

24.18 BUSINESS STUDIES (565)

24.18.1 Business Studies Paper 1 (565/1)



MANYAM FRANCHISE
Discover! Learn! Apply

1.

- Poor quality of good and services /damaged goods.
- Incorrect weights and measures.
- Unfair pricing.
- Poor hygienic conditions.
- Expired goods.
- Non-compliance to building regulations.
- Contra-band items/prohibited goods.
- Harmful goods.
- Hoarding.
- Misleading advertisement.
- Environmental Pollution.
- Technological side effects.
- Breach of Contract.

(4 x 1 = 4 marks)

2.

- (a) Vertical.
- (b) Informal.
- (c) Formal.
- (d) Horizontal.

(4 x 1 = 4 marks)

3.

- Commands large financial resources.
- Re-insurance companies are empowered by law to insure other insurance companies. Government has stake in Re-insurance Company.
- Re-insurance company only deals with corporate insurance clients.
- Guarantee compensation.

(3 x 1 = 3 marks)

4.

- Target group: so as to reach the intended group.
- Availability of medium: convenient to use only the medium that is available.
- Cost of medium: savings in method used should be considered.
- Reachability/ geographical: how well the medium reaches the target group.
- Time of promotion: medium that can reach many intended group.
- Medium used by competitors: find the strengths and weaknesses to improve on.
- Speed/urgency.
- Flexibility.
- Quality of promotion medium.
- Physical characteristics of the medium.
- Legal requirements/government policy.
- Nature of the product.
- Duration of the promotion.

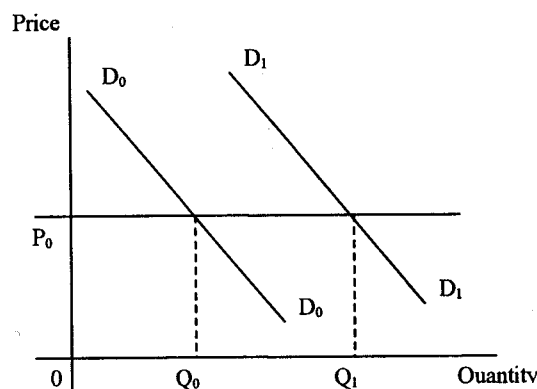
(4 x 1 = 4 marks)

5.

- (a) More cars will be demanded and this would increase the demand for petrol at the same price.

(2 marks)

(b)



(2 marks)

More petrol will be demanded as shown by curve D_1

6.

- Air pollution: causes airborne diseases.
- Water pollution: causes waterborne diseases.
- Noise pollution : causes hearing problems.
- Solid waste pollution: causes many disease.
- Congestion: Congestion created as more people come to look for work (jobs).
- Pressure on available health facilities: demand for health facilities increase.
- Environmental degradation: This may lead to health problems.
- Social evils: Social immorality.
- Occupational hazards.
- Unhealthy production, for example: recycling food in hotels. (4 x 1 = 4 marks)

7.

- Deficiency of an economically active labour/low labour supply/under utilization of resources.
- Increase in welfare costs (medication/pension).
- Need to import labour that affects the foreign exchange reserves.
- Dependency ratio increase.
- Rigidity to change/Geographical mobility.
- Fall in demand for goods and services required by the youth.
- Less progressive (low savings and low investment). (4 x 1 = 4 marks)

8.

- (a) Savings Account.
- (b) Current Account.
- (c) Fixed Deposit Account.
- (d) Savings Account. (4 x 1 = 4 marks)

9.

- (a) Catalogue.
- (b) Invoice.
- (c) Statement of Account.
- (d) Cash sale receipt (4 x 1 = 4 marks)

10.

- (a) Equilibrium point/ $MC=MR$.
- (b) Marginal cost curve/ MC .
- (c) Average cost curve/ AC .
- (d) Marginal revenue = Average Revenue = Price/Demand. (4 x 1 = 4 marks)

11.

- Urgency is of importance.
- Goods are perishable.
- Goods are of high value/expensive goods.
- Goods are to be transported over long distances.
- Goods are fragile.

- Where other means cannot be used.
- Where safety is crucial.
- Affordability.

(4 x 1 = 4 marks)

12.

MZALENDO TRADERS
Cash Book
For the month of January 2006

DR

CR

Date 2006	Particulars	Discount Allowed	Cash	Bank	Date 2006	Particulars	Discount Received	Cash	Bank
		Sh	Sh	Sh			Sh	Sh	Sh
Jan 01	Balance		1800	170000	Jan 10	ABM Traders	1000		2400
16	Sales	700	13300		31	Bank (c)		26100	
31	Cash (c)			26100	31	Balance c/d		5200	172100
		700	31300	196100			1000	31300	196100

(10 x ½ = 5 marks)

13.

