relations with the workers.
- Subordinates avoid idleness and work as they feel the presence of the manager.
- Manager can give relevant comments on performance/rewards/motivation
- Manager can identify absenteeism/lateness
- It controls misuse of resources.

(Any 4x1)=4 marks

10. Reasons why the government should create an enabling environment to investors include:

- To minimize cost of doing business
  - To open new areas hitherto neglected by investors
  - To expand the tax base and hence increase revenue
  - To enhance economic development in the country
  - To promote public-private sector relationship
  - To create employment opportunities
  - To increase the level of national income/increase economic growth
  - To avail a variety of goods and services
  - To enhance modern technology and skills
  - To encourage utilization of local resources
  - To earn foreign exchange
  - To encourage healthy competition among investors
- (Any 4 x) = 4 marks

11. Distinction between insurance and assurance

Insurance	Assurance
i) Protection offered to property against unforeseen risks.	i) Protection offered to life against unforeseen risks
ii) Risk insured against may or may not happen.	ii) Risks insured against must happen and time is not known.
iii) The insurance contract is renewable after every year.	iii) Insurance contract is for life and does not require renewal.
iv) Compensation is given to owner of property in case of loss/uncertainty.	iv) Compensation is given to beneficiaries in case of death/certain.
v) A replacement for the good lost can be given (contract of indemnity).	v) Lost life can never be replaced (not a contract of indemnity).
vi) Has no surrender value	vi) Has surrender value
vii) Policy cannot be used as collateral to secure loans	vii) Policy can be used as collateral to secure loans
viii) Has no maturity date	viii) Has maturity date
ix) The principal of subrogation applies	ix) The principal of subrogation does not apply
x) Cannot be used as a saving scheme	x) Can be used as a saving scheme
xi) Sum insured depends on the market value of the property/cannot be adjusted	Xi) Sum assured depends on the ability to pay premiums/can be adjusted

(Any 4x1)=4 marks

**Note:** The points must match for a tick to be awarded.

12. Factors that may influence the level of national income include:
- Availability of natural resources.
  - Availability of skilled labour force.
  - Literacy levels of the citizens in general.
  - Level of country's industrialization.
  - Dependency ratio on the economically active portion of the population.
  - Level of technology
  - The size and quality of the population
  - The entrepreneurial culture/level of investment
  - Infrastructure (transport, communication e.t.c)
  - Political stability
  - Socio-cultural factors
  - Security
- (Any 4 x 1) = 4 marks*
13. Difference between cash and credit transactions:
- In a cash transaction, both money and goods exchange hands between the buyer and the seller immediately while in a credit transaction, the transfer of goods and payment take place at different times.
  - Cash transactions require the use of a cash sale receipt while credit transactions require the use of an invoice.
- (Any 1 x 2) = 2 marks*
14. Matching statements on capital with types of capital
- Owner's equity
  - Working capital
  - Borrowed capital
- (3x1)=3 marks*
15. Ways in which government expenditure stabilizes the economy of a country include:
- Provision of security - This creates an enabling environment for economic activities. Creation and maintenance of administrative departments. These are created for effective operation of a country's economy.
  - Social services - This enhances the welfare of the population for effective participation in economic activities.
  - Spending on infrastructure - It improves efficiency in production and distribution of goods and services in the economy.
  - Advancement of non-interest earning capital to entrepreneurs during economic recess.
  - Provision of basic goods and services through subsidies
  - Promoting local industries by giving them incentives.
- (Any 4x1)=4 marks*
16. Problems associated with development planning include :
- Inadequate data
  - Inadequate funds
  - Inadequate supply of specialists
  - Political instability/conflicts
  - Conflict of interests
  - Inaccurate data
  - Overambitious plans
  - Natural catastrophes
  - Lack of political goodwill
- (Any 4x1)=4 marks*
17. Services that a wholesaler may offer to a manufacturer include:
- Links the manufacturer with the retailers.
  - Breaks bulk on behalf of manufacturer.
  - Provides storage on behalf of manufacturer.
  - Provides working capital when they pay for goods.

