

4.29 BUSINESS STUDIES (565)

4.29.1 Business Studies Paper 1 (565/1)

1.	<p>Factors in the external environment that may influence the operations of a business include:</p> <ul style="list-style-type: none"> a) <u>Legal</u>/regulatory issues/Government policies b) <u>Economic</u> factors c) <u>Sociocultural</u> factors d) <u>Technological</u> factors e) <u>Physical</u> facilities/infrastructure f) <u>Demographic</u> considerations(Population) g) <u>Political</u> environment. h) <u>Competitors</u> i) <u>Suppliers</u> j) <u>Natural environment</u> e.g. climate k) <u>Market/customers</u> l) <u>security</u> 	(Any 4 x 1 = 4 marks)
2.	<p>Characteristics of direct production include:</p> <ul style="list-style-type: none"> a) Production is for own use/subsistence b) Low level of technology is used in production c) Goods produced are often of low quality d) Goods are produced in small quantities/No surplus produced e) The producer is involved in all stages/processes of production/Lack of division of labour f) The producer earns no extra income g) The producer's living standards is low for lack of variety h) The producer strives to produce a variety of commodities/Lack of specialization. 	(Any 4 x 1 = 4 marks)
3.	<p>The documents described in the statements are:</p> <ul style="list-style-type: none"> a) Proforma invoice b) Quotation c) Advice note d) Credit note 	(4 x 1 = 4 marks)
4.	<p>Reasons for government involvement in business include:</p> <ul style="list-style-type: none"> a) To provide subsidized essential services/at low cost. b) To protect citizens from exploitation c) To create employment d) To earn revenue/Income e) To stimulate economic growth f) To venture into businesses requiring large capital investment beyond the capability of private investors g) To provide commodities that are too sensitive to be left in the hands of private investors e.g. printing of money and manufacture of firearms h) Prevent foreign dominance of the economy. i) To provide commodities which private investors are unwilling to venture into due to low profits. j) To safeguard national interest by controlling strategic industries. k) To attract foreign investment. 	(Any 4 x 1 = 4 marks)

5.	<p>Factors that may lead to a negative shift in demand include:</p> <ul style="list-style-type: none"> a) Decrease in consumer's income b) Unfavourable government policies (increased taxes, strict licensing) c) Decrease in population d) Future expectation that prices will decline e) Unfavourable/off peak season for particular commodities f) Negative taste & preference for a particular product(out of fashion) g) Availability of better substitutes h) Reduced prices of substitute goods. i) Increase in price of complimentary goods. j) Unfavourable terms of sale. 	(Any 4 x 1 = 4 marks)
6.	<p>Circumstances under which a trader would prefer to transport goods by air include:</p> <ul style="list-style-type: none"> a) When the goods are perishable b) When goods are urgently required c) When securing highly valuable goods d) When accessing remote areas (not accessed by other means) e) When goods are to be delivered over a long distance f) When the business can afford to use it. g) Where it is the most easily accessible h) When it is the policy of the business to transport goods by air 	(Any 4 x 1 = 4 marks)
7.	<p>Total assets = 20,000 + 1,500 + 2,000 + 4,000 = 27,500 Capital = 24,000 Assets = Capital + Liabilities \therefore Liabilities = Assets – Capital = 27,500 – 24,000 = sh. 3,500</p>	(Any 6 x $\frac{1}{2}$ = 3 marks)
8.	<p>Services that commercial banks offer to their customers</p> <ul style="list-style-type: none"> a) Accepting deposits(from clients) b) Lending money to clients c) Safekeeping of valuable items d) Effects payments for clients/money transfer services. e) Providing foreign exchange services f) Giving investment advice to clients g) Guarantor to their customers when taking loans with other financial institutions. h) Acts as a referee. i) Acts as a trustee. j) Provision of night safes. 	(Any 4 x 1 = 4 marks)