- The business maintains a continuous supply of goods.
- Customers are retained as they are sure of getting the goods on demand.
- Goods are safe from theft.
- Savings increase for not renting storage facilities.
- Goods can be processed in the warehouse.
- Has control over warehouse operations.
- It can be tailored to suit one's specifications.

(4 x 1 = 4 marks)

14.

- Sales Journal.
- Purchase Journal.
- Sales Returns Journal.
- Purchase Returns Journal.

(4 x 1 = 4 marks)

15.

KERUBO TRADERS
Trading, Profit and Loss Account
For the year ended 31 December 2005

	Sh		Sh
Opening Stock	<u>24,000</u>	Sales	442,500
Purchases	370,000		
Less: clg stock	<u>40,000</u>		
	354,000		
Cost of Goods sold			
Gross Profit	<u>88,500</u>		
Carriage on Sales	<u>442,500</u>		<u>442,500</u>
Other expenses (10% of G.P.)	12,000	Gross Profit b/d	88,500
	8,850		
Net Profit	67,650		
	<u>88,500</u>		<u>88,500</u>

(10x ½ = 5 marks)

16. Consumer price index for year 2001, 2001 and 2003

<i>Year</i>	<i>Consumer Price Index (Cpi)</i>	
▪ 2001	53/47x 100 = 112.77	
▪ 2002	62/47x 100 = 131.91	
▪ 2003	74/47x 100 = 157.45	(6 x ½ = 3 marks)

17.

- Instructing commercial banks to only lend in priority areas/selective credit control.
 - Practising domestic borrowing/open market operations.
 - Increasing interest rates on loans advanced by commercial banks/bank rates.
 - Requiring that commercial banks maintain a cash ratio.
 - Liquidity ratio.
 - Special/compulsory deposits.
 - Moral persuasion.
 - Direct Action (directives).
- (4 x 1 = 4 marks)

18.

	<i>Goods</i>	<i>Services</i>
(a)	Goods are tangible.	Services are intangible.
(b)	Quality can be standardised.	Quality of services varies.
(c)	Goods can be stored.	Services cannot be stored.
(d)	Goods can be separated from the owner.	Services cannot be separated from the owner.
(e)	Goods are paid for ownership.	Services are paid for experience.

(8 x ½ = 4 marks)

19.

- Different uses in which capital can be put into/degree of specialization.
- Amount of capital available.
- Skills and knowledge to operate capital.
- Government Policy (regulations).
- Government goodwill (support).
- Time taken to modify .
- Reward offered.
- Nature of Capital (some are fixed or liquid).
- Cost of moving capital.
- Time capital has been in current use.
- Infrastructure e.g. road transport etc.

(4 x 1 = 4 marks)

20.

- Supervision enhanced.
- Resources are evenly shared.
- Savings on space.
- Easier/cheaper to construct.
- Inter-personal relationship.
- Workflow made easy.
- Service delivery enhanced.
- Re-organisation is easier and cheaper.
- Easier to communicate.
- Cheaper to decorate.
- Cheaper to maintain.
- Optimum use of resources.

(4 x 1 = 4 marks)

21.

- Ensuring that appointment for senior and technical posts are done on merit.
- Exercising the supervisory role of the Government.
- Continuous training of staff for development.
- Setting performance targets to be achieved.
- Establishing incentive systems for motivation.
- Introducing modern technology.

- Creating public awareness.
 - Reducing political interference.
 - Restructuring the corporations (retrenching and rationalization).
 - Reducing monopolistic tendencies. (4 x 1 = 4 marks)
- 22.
- Exchange their surplus/ specialities.
 - Acquire goods they are unable to produce/services.
 - Enhance international relations.
 - Acquire much-needed foreign exchange.
 - Exchange skills and knowledge of producing certain goods.
 - Acquire variety of goods and services.
 - Acquire goods of improved quality.
 - When it is cheaper to import.
 - To create employment.
 - To exploit resources optimally as there is need.
 - Exchange mobility of factors to productions.
 - Wider market. (4 x 1 = 4 marks)
- 23.
- Saves time.
 - Withdrawals can be made at any time.
 - Conveniently placed.
 - Access to account balances/information.
 - Can pay utility bills.
 - Deposits can be made at anytime.
 - Some ATM cards can be used to buy goods/service.
 - Cheaper to operate.
 - Safe to use.
 - Highly portable.
 - Withdrawals can be made on one's behalf. (4 x 1 = 4 marks)
- 24.
- Industrialization.
 - Infrastructure/social amenities.
 - Research and development/planning.
 - Education and training.
 - Use of modern technology/capital.
 - Good medical facilities.
 - Good governance/ Government Goodwill.
 - Economic endowment/Natural resources.
 - Presence of a strong entrepreneurial culture (creation of employment). (4 x 1 = 4 marks)
- 25.
- Political.
 - Economic.
 - Social-cultural.
 - Technological.
 - Legal structures.
 - Geographical/physical.
 - Demographic/population.
 - Suppliers of raw materials.
 - Competitors.
 - Customers.
 - Intermediaries.
 - Publics, for example: media lobby groups. (4 x 1 = 4 marks)