- Assists in the distribution of goods.
- Promotes the products on behalf of the manufacturer.
- Relieves the manufacturer of risks like price fluctuations, expiry of goods offers valuable information about the goods

(Any 4x1)=4 marks

18. The flower exporter would choose air transport over sea due to the following reasons:

- Air transport is faster than sea transport.
- Flowers and perishable require faster means.
- Flowers have a very high per unit value
- Security of air transport is relatively high.
- Flowers are light in weight
- Flowers are not bulky.

(Any 4 x 1) = 4 marks

19. The letters represent.

- P - Income per capita
- S - Population
- R - Under population
- Q - Optimum population

20. Salaries Expenses account

Dr			Cr
Balance b/d	24,800	Profit and Loss a/c	20,600
Cash	48,200	Balance c/d	52,400
	<hr/>		<hr/>
	73,000		73,000
	<hr/>		<hr/>

(5x1) =5 marks

21. Circumstances under which one would decide to start a personal business include:

- Where there is need to create employment.
- Where additional income is needed.
- Where there is need to apply business skills acquired.
- Where there is need to invest surplus funds.
- Where one has a business idea to implement.
- where one wants to become his own boss
- Where there is a market niche/gap
- Where there is need to use one's talents or hobbies
- Where there is need to make use of space and time

(Any 4x1)=4 marks

22. Ways in which a business idea can be implemented include:

- Creating a new product.
- Improving on an existing product.
- Improving the process of production.
- Improving the marketing strategies.
- Offering unique services.
- Improving the quality of services
- Improving the quantity of goods
- Expanding the range of services offered.

(Any 4x1= 4 marks)

23. Measures that a manager can take to improve the working environment in the office include:

- Provision of proper and adequate lighting.
- Maintaining tidiness in the office.

- Provision of adequate space for working.
- Provision of proper ventilation.
- Provision of relevant and adequate furniture and equipment.
- Beautifying the office to give it a pleasant appearance.
- Provision of smoking zones
- Discouraging unnecessary noise
- Provision of adequate equipment and furniture
- Provision of welfare facilities
- Provision of special facilities for the handicapped.
- Provision of safety measures and gadgets

*(Any 5 x ) = 5 marks)*

24. Challenges that may be faced when using a cell-phone (mobile phone) include:

- May be damaging to the ears.
- Are relatively expensive.
- Calls or messages sent may be tapped.
- Its use may be limited where there is lack of network.
- May not be used under certain circumstances e.g. banking halls, public service vehicles etc.
- Possibility of loss of handset to thieves
- Relatively expensive to operate
- Requires constant charging
- Prone to misuse
- May experience network congestion

*(Any 4 x 1 = 4 marks)*

25. The curves represented are:

- *a* is marginal cost curve
- *b* is average cost curve
- *c* is average revenue curve/demand curve
- *d* is marginal revenue curve.

*(4x1=4 marks)*

- Provision of adequate space for working.
- Provision of proper ventilation.
- Provision of relevant and adequate furniture and equipment.
- Beautifying the office to give it a pleasant appearance.
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- May experience network congestion

*(Any 4 x 1 = 4 marks)*

25. The curves represented are:

- *a* is marginal cost curve
- *b* is average cost curve
- *c* is average revenue curve/demand curve
- *d* is marginal revenue curve.

*(4x1=4 marks)*

- Socio-political unrest. Generally people are unhappy and this may bring conflict, tension and political unrest due to high cost of living.
- Worsening balance of payment

(Any 5x 2)=10 marks

2. (a) Principles that distinguish co-operative societies from other forms of business organizations include:

- Democratic control. Decisions are made by members on a one-man-one-vote basis.
- Voluntary membership:-members are affiliated to co-operatives freely and may also exit freely.
- Political/religious neutrality. Co-operative societies are not supposed to favour, align or identify with any political or religious grouping.
- C-operation with other co-operatives. They do this in order to share ideas and experiences at different levels.
- Limited interest on share capital. The capital paid is meant for running the society's affairs rather than generating interest.
- Promotion of education to members. The co-operatives are obliged to educate their staff, management and the members in general.
- Repayment of dividends. They distribute their surplus on a prorate basis.
- Offer of utmost service to members. They are formed to cater for members interests and welfare.
- Limited number of shares to be held by any single member. This is to avoid dominance or control of the business by one or just a few members.

