

1.	<p>Class of human wants satisfied by the commodity or service given in the table:</p> <ul style="list-style-type: none"> (a) basic (b) secondary (c) basic (d) basic (e) secondary (f) secondary (g) basic (h) secondary 	<p>(8 x ½) = 4 marks)</p>
2.	<p>Factors that make office managers to communicates to their staff in writing include:</p> <ul style="list-style-type: none"> (a) <u>Confidentiality</u>. The confidentiality of the message is enhanced by written means (b) <u>Accuracy</u>. The message is delivered in its original form <u>without distortion</u>. (c) <u>Completeness of message</u>. Written forms may be able to pass ^{long} detailed illustrations. (d) <u>Future reference</u>. The message may form a basis for decision making in the future. (e) <u>Reliability of the means</u>. This is a trusted means of communicating in institutions. (f) <u>Economy</u>. It is cost effective since it is <u>affordable</u>. / cheap (g) <u>Accessibility</u>. It is easily accessible to all staff members. (h) <u>Acceptability</u>. It is the acceptable means of <u>official communication</u> in institutions. (i) <u>Evidence</u>. It is a <u>proof of communication</u> & shows the <u>bonafeness</u> of the message communicated (j) <u>Desired impression</u> the message communicated 	<p>(any 4 x 1 = 4 marks)</p>

3.

**Birika Traders
Trial Balance
As at 31/12/2014**

DETAILS	Dr.(Sh.)	Cr. (sh.)
Furniture & fittings	234,000 ✓	
Debtors	67,500 ✓	
Capital		157,900 ✓
Commission earned		13,200 ✓
Creditors		34,750 ✓
Drawings	21,800 ✓	
5 year bank loan		114,450 ✓
Discount received		3,000 ✓
	323,300 ✓	323,300 ✓

(12 x 1/3 = 4 marks)
(8 x 1/2 = 4 marks)

4. **Functions of an office in an organization include:**

- An administration centre for the organization.
- The communication centre for the organization.
- A centre for processing data.
- Production and reproduction of documents.
- Management of records / Filing
- Public relations centre for the organization / customer care
- Safe guarding of the organization's assets.
- Personnel functions are coordinated from the office / human resource

W management -
W Mailing
(d) Distribution / Dissemination of information
(k) Receiving and sending information

(any 4 x 1 = 4 marks)

5	<p>The roles played by the Nairobi securities exchange in the Kenyan economy include:</p> <ul style="list-style-type: none"> (a) <u>A measure of the country's economic performance</u> as reflected in the prices of shares. (b) <u>Sets the price/value of securities</u> based on the forces of demand and supply. (c) <u>Ensures safety of transactions</u> since the financial health of listed companies is usually verified. <i>/safeguards investors interest-</i> (d) <u>Promotes economic growth</u> through disinvestment and reinvestment (e) <u>Promotes local ownership of companies</u> through sale and purchase of shares. (f) <u>Provides ready market</u> for sale and purchase of shares hence improving liquidity. (g) <u>Promotes saving and investment</u> among the population. <i>(i) Raising revenue for the government</i> <i>(ii) Creation of employment</i> <i>(iii) Provides useful information to investors</i> 	(Any 4 x 1 = 4 marks)
6.	<p>The basic concepts in population described in the statements are:</p> <ul style="list-style-type: none"> (a) Optimum population. (b) Fertility rate/birth rate (c) Declining population (d) Ageing population. (e) Price control. 	(4 x 1 = 4 marks)