9.	Reasons that may make Kenya restrict trade with other countries include a) To protect local infant industries from unhealthy competition b) To safeguard against overdependence on foreign firms for essential commodities c) To raise revenue through tariffs d) To prevent dumping of substandard goods in the country. e) To curb against borrowing of unacceptable foreign culture f) To correct unfavourable balance of payments. g) To restrict entry of harmful goods. h) To protect the strategic industries. i) To make use of locally available resources. j) To create employment opportunities.	(Any 4 x 1 = 4 marks)
10.	Classification of resources: a) Human b) Man-made c) Natural d) Human	(4 x 1 = 4 marks)
11.	Sources of capital for a sole proprietorship include: (a) Owner's savings (b) Contribution from friends/relatives (c) Borrowing from financial institutions/friends (d) Credit buying(Trade credit, Hire purchase, deferred payment) (e) Ploughing back profits/Retained earnings (f) Inheritance (g) Leasing (h) Renting out assets.	(Any 4 x 1 = 4 marks)
12.	Circumstances under which firms may be located near the source of raw materials include: (a) Where it is cheaper to transport finished goods than raw materials (b) Where the firm needs to ease handling of bulky raw materials (c) When dealing with highly perishable raw materials to avoid spoilage (d) If the government policy requires the firm to be located near the source of raw materials (e) Where the firm wants to control an important raw material (f) Where the raw materials are fragile/brittle (g) Where the raw material is dangerous to carry over long distances (h) Where the firm needs to ease handling of raw materials	(Any 4 x 1 = 4 marks)

13	<p style="text-align: center;">Kombo Traders Trial Balance As at 30th April, 2018</p> <table> <tr> <th>Particulars</th><th>Dr. Shs.</th><th>Cr. Shs.</th></tr> <tr> <td>Land and buildings</td><td>150,000</td><td></td></tr> <tr> <td>Motor car</td><td>120,000</td><td></td></tr> <tr> <td>Bank</td><td>4,000</td><td></td></tr> <tr> <td>Cash</td><td>25,500</td><td></td></tr> <tr> <td>Creditors</td><td></td><td>1,500</td></tr> <tr> <td>Sales</td><td></td><td>5,000</td></tr> <tr> <td>Purchases</td><td>18,000</td><td></td></tr> <tr> <td>Capital</td><td></td><td>311,000</td></tr> <tr> <td>TOTALS</td><td>317,500</td><td>317,500</td></tr> </table>	Particulars	Dr. Shs.	Cr. Shs.	Land and buildings	150,000		Motor car	120,000		Bank	4,000		Cash	25,500		Creditors		1,500	Sales		5,000	Purchases	18,000		Capital		311,000	TOTALS	317,500	317,500	(10 x $\frac{1}{2}$ = 5.marks)
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14.	<p>Reasons that would make an entrepreneur to prepare a business plan include:</p> <ul style="list-style-type: none"> a) To foresee and avoid mistakes that could be committed in future b) To identify, strengths and devise ways of dealing with the weaknesses of the business c) It's a requirement by financiers d) To help determine required resources and allocate them appropriately e) To enable an entrepreneur identify potential market f) To enable the business organization avoid goal blindness. g) To allocate resources appropriately. h) To use it as a monitoring tool. i) To motivate employees. j) To adapt to future changes. 	(Any 4 x 1 = 4 marks)																														
15.	<p>Office equipment described in the statements are:</p> <ul style="list-style-type: none"> (a) Franking machine (b) Telephone/radio call (c) Safe/cabinet (d) Dictaphone/dictating machine/recorder 	(4 x 1 = 4 marks)																														

