CHUMA traders

Balance sheet

As at 31stOctober 2020

|  |
| --- |
| ***Liabilities ksh.***  Creditors 26,000√  Bank overdraft 15,000√  Capital 100,000√  **141,000** |
|  |

***Current Asset ksh.***

Cash in hand 4,000√

Debtors 37,000√

Stock 28,000√

***Fixed Assets***

Fixtures 2,000√

Motor vehicle 70,000√

**141,000**

NB. Order of liquidity **MUST** be followed to score. **8ticks @1/2= 4mks**

(4x1=4mks)

**Any 4x1=4mks**

Factors that determine the amount of money that an individual may hold in order to meet unexpected expenses.

Level of income.

Family status.

Age of an individual.

Number of dependants.

Individuals temperament /attitude towards life.

Duration between incomes /frequency of obtaining income.

**Any 4x1=4mks**

12. Reasons why the Kenya government has been organizing seminars and workshops for training youth in business.

Exposure them to modern development in business.

Education them on efficient methods of operating business.

To impart proper business ethics.

Inform them on the actions available profitable business opportunities.

Expose them on government policy on business activities in the country.

Expose them to problems facing them and the possible solutions.

**Any 4x1=4mk**

13. Circumstances under which an entrepreneur may establish his/her business where other business already exists.

When he wants to benefit from the already existing or available trained and skilled labor force.

When he want to benefit from the already available improved infrastructure.

When he want to benefit from services such as banking and insurance that will be readily available.

When he want to benefit from complementally industries /goods that will be readily available.

If he want to benefit from joint research with other business.

If he want to benefit from already available market /readily available market from other firms.

If he wants to benefit from the joint disposal of wastes products with other firms.

**Any 4x1=4mks**

14. **Difference between a public limited company and a partnership.**

|  |  |  |
| --- | --- | --- |
|  | **Public limited company** | **partnership** |
|  | Formed by a minimum of shareholders and no maximum. | Formed by between 2 to 20 partners except for special partnership. |
|  | Shareholders have limited liability | Partners have unlimited liability except for the limited partners. |
|  | Its operations are governed by the article &memorandum of association. | Its operations are guided by the partnership deed /act. |
|  | Must file annual returns and publish their accounts. | Are not required to file annual returns or publish their accounts. |
|  | Managed by a board of directors. | Managed by partners themselves. |
|  | Shares are freely transferred become a shareholder /no need for consent for the exist shareholders. | Admission of new partners is through consen of other partners. |
|  | Invites public to subscribe/by its share through the security exchange | Does not invite public to subscribes its shares. |
|  | Has perpetual life | Has limited life /death of a partner/insanity of a partner offers the life of partnership |

**Any 4x1=4mks**

***Differences MUST match to score***

15. **Measures that a government may take to correct a balance of payment deficit in the county.**

* Export promotion.
* Import restriction.
* Devaluation of a county’s currency.
* Diversification of exports.
* Encouraging foreign investment into the county.
* Restricting capital outflow

**4x1=4mks**

16. **Calculation of prices**

2012 112 =

2013

2014 117=

2015 120 =

17. **ways in which the nature of a product influences the choice of distribution channel.**

* Perishable goods require shortest channel than durable products .
* Bulky products require shorter channels.
* Highly valuable goods require short channels.
* Technical goods require shorter channels.
* Heavy goods require short- channel than light goods.

**4x1=4mks**

18. **Circumstances under which a retailer may return goods to a wholesaler.**

* Incase they are damaged.
* Incase the quality is different from the one requested for /incase of poor quality than expected.
* Incase they are of the wrong type / where the description /order differs from what has been supplied.
* Incase excess quantity being supplied.

**4x1=4mks**

19. **Reasons why billboards are popular in product promotions.**

* They are positioned at strategic positions where they can read by many people /accessed by many potential consumers.
* The advertising message in not heavily wounded thus making it possible to be under stored and remembered easily.
* They convey message for a long time since they are relatively permanent.
* They are conspicuous and hence attractive to the audience.

**4x1=4mks**

20.

Calculate:

1. Stock turnover rate. ( R. O.S.T)

Rate of stock turn over = cost of sales

Average stock

cost of Sales= opening stock +purchase –return outwards- closing stock

= 45,000+159,000-3,000-33,000

= 168,000

Average stock= Opening Stock +Closing Stock

2

= 45,000+33,000

2

= 39,000

R.O.S.T. = 168,000√

39,000

= 4.3076

= **4 TIMES√**

**2ticks x1=2mks**

1. Return on capital (R.O.C) = NET profit

Capital invested

**NP= GP-EXPENSES**

5400=67000-13000

ROC = 54000√ =**18**√ **or 0.72:1 or 18:25 or 72%**

75000 **25**

**2ticks x1=2mks**

21. **Ways in which legal political environment may improve business performance.**

* Improved infrastructural network may attract more businesses.
* Improvement/favorable political stability may make it attractive.
* Increased subsidies lower costs of production and subsequently consumers may enjoy lower prices for goods.
* Reduced taxes may attracts more business and lower production costs.
* Abolishing price controls enable business to compete and enjoy better profit margins.
* Favorable legislation/low amake it attractive to new and existing business to operate /reducing beauticratical procedures in licensing /operating business.

**4x1=4mks**

22. **Distinguish between :**

i) Producer goods and consumer goods.

* Producer goods are goods which are used in the creation production of other goods e.g machinery /traders while consumers goods are goods that already satisfy needs and wants of a consumer /they are meant for immediate consumption e.g drinks, clothes,books . **1x2=2mks**

ii) **Intermediate goods and finished goods.**

* Intermediate goods are goods that are not ready for use before they are further processed. E.g sugarcane /wood/wheat/skins/while finished goods are final products that come out of production in the required from (output)e.g ugali from maize flour/furniture from timber.

**1x2=2mks**

23.

(i) Y = Ksh 40,000

(ii)P= ksh. 54,000

(iii)Q= ksh.80,000

(iv)R= ksh170,000

**4x1=4mks**

24. **Benefits that may be enjoyed by a country that is experiencing over- population.**

* Wide market for goods /services.
* Better utilization of resources .
* Creates a pool of labour supply /skilled labour force.
* Enhance creativity and innovation.
* Stimulates investments.
* Promotes labour mobility.

**4x1=4mks**

1. **Limitations posed by the use of national income statistics as a way of comparing the living standards of people for different countries.** 
   * Use of different currencies
   * Varied preferences and tastes
   * Varied distribution.
   * Inaccurate statistics ***Any 4 correct points x 1 = 4 Marks***