

## PAPER 1

**No.1..State four external factors that may negatively influence the operations of a business. (4 marks)**

- ❖ *Unfair competition.*
- ❖ *Inadequate technology.*
- ❖ *Unstable political environment.*
- ❖ *Unstable economic environment.*
- ❖ *Unfavorable legal frameworks.*
- ❖ *Unreliable supply systems.*
- ❖ *Strong consumer bargaining power.*
- ❖ *Poor physical facilities and infrastructure.*
- ❖ *Low population level.*
- ❖ *Insecurity.*
- ❖ *Unfavorable socio-cultural environment.*
- ❖ *Natural calamities.*

**No.2.10.Highlight four benefits of a business plan to an entrepreneur. (4 marks)**

- ❖ *Facilitates acquisition of loans from financial institutions and other financiers*
- ❖ *Provides guidance for opening new or expanding existing business / adaptability*
- ❖ *It acts as a management tool for the business / monitoring tool / identifies strengths*
- ❖ *It's a tool for evaluating business performance*
- ❖ *It lays the strategy to be used in marketing the products*
- ❖ *It enhances the credibility of the business*
- ❖ *It's a motivational tool*
- ❖ *To avoid mistakes*
- ❖ *Proper allocation of resources*
- ❖ *To determine how much resources are required e.g. labour, capital etc / source of capital*
- ❖ *Will help to identify the nature and scope of the market.*

**No.3.State four ways in which a good filing system may facilitate the operations of an office. (4 marks)**

- ❖ *Easy retrieval of information.*
- ❖ *Office is kept tidy.*
- ❖ *Information is preserved for future reference.*
- ❖ *Security of documents is ensured.*
- ❖ *Facilitates quicker decision making.*
- ❖ *Ensures confidentiality of information by restricting access by unauthorized people*

**No.4..Highlight four activities that may be carried out in a stock market. (4 marks)**

- ❖ *Buying and selling of shares.*
- ❖ *Mobilising savings for investment.*
- ❖ *Listing of companies.*
- ❖ *Issuing of new securities / raising capital.*
- ❖ *Publication of statistical information.*
- ❖ *Advising investors.*

**No.5.Outline four circumstances under which a co-operative society may be dissolved. (4 marks)**

- ❖ *By government order / change in the law.*
- ❖ *Where the co-operative continuously make losses.*
- ❖ *Where a stipulated majority of members agree to dissolve it .*
- ❖ *By a court order.*
- ❖ *Where the co-operative society has achieved objectives for which it was formed.*

**No.6.Outline four methods that the government of Kenya uses to regulate business activities. (4 marks)**

- ❖ *Licensing business activities*
- ❖ *Setting of standards*
- ❖ *Formulating of policies – enacting laws / legislation*
- ❖ *Setting quotas*
- ❖ *Enforcement of laws*
- ❖ *Imposing total ban*
- ❖ *Subsidizing businesses*
- ❖ *Taxation*
- ❖ *Price control*

**No.7.State four ways in which a youthful population may be useful to an economy. (4 marks)**

- ❖ *Less expenditure on social security and pension.*
- ❖ *Wider market for goods meant for the youth like clothing.*
- ❖ *Guaranteed continuous supply of labour.*
- ❖ *Flexibility and adaptability to technological changes which improve production.*
- ❖ *Faster growth of some sectors like the music, fashion and fast food industries.*
- ❖ *Increased innovation due to their adventurous nature.*

**No.8.Outline one circumstance under which each of the following telecommunication services may be used: (4 marks)**

- (i) Paging**
- (ii) Facsimile (fax)**
- (iii) Radio call.**
- (iv) Telex.**

**(i) Paging**

- ❖ *When there is need to call a person to attend to an emergency in a specific location*



**(ii) Facsimile (fax)**

- ❖ Where there is need to send a copy of a printed document urgently.