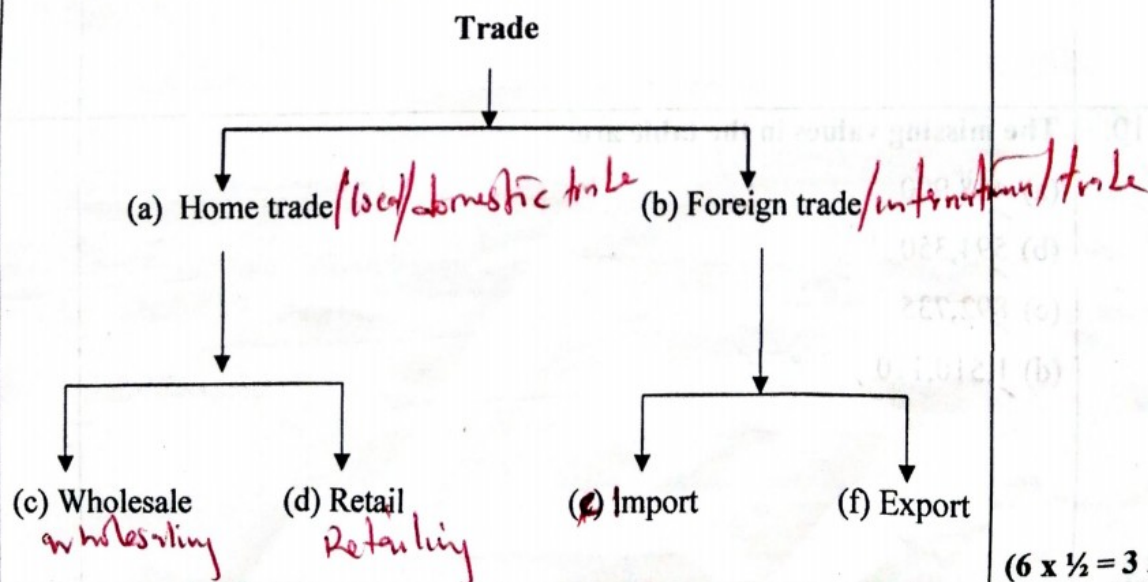
why, where, if, increase

7. Circumstances under which each of the terms of trade would be applied in foreign trade are:

- (a) Franco: when the price quoted covers all expenses till goods reach the premises of the buyer
- (b) Ex-works: when the price quoted only covers the cost of production and while they are within the manufacturer's warehouse.
- (c) In bond: when the prices quoted covers all expenses until goods are delivered in a bonded warehouse in the country of destination.
- (d) Free alongside ship (F.A.S): Where the price quoted cover all expenses to the point where the goods are next to the ship.

(Any 4 x 1 = 4 marks)

8. Completing the diagram illustrating the structure of trade:



(6 x ½ = 3 marks)

9. Merits of using sales people to promote the sales of a particular product include:

- (a) It gives a personal touch which elicits positive response from potential clients.
- (b) It can be used to target specific groups of customers.
- (c) It is flexible since the message can be tailored to suit the needs of each client.
- (d) Allows for demonstration on product usage.
- (e) Source of immediate feedback from the buyer.
- (f) Buyer's questions/concerns are immediately addressed.
- (g) It leads to more sales since customers may be convinced by persuasive salespeople.

(4 x 1 = 4 marks)

(h) Facilitates collection of data

10. The missing values in the table are:

- (a) 458,900
- (b) 594,350
- (c) 892,735
- (d) 1,510,110

(4 x 1 = 4 marks)

11	<p>Features that may indicate a country's state of underdevelopment include:</p> <ul style="list-style-type: none"> (a) <u>High disparities in income distribution.</u> (b) <u>High population growth rate.</u> (c) <u>Dominance of the subsistence sector.</u> (d) <u>High levels of poverty</u> / Low per capita income (e) <u>Low levels of savings and investment.</u> (f) <u>High levels of unemployment.</u> (g) <u>Low levels of technology.</u> (h) <u>Over reliance on developed countries.</u> (i) <u>Underutilization of natural resources.</u> (j) <u>Poor infrastructure</u> (k) <u>High levels of illiteracy</u> (l) <u>Poor health facilities</u> (m) <u>Poor governance</u> (n) <u>Outdated cultural practices</u> (o) <u>Low labour productivity</u> due to inadequate capital factors (p) <u>Low levels of industrialization</u> (q) <u>High dependence ratio</u> 	<p>Only allow indicate 7 unemployment</p> <p>(any 4 x 1 = 4 marks)</p>
12.	<p>Small scale retail business that one can run without a shop include:</p> <ul style="list-style-type: none"> (a) <u>hawking</u> (b) <u>peddling</u> (c) <u>road side selling</u> (d) <u>Open air market trading.</u> (e) <u>Automatic vending by use of a machine.</u> (f) <u>On-line selling.</u> 	<p>(any 4 x 1 = 4 marks)</p>