24.18.2 Business Studies Paper 2 (565/2)

1

(a)

- Inadequate/ lack of capital/ funds: initial and operational capital may be inadequate to sustain/ run/ expand the business due to lack of a collateral/ security.
- Poor/ inappropriate marketing strategies: lack of proper planning in marketing leading to low sales/ fewer customers.
- Unfair/ stiff competition: competition may be too high for the new business which the business is unable to cope with/ withstand.
- Inadequate skills: lack of / poor / inefficient management: the business may have insufficient skills to operate/ manage the business.
- Lack of/ inadequate manpower: the business may not have enough manpower to operate/ manage it.
- Inadequate (use of) modern technology/ inappropriate technology: this may lead to less quantity/ quality goods/ services.
- Unfriendly/ poor government policies: the government policies may be unfavourable to the growth /expansion of business.
- Inadequate/lack of markets due to low income of buyers/ cultural practices/ beliefs.
- Poor pricing which might make the production too expensive to attract buyers/ too cheap to sustain the business.
- Inappropriate product/ business for the intended market.
- Political instability/security that may hinder smooth running of the business.
- Poor /inadequate infrastructure which may hinder access to markets/ inputs.
- Lack of planning to accommodate future changes.
- Misallocation/ misappropriation of resources leading to wastage/ misuse of resources.
- Poor customer/ public relations leading to loss of market.
- Poor time management which may cause loss of business opportunity /inability to accomplish business tasks.

Any 6 x 2 = 12 marks)

(b)

- Facilitates access to large markets worldwide / global markets since many countries/ regions are connected to the internet / have websites.
- Large and small businesses transact business through the internet as there is no restriction or discrimination in the use of internet.
- A faster way of doing business through the internet thereby saving time / facilitating urgent transactions.
- Reduces paper work/ number of business transaction since many dealings are online/ making transactions dealings which are online cheaper and less cumbersome.
- Saves on cost of sending / receiving/ storing business information/ product.
- One can access other different business information from the internet which can enhance the running of the business.

(Any 4 x 2 = 8 marks)

2.

(a)

- Taxation: Government levies form different types of taxes on goods/ services (for raising revenue) on incomes.
- Rent/ Rates/ Lease income/ hiring charges received from government property such as land/ building.
- Sale of Assets: This includes assets like shares/ buildings/ vehicles.
- Royalties: Generated by a country's resources, for example: forests/ minerals/ national parks.
- Grants/ donations/ gifts from the development partners/ other well wishers.
- Loan repayments/ interest on loans given out by the government agencies.
- Fines/ penalties imposed by courts/ government agencies.
- Loans: These are received from development partners/ international lenders/ the World Bank/ IMF/ local lenders.

- Dividends/ Profits: received from Government investment/ businesses
 - Licenses/ fees: licenses for operating businesses/fees for government services.
- (6 x 2 = 12 marks)

2. (b) (i)

**Karani Statement of Affairs
for the year ended 31/12/2005**

	Sh	Sh.		Sh	Sh
Fixed Assets			Capital	2800,000	
Land & Building	2,500,000		Less drawings	<u>140,000</u>	2,660,000
Motor vehicles	500,000		Long-term loan		1,400,000
Plant & Mach	<u>600,000</u>	3,600,000	Current Liabilities		
Current Assets			Creditors		120,000
Stock	140,000				
Debtors	80,000				
Cash at Bank	240,000				
Cash in Hand	<u>120,000</u>				
		580,000			
		<u>4,180,000</u>			<u>4,180,000</u>

(12 x 1/2 = (6 marks)

(ii) Determination of Profit or Loss.