16.	<p>Sources of government revenue include:</p> <ul style="list-style-type: none"> a) Court fines b) Rent & rates received for use of government property c) Fees (License, government services) d) Dividends & profits earned from its investments e) Taxes f) Internal borrowing g) External borrowing h) Proceeds from sale of government property. i) Escheats j) Interest earned on loans k) Grants and donations. 	(Any 4 x 1 = 4 marks)
17.	<p>Measures which may be taken by the government to correct under development include:</p> <ul style="list-style-type: none"> a) Increasing (government.) investments to create more job opportunities b) Control population explosion to reduce overdependence & pressure on resources c) Improve infrastructure to ease communication, movement and access to inputs d) Improve technology for maximum utilization of natural resources e) Improve education system to alleviate illiteracy & impart appropriate skills f) Income redistribution g) Invest in social amenities to foster welfare, h) Provision of incentives to promote the culture of savings and investment i) Encourage good governance to promote self reliance. j) Sensitizing and legislating on outdated cultural practices. 	(Any 4 x 1 = 4 marks)
18.	<p>Benefits of personal selling to a trader include:</p> <ul style="list-style-type: none"> a) The trader is able to reach both literate and illiterate customers b) Able to demonstrate the uses and capabilities of a product c) The trader is able to get immediate feedback d) Can tailor the presentation to suit the needs of individual customers e) Facilitates establishment of interpersonal relationship with clients which promotes repeat purchaser f) Enables the trader to focus on a targeted group of customers g) Seller has opportunity to get information on competitors from the buyers h) It may promote instant sales. i) It is more persuasive and convincing to customers 	(Any 4 x 1 = 4 marks)

19.	<p>Distribution channels that can be used for imported goods include:</p> <table><tr><td>a)</td><td><i>foreign producer → agent → local wholesaler → retailer → consumer</i></td></tr><tr><td>b)</td><td><i>foreign producer → local wholesaler → retailer → consumer</i></td></tr><tr><td>c)</td><td><i>foreign producer → local consumer</i></td></tr><tr><td>d)</td><td><i>foreign producer → local wholesaler → consumer</i></td></tr><tr><td>e)</td><td><i>foreign producer → local retailer → consumer</i></td></tr></table>	a)	<i>foreign producer → agent → local wholesaler → retailer → consumer</i>	b)	<i>foreign producer → local wholesaler → retailer → consumer</i>	c)	<i>foreign producer → local consumer</i>	d)	<i>foreign producer → local wholesaler → consumer</i>	e)	<i>foreign producer → local retailer → consumer</i>	(Any 4 x 1 = 4 marks)
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20.	<p>Merits of a bonded warehouse to the government include:</p> <ul style="list-style-type: none">a) Enable the government to earn revenueb) Enable the government to control the quality /quantity of goods importedc) Helps the government prevent importation of harmful commoditiesd) Enables the government to curb tax evasione) Helps the government collect statistics on imported goods or goods on transitf) Enables the government to inspect illegal goods entering the countryg) It helps the government solve the problem of unemploymenth) Enable the government to control the entry of the goods imported.	Any 4 x 1 = 4 marks										
21.	<p>The source documents are</p> <ul style="list-style-type: none">a) Outgoing credit note/issued credit noteb) Purchases invoice/incoming invoice/received invoicec) Copy of cash sale receipt/cash receiptd) Sales invoice/outgoing invoice/issued invoice	(4 x 1 = 4 marks)										
22.	<p>Ways through which leakages of national income may happen in a four sector economy include:</p> <ul style="list-style-type: none">a) Savings by householdsb) Government taxes on citizens and firmsc) Payment for importsd) Transfer payments by governmente) Foreign aid and grants by governmentf) Retained profits by firms	(Any 4 x 1 = 4 marks)										

23.	Benefits of using computers in an office include: <ul style="list-style-type: none"> a) Facilitates easy communication through the internet b) They are efficient in preparation and reproduction of documents/saves time c) They reduce paperwork d) They are capable of storing huge volumes of information e) Facilitates easy access to information f) They facilitate e-commerce g) Its output is presentable/neat h) It enhances security of documents i) It is labour saving. 	(Any 4 x 1 = 4 marks)
24.	Identifying factors of production relating to the resources: <ul style="list-style-type: none"> a) Labour b) Capital c) Land d) Entrepreneurship 	(4 x 1 = 4 marks)
25.	Sources of business ideas include: <ul style="list-style-type: none"> a) Print media e.g. newspapers b) Electronic media e.g. TV set, computer c) Vocational training d) Hobbies e) Listening to what people say f) Unutilized waste materials g) Observing established entrepreneurs/role models h) Experience i) Research and development/surveys j) Shows and exhibitions. k) Spotting a market gap(niche) l) Brainstorming exercise. 	(Any 4 x 1 = 4 marks)