13. **Functions of the Department of External Trade in the Ministry of Industry, Trade and Co-operatives include:**

- (a) Develop bilateral and multilateral trade agreements to accord preferential treatment to Kenyan exports.
- (b) Educating Kenyan exporters on trade regulations and practices in other countries.
- (c) Intervene on behalf of Kenyan traders in resolving trade disputes between Kenyan traders and foreign clients.
- (d) Arrange for trade fairs, shows and exhibitions for Kenyan goods in foreign countries.
- (e) Expand and diversify foreign markets for Kenyan goods.
- (f) Inform Kenyan producers on the available selling opportunities in other countries.

(Any 4 x 1 = 4 marks)

14. **Factors that Chemichemi dairies would consider before selecting a channel to distribute their fresh milk include:**

- (a) Length of the channel due to perishability of the milk.
- (b) The geographical spread of their customers.
- (c) The resources at the firms' disposal like milk cooling plants, distribution vans etc. / Role played by the intermediaries
- (d) Pricing of the milk and cost of the channel. / Cost alone is not enough
- (e) The nature of competition.
- (f) The prevailing market risks.
- (g) The government policy on milk distribution.
- (h) Needs to free storage space.

accept cost

① Reliability of the channel.

(Any 4 x 1 = 4 marks)

15.	<p>Relevant books of original entry into which information extracted from the source documents would be recorded are:</p> <p>(a) Purchases journal / <i>bought journal</i></p> <p>(b) Returns inwards journal / <i>sales returns inward</i></p> <p>(c) Cash receipts journal/cash book.</p> <p>(d) Purchases journal. / <i>bought journal</i></p>	(Any 4 x 1 = 4 marks)
16.	<p>Features of co-operative societies include:</p> <p>(a) <u>Formed by a minimum of ten members.</u></p> <p>(b) <u>Run by a management committee.</u></p> <p>(c) <u>Governed using by-laws.</u></p> <p>(d) <u>Surplus/profits is distributed to members.</u></p> <p>(e) <u>It is a separate legal entity from the members.</u></p> <p>(f) <u>It has limited liability.</u></p> <p>(g) <u>It has perpetual succession.</u> / <i>It has continuity</i></p> <p>(h) <u>Its main source of capital is the shares contributed by members.</u></p> <p><i>(i) It is formed by people with common interest</i> <i>(j) It has no maximum memberships</i> <i>(k) No single member to own more than 15% of the total share capital</i></p>	(Any 4 x 1 = 4 marks)
17.	<p>Factors which may lead to an increase in a country's national income include:</p> <p>(a) <u>A stable political environment.</u></p> <p>(b) <u>Technological advancement.</u></p> <p>(c) <u>Vibrant entrepreneurship.</u></p> <p>(d) <u>Increased supply of skilled labour.</u></p> <p>(e) <u>Increased access to capital.</u></p> <p>(f) <u>Optimal utilization of available natural resources</u> / <i>Land</i></p> <p><i>(g) Positive attitude of citizens towards work.</i></p> <p><i>(h) Reduced level of subsistence sector.</i></p> <p><i>(i) Increased foreign investment.</i></p>	(Any 4 x 1 = 4 marks)

18.

(a) Determining net purchases:

Purchases 84,375 ✓

Add : Carriage in 9,170 ✓

93,545 ✓

Less: returns out 15,520 ✓

Net purchases 78,025 ✓✓

(Any 6 x ½ = 3 marks)

(b) Reasons for preparing the trading account include:(i) Enables the business to determine the value/cost of goods sold in a given period.(ii) It reveals the amount of revenue generated from the sale of stock in a given year. *reveals net sales*(iii) It helps to determine whether the business has made a loss or a profit from the sale of stock in a given year.(iv) It can help gauge the performance of a business if compared across different years.

(2 marks)

(v) It can help to compare the performance of a business to that of others.*(vi) - To facilitate preparation of profit and loss account*

19.