Ending capital = Beginning Capital + Gross Profit + Additional Capital less drawings.

$$\begin{aligned}
 \therefore \quad 2,660,000 &= 2,800,000 + GP + 120,000 - \\
 140,000 &= 2,780,000 + G.P \\
 (2660,000 - 2,780,000) &= GP \\
 GP &= 120,000 \\
 \therefore \quad \text{Loss} &= \text{Sh } 120,000
 \end{aligned}$$

(4 x 1/2 = 2 marks)

3. (a)

- Loans: give loans to farmers for crop and livestock production
- Advisory services: on farm management and agricultural improvement
- Training: organise training courses for farmers.
- Create employment: facilitate employment in the Agricultural industry.
- Improving production: more products are produced and of improved quality.

(5 x 2 = 10 marks)

(b)

- Technology: modern methods used in the production of cabbages.
- Price: the higher the price, more is supplied.
- Government policy: favourable or unfavourable policies.
- Other related commodities: prices of such related commodities affect the supply.
- Natural factors, climate and distribution.
- Training of farmers: affects quality and quantity.

(Any 5 x 2 = 10 marks)

4. (a)

- Entering into suitable vertical integration.
- Entering into suitable horizontal integration.
- Rationalise operations so as to concentrate on more efficient units.
- Amalgamation with similar businesses.
- Secure loans/credit to expand.
- Arrange for franchising.
- Expand the markets.

(Any 5 x 2 = 10 marks)

(b)

- Access to specialised goods.
- Personal attention to customers.
- Access to auxiliary services.

- One can save time by shopping under one roof.
- Prices of goods are relatively low.
- One can access variety of goods.

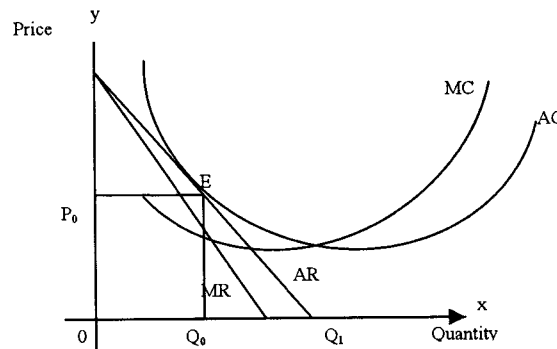
(Any 5 x 2 = 10 marks)

5. (a)

- Unfair competition from developed countries on superior products.
- Dumping of inferior goods by developed countries.
- To safe-guard local employment.
- Avoid sacrificing the sovereignty of the country.
- Reduce imbalance of payments deficits.
- Safeguard local industries.

(10 marks)

(b) Determination of equilibrium price and output under monopoly.
(7 marks)



(7 marks)

Price and output are maximised where $MR = MC$ an AR curve is tangent at AC curve, at E. MC cuts AC from below at its lowest point. The equilibrium price and output are therefore determined at P_0 and Q_0 respectively.
(3 marks)

6. (a)

- Equipment: the warehouse should be equipped with modern equipment.
- Security: for protecting goods from theft and damage by weather.
- Building design: the design has to conform to international standards to handle imported goods.
- Management personnel: these should be properly trained to acquire relevant skills;
- Proximity to point of entry: this includes ports, border points for ease of clearance.
- Existence of basic infrastructure: such as goods roads, power required.
- Compliance to legal requirement: all relevant legal requirements have to be met.

(Any 5 x 2 = 10 marks)

(b) (i)

Mugumbi Traders
Balance sheet
As at 31 December 2005

	Sh.		Sh.	Sh.
Fixed Assets		Capital	940,000	
Land & Building	500,000	Less Drawings	(40,000)	900,000
Maintenance & M	200,000			
Motor vehicle	300,000	10 year loan	200,000	
Current Assets		3 year ICDC loan	100,000	300,000
Stock	100,000	Current Liabilities		
Debtors	60,000	Creditors	60,000	
Cash at bank	100,000	Accrued expenses	20,000	80,000
Cash in bank	20,000			1,280,000
	<u>1,280,000</u>			

$14t \times \frac{1}{2} = (7 \text{ marks})$

- (ii) (a) Working capital = 280,000 - 80,000 = sh. 200,000
(Current assets – current liabilities)
- (b) Capital Employed = 1,280,000 - 80,000 = sh. 1,200,000
(Total equity and liabilities less current liabilities OR total fixed assets plus working capital).
- (c) Borrowed capital = 10 year loan 200,000
3 year ICDC loan 100,000
300,000
- (6 x 1/2 = 3 marks)**