**(iii) Radio call**

- ❖ When there is need to give co-ordinated information through a central point

**(iv) Telex.**

- ❖ Sending and receiving written messages

**No.9..The following transactions relate to Jelimo Stores:**

**(a) 10th October 2015 sold unused stationery for Sh 3,000 on credit to K. Likia.**

**(b) 23rd October 2015, bought a motor vehicle on credit from Onjwaria Motors for Sh 700,000.**

**Required: Record the above transactions in the general Journal given below:(4 marks)**

<i>Date</i>	<i>Particulars</i>	<i>Folio</i>	<i>Dr.</i>	<i>Cr.</i>

<i>Date</i>	<i>Particulars</i>	<i>Folio</i>	<i>Dr.</i>	<i>Cr.</i>
2015				
Oct. 10	<b>K Likia</b> Stationery (sale of stationery on credit)		3,000	3,000
Oct. 23	<b>Motor vehicle</b> Onjwaria Motors (purchase of motor vehicle on credit)		700,000	700,000

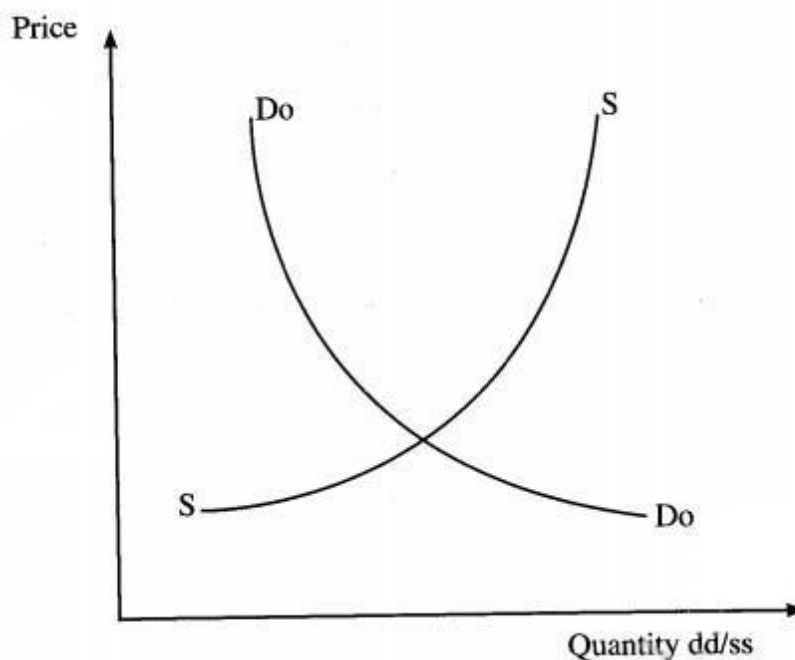
**No.10.State four features of an insurable interest. (4 marks)**

- ❖ Presence of property rights or interest
- ❖ Potential insurable risk must be present
- ❖ The property must have monetary value
- ❖ The insurable risk must be legal
- ❖ There must be the possibility of suffering financial loss in case of a risk happening

**No.11.State four features of a parastatal. (4 marks)**

- ❖ Provide essential services.
- ❖ Not profit motivated.
- ❖ Is formed by an Act of Parliament.
- ❖ Is mainly funded by the government.
- ❖ Is managed by government appointees.
- ❖ Any surplus earned-is surrendered to the government.
- ❖ Has limited liabilities.
- ❖ Attachment to a government ministry.
- ❖ Can be dissolved only through an act of parliament

**No.12..The graph given below represents the demand and supply curves of milk:**



**State four effects of a shift of the demand curve to the right. (4 marks)**

- ❖ The price will increase
- ❖ The quantity demanded will increase / demand will increase
- ❖ The equilibrium quantity shifts to right / increases
- ❖ The equilibrium price shifts upwards / increases
- ❖ The equilibrium point shifts upwards / right

**No.13 .Outline four functions of the World Bank. (4 marks)**

- ❖ Providing finances to reduce budgetary deficits
- ❖ Provide loans for development projects.
- ❖ Provide finance to correct and adverse balance of payments.
- ❖ Provide technical expertise to support development.