Levels of production in which the workers belong are:

(a) Secondary

(b) Tertiary

(c) Primary

(d) Secondary

(e) Tertiary

(f) Primary

(g) Secondary

(h) Tertiary.

(8 x ½ = 4 marks)

20.	<p>Characteristics of a good tax system include:</p> <ul style="list-style-type: none"> (a) <u>Equitably distributes the tax burden according to the payers' ability to pay.</u> / <i>Equity</i> (b) <u>Certain and clearly defines what the payer is expected to pay.</u> (c) <u>Convenient and easy for the tax payer to meet the tax obligations.</u> / <i>Convenience</i> (d) <u>Economical and allows the tax to be collected at the least cost.</u> / <i>Economy</i> (e) <u>Flexible enough to allow for adjustments according to prevailing conditions.</u> / <i>Flexibility</i> (f) <u>Diverse as to capture as many sources as possible.</u> / <i>Diversity / broad base</i> (g) <u>Simple enough to be understood by all tax payers.</u> / <i>Simplicity</i> (h) <u>Elastic and able to generate more revenue with improved economic performance.</u> / <i>Elasticity</i> 	(4 x 1 = 4 marks)
21	<p>Contributions of entrepreneurs to the growth of an economy include:</p> <ul style="list-style-type: none"> (a) They <u>create employment</u> by establishing businesses. (b) They make <u>use of locally available resources</u> which would have been idle. (c) They <u>improve the citizens' standard of living</u> by offering them a source of income. (d) <u>Their ventures become a training ground for local labour</u> which then becomes skilled (e) They <u>save the country foreign exchange</u> which would have been spent on imports. / <i>Savings on imports</i> (f) <u>Promote technological advancement</u> through their creativity. (g) <u>Promote entrepreneurial culture</u> by being eye openers to other people who then start their own businesses. (h) <u>Promote the accumulation of capital</u> by ploughing back their profits. / <i>Formation of capital</i> <p> <i>(1) Promote development of infrastructure</i> <i>(2) Reduces rural-urban migration</i> <i>(3) Reduces foreign borrowing of the economy</i> <i>(4) Source of government revenue e.g. tax and fees</i> </p>	(4 x 1 = 4 marks)

22. Factors that may influence an individual's demand for money in order to fulfill the transaction motive include:

- (a) The individual's level of income/earning.
- (b) The frequency of payments by the individual.
- (c) The individual's spending habits.
- (d) The rate of inflation. *Price of commodities*
- (e) The number of dependants supported by the individual.
- (f) Availability of credit.
- (g) The frequency of income/individual's earning. *Interval b/w the receipt of income -*

(any 4 x 1 = 4 marks)

23. Determining excess demand or excess supply

Price(sh/bag)	1800	1600	1400	1200	1000	800	600	400
Excess demand	-	-	-	0	200	430	600	800
Excess supply	1120	800	400	0	-	-	-	-

(8 x ½ = 4 marks)

24. Benefits of a bonded warehouse to the importer include:

- (a) The importer can sell the goods before paying duty hence transferring the burden to the buyer.
- (b) Goods can be prepared for final sale while still in bond. *eg. branding, blending*
- (c) Gives the importer time to arrange for payment of duty.
- (d) The importer can look for market while goods are still in bond.
- (e) Some goods like wine, can improve in quality and value while still in bond.
- (f) Security is provided for the goods while they are in bond.

(J) Some may loose weight hence the import pays less tax

(Any 4 x 1 = 4 marks)

25.	<p>Other means of transporting goods and people on land apart from trains and motor vehicles are:</p> <p>(a) <u>Use of animal transport.</u></p> <p>(b) <u>Human portage.</u> <i>Portage</i></p> <p>(c) <u>Use of carts.</u></p> <p>(d) <u>Bicycles.</u></p> <p>(e) <u>Motorcycles.</u></p> <p>(f) <u>Pipelines.</u></p> <p><i>2) Ink Tule (Antorickshaw)</i></p>	<p>(Any 4 x 1 = 4 marks)</p>
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