(Any 5x 2) = 10 marks

b) Ways of making face to face effective include:

- Clarity of the message so as to avoid misunderstanding and ambiguity.
- Use of non-verbal cues to clarify verbal messages.
- Communicating parties being close to each other
- Communicating parties use of a common language thus enhancing understanding of the message.
- Making the message concise and brief to avoid unnecessary detail.
- Good listening and being attentive
- Positive attitude between the communicating parties
- Use of simple language and non technical terms to make it easy for the receiver to understand.
- Courtesy and respect between the sender and the receiver to avoid hostilities.
- Tone variation to break monotony and sustain interest

(Any 5x2) =10marks

3. (a) (i)

**K-100 TRADERS**  
**TRADING, PROFIT AND LOSS ACCOUNT**  
**For the year ended 30<sup>th</sup> June 2008**

Dr		Cr	
Opening stock	80,200	Sales	1,880,000
Purchases	1,120,000	Less: Returns in	<u>5,800</u> 1,874,200
Add: Carriage in	<u>40,000</u>		
	1,160,000		
Less: Returns out	<u>20,800</u>		
	1,139,200		
Available for sale	1,219,400		
Less: Closing stock	<u>120,000</u>		
Cost of goods sold	1,099,400		
Gross profit c/d	<u>774,800</u>		
	<u>1,874,200</u>		
<u>EXPENSES</u>		Gross Profit b/d	<u>1,874,200</u>
Water bill	250,000		774,800
Repairs	23,000	Discount received	7,500
Carriage on sales	12,700		
Lighting	15,000		
Insurance	4,000		
General expenses	56,700		
Net profit	<u>213,900</u>		
	<u>782,300</u>		
			<u>782,300</u>
		(18 x ½) = 9 marks	

(18 x ½) = 9 marks

**K-100 TRADERS**  
**BALANCE SHEET AS AT**  
**30<sup>TH</sup> JUNE 2008**

(ii)

FIXED ASSETS	SHS	SHS	CURRENT ASSETS	SHS	SHS
Furniture	3,000,000		Stock	120,000	
Motor vehicle	<u>690,000</u>	3,690,000	Debtors	316,800	
			Bank	520,000	
			Cash	<u>80,000</u>	
				1,036,800	
				<u>4,726,800</u>	
					<u>4,726,800</u>

(10 x ½) = 5 marks

(b)

Factors that should be considers in the choice of a means of transport include:

- The nature of the commodity to be transported .Some goods are such that they can only be transported using a particular means of transport.
- Cost – the commodity to be transported should have a sale value that is able to meet the cost of the means of transport chosen.
- Urgency/speed – how urgently the commodity is required at the destination often dictates the means of transport chosen.
- Reliability. Chose a means that is certain to deliver without fail.
- The geographical distance to be covered. Some means of transport may not take goods to faraway places while some are not convenient over short distances.
- Security. Chose a means that is less prone to damage, loss or theft.
- Flexibility. Chose a means that is able to deliver door to door services.



- Availability of the means. Chose a means that can be readily found and is within reach.
  - Volume/quantity of the goods. Chose a means with the capacity to carry all the goods.
- (Any 3x2) = 6 marks

4. (a) Benefits that a member country may get from economic integration include:
- Large market – The country gets additional market to sell her goods and services.
  - Promotion of peace – member countries have a deeper understanding of each other thus enhancing peace.
  - Increased mobility of factors of production. Labour, entrepreneurship and capital will to and from other countries with minimum restriction.
  - Improved infrastructure – There is likelihood that member countries will improve their infrastructure.
  - Opportunity to deal with any deficits in production – Member countries can get what they don't have from other countries.
  - Increased variety of goods and services – due to increased range of goods at the disposal of the citizens of the member countries, they are able to satisfy varied needs since they have a wider choice.
  - Shared research information and common services – This reduces the cost of doing business and improves production by eliminating duplication.
  - Creation of employment. This is a result of increased economic activity.
  - Encourages specialization. Member countries concentrate on what they can produce better.
  - Increased economic bargaining power. This may lead to better balance of payment and terms of trade.