**PP1 No.14.Outline four ways of reducing the level of unemployment Kenya.(4mks)**

- ❖ Diversification of the economy by encouraging the establishing of different industries / sectors to create employments opportunities
- ❖ Transforming agricultural sector to curb rural urban migration to create more jobs and reduce unemployment)
- ❖ Transforming education sector making graduates acquire relevant skills.
- ❖ Establishing an employment policy by government to make it easy for people to get jobs/ Accept e.gs of policy as mention
- ❖ Lending /setting of a fund to assist unemployed to stat income generating activities/ accept e.gs of funds as a mention
- ❖ Exporting Labour by assisting unemployed people to acquire jobs abroad /countries with labour deficiency.
- ❖ Encouraging the informal Jua Kali sector to promote self employment
- ❖ Delocalization/ decentralization policy for balanced regional development/reduced rural urban irrigation
- ❖ Population policy to control growth/have a labour force that the economy can absorb
- ❖ To improve infrastructure in order to have suitable economic activities /accept e gs of infrastructure as a rating.
- ❖ Increase government expenditure to expand the size of the economy/ to finance development projects.
- ❖ Effective use of natural resources to increase production activities
- ❖ Income / wage policy to harmonize differences between regions/ sectors
- ❖ Attract (Local /foreign) investments through vision incentives/to grow the economy
- ❖ Reviving collapsed industries/projects by injector, funds/selling them /increased production activities

**No.15.The following balances were extracted from the books of Highlife General Stores on 31st December 2015.**

Item	Ksh
Land and buildings	650,000
Stock	470,000
Bank overdraft	80,000
Debtors	350,000
10 year Bank Loan	500,000
Creditors	220,000
Cash	50,000
Motor Van	150,000
Capital	?

**Required: Prepare the balance sheet of Highlife General Stores as at 31st December 2015. (4 marks)**

*Highlife General Stores  
Balance Sheet  
as at 31<sup>st</sup> December 2008*

	Sh.	Sh.		Sh.	Sh.
<u>Fixed Assets</u>			<u>Capital</u>		
870,000					
Land and building	650,000				
Motor Van	150,000	800,000	<u>Long term liabilities</u>		
			10 year bank loan		
500,000					
<u>Current Assets</u>			<u>Current liabilities</u>		
Stock	470,000		Creditors	220,000	
Debtors	350,000		Bank overdraft	80,000	
Cash	50,000	<u>870,000</u>			
<u>300,000</u>					
		<u>1,679,000</u>		<u>1,670,000</u>	

**No. 16..Outline four circumstances in which the government may be involved in business. (4 marks)**

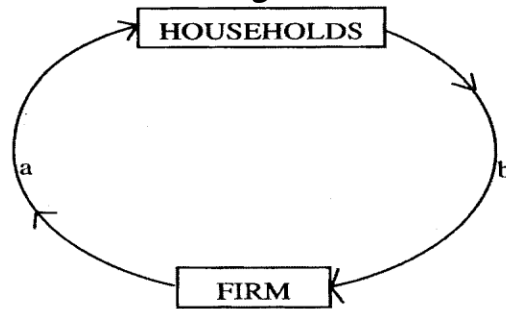
- ❖ When a business venture requires investment of large sums of money which individual entrepreneurs may not provide.
- ❖ When the goods or services to be provided are essential to the welfare of the citizens.
- ❖ When there is need to protect citizens from exploitation by private entrepreneurs.
- ❖ When the government desires to create employment for the citizens.
- ❖ When the government needs to generate income through revenue collection.
- ❖ When there is need to safeguard national security.
- ❖ When the venture is strategic but provides low profits hence unattractive to private investors.
- ❖ Where there are monopolies in the economy, the government gets involved in business to increase competition.
- ❖ Where there is need to balance regional development.
- ❖ To reduce foreign dominance in the economy.
- ❖ Where there is need to attract foreign investment.

**No. 17..Identify the ledgers in which the following accounts are kept.(4mks)**

ACCOUNT	LEDGER
(i) Pendo (debtor)	
(ii) Machinery	
(iii) Rent	
(iv) Capital	

Account	Ledger
Debtors	Sales / Debtors
Machinery	General
Rent	Nominal;
Capital	Private
Juma (Creditor)	Purchases / Creditors

**PP1 No.18. The following diagram represents the circular flow of a two sector closed economy**



**Identify two factors represented by each of the arrows labelled a and b. (4 marks)**

- (a) (i) Payment for goods and services.  
(ii) Factor services / inputs / factors of production.
- b) (i) Payment for factor inputs,  
(ii) Goods and services.