(Any 5x2) = 10 marks

b)

• Completed table

Units	Total	Total	Total	Total	Marginal
Produced	Fixed cost	Variable cost	Cost	Average costs	Cost
(Tonnes)	(Shs)	(Shs)	(Shs)	(Shs)	(Shs)
0	200	0	200	-	0
10	200	50	250	25	50
20	200	80	280	14	30
30	200	100	300	10	20
40	200	140	340	8.5	40
50	200	200	400	8.0	60

(16 x ½) = 8 marks

- 30 tones units should be produced to maximize profits. This is the level at which Marginal cost is equal to marginal revenue that is Shs. 20.

(2x1) = 2 marks

5.

- (a) Problems that may be faced when measuring national income using the output approach include:

- Inadequate or incomplete data – difficulties will be experienced in valuation due to unavailability or inaccuracy of output figures.
- Determination of goods and services to be included – difficulties regarding which goods and services to include in the calculation of national income.
- Subsistence sector – problem arises in the valuation of output of the subsistence sector since the goods are never priced.
- Value of stock – There is a problem on what to assign to the stock of goods to be included in the national income, whether it should be value at cost or at market price.

- Price fluctuation – prices of goods may vary from time to time hence there is a problem of deciding whether to attach historical cost or market price.
- Double counting. It may be difficult to distinguish between primary and intermediate output or between intermediate and final output.
- Lack of qualified personnel who may be to compute and even collect data.
- Inadequate finance capital equipment and technology to be used when gathering and compiling data.

(Any 5 x 2) = 10 marks

(b) Factors that an entrepreneur would consider when evaluating a business idea include:

- The profit margin to be earned from the investment. There should be a reasonable profit from the investment in order to cover all the operational expenses and get surplus.
- Existing attitudes, practices and beliefs of the target market. The new product, service or business idea must be in line with the people's attitudes, practices and beliefs if it has to be accepted and hence marketed.
- Availability of appropriate technology. The technology to be used in producing the product or offering the service should be efficient and cost – effective.
- Size and availability of the market.
- Possibly of pre-testing (trial use). It should be affordable to allow customers to try out the new product first without having to purchase it and get feedback from them.
- Availability of an effective channel of distribution. This will ensure the product is available in the market so that customers buy it when they decide to.
- Ability of the product to satisfy the immediate need of the buyer. The new product must be of tangible or felt benefit to the buyer hence making it very attractive.
- Ease of usage. The new product or service should be easy for the buyers to understand and use since they may fail to buy the product if it is complex and difficult to use.
- The level of competition. The entrepreneur should look at the systems used by the competitors and strategise accordingly.
- The payback period. This should be reasonable to allow the investor break even and recoup the capital invested.
- The risks involved. These should be manageable and minimal to avoid unnecessary losses.

(Any 5x2) = 10 marks

6 (a) Benefits that accrue to a customer who uses Automat teller machine ATMs include:

- Customer can withdraw and deposit money at any time.
- Customer can pay utility bills through the ATMs.
- Fees charged FOR withdrawal is low compared to over-the-counter with draws.
- ATMs may be found even where banks are non-existent
- The customer has a pin number which guarantees confidentiality.
- Customer can use it to monitor his transactions with the bank by getting mini-statements.
- Customers can deposit money or cheques at any time since it offers a twenty-four hour service.
- Customers can make interbank withdrawals by use of visa cards.
- ATM cards are visible and very easy to carry around.

(Any 5x2)=10 marks

b) Possible risks that Amina can insure her business against include:

- She can insure vehicles and other assets, against accidents.
- Fire – vehicle and other assets can be insured against fire.
- Cash in transit – can insure against loss of cash in transit to and from the bank.
- Pilferage – Can insure against loss of cash and other valuables through theft by employees.
- Occupational hazards – employees can be insured against physical harm while on duty.
- Third party claims – can insure against injuries to third parties emanating from the fleet.
- Theft and burglary to cover the vehicles and other property against unauthorised or forceful access to the property.
- Loss of profit and consequential loss due to business interruptions.

(Any 5x2) = 10 marks