**No.19. State four reasons for privatising public corporations. (4 marks)**

- ❖ To improve efficiency in their operations.
- ❖ To generate revenue to the government through sale of shares and taxes.
- ❖ To enhance competition.
- ❖ To increase public participation in economic activities of the country.
- ❖ To reduce government expenditure.
- ❖ To comply with conditions set by development partners and international donor agencies.
- ❖ To enable the government to concentrate on other state responsibilities.
- ❖ To minimize political interference.

**No.20.. State four reasons for the increased use of cell phones in banking. (4 marks)**

- ❖ Easy to transact / easy ownership
- ❖ It saves on time since there is no traveling and queuing for the services.
- ❖ The speed of transaction is fast / quick feedback.
- ❖ It reduces paper- work by eliminating the need for physical files and other documentations.
- ❖ The use of PIN enhances security
- ❖ Increased ownership of mobile phones
- ❖ Transactions can be conducted any time
- ❖ Reduce transaction costs (travel and bank charges)
- ❖ Easy access to transaction records
- ❖ It is a requirement by service providers (utility bills)
- ❖ Easy to obtain credit facilities e.g. M-Shwari loan

**No.21. List four sources of public finance. (4 marks)**

- ❖ Taxes
- ❖ Licenses
- ❖ Court fines
- ❖ Donor aid
- ❖ Fees
- ❖ Treasury bonds and bills



**No.22.State two situations in which each of the following type may occur.**

**(i) Creeping inflation (2 marks)**

- ❖ When the general price levels rise gradually/ single digit over a period of time usually at single digit. Where the value of money tends to be stable over time the effects on the economy is not severe.

**(ii) Hyperinflation (2 marks)**

- ❖ Where the general price rise at high rate/ usually more than two digits. Where there is drastic loss in the value of money effect on the economy is very severe

**No.23..Outline four factors that may make a producer to by-pass the wholesaler when distributing goods. (4 marks)**

- ❖ Having own retail outlet.
- ❖ Dealing in perishable goods like bread which require shorter channels.
- ❖ Dealing in technical goods which require elaborate after sales services.
- ❖ Consumers and retailers buying in large quantities.
- ❖ Need to keep price of goods low.
- ❖ Limited geographical spread of the market.
- ❖ Government policy.
- ❖ When the production is in small quantity.
- ❖ Where the producer has enough storage facilities.
- ❖ When goods are produced on order

**No.24.Outline four goals of development to a country. (4 marks)**

- ❖ Alleviation of poverty
- ❖ Attainment of high and sustainable economic growth
- ❖ Provision of adequate social amenities e.g. health
- ❖ Diversification of the economy to reduce over-reliance on a few products
- ❖ Alleviation of unemployment
- ❖ Attainment of more equitable distribution of incomes
- ❖ Enhancement / upholding of human freedom, rights and self esteem / democracy
- ❖ Provision of security
- ❖ Maintenance of political sustainability / good governance.
- ❖ Attainment of food security for population
- ❖ Alleviation of illiteracy
- ❖ Elimination of harmful cultural practices
- ❖ Improvement of infrastructure e.g. transport, communication, water





**No.25..Outline four characteristics of services. (4 mark**

- ❖ *Difficult standardize/ heterogeneous give to varying quality (over time), quality cannot be uniform (from time to time) may be offered by sufficient people.*
- ❖ *Service cannot be stored for future/ service is only consumed at the time it is being offered/ service capacity cannot be stored.*
- ❖ *Service cannot be touched/ it is intangible/ invisible can only be felt/ experienced*
- ❖ *Services cannot be separated from service properties the provider must directly offer the service to the user*
- ❖ *Service is perishable service can only be enjoyed at the time the provider is available/ it expires after it is provided.*
- ❖ *Services cannot be owned by the buyer/ ownership cannot be transferred as the buyer only pays for the experience*
- ❖ *Services/ have utility to satisfy wants.*
- ❖ *Services are mobile since they can be received/ provided at different places/ locations*