BUSINESS STUDIES SCHEME

1.) **Importance of business studies**

- Equip the individual with skills and knowledge to manage business

- prepare one for future carreer in business

- help one to relate issues affecting business to its environment.

- prepare one for further studies.

- enables one to think critically and make critical judgment

2. **In the table below, indicate the level of production associated with the following occupations**

|  |  |
| --- | --- |
| Occupation | Level of production |
| a)Retailer | **Tertiary** |
| b)fishing | **Primary** |
| c)Plumbering | **Secondary** |
| d)Store keeping | **Tertiary** |

3. **Outline four types of open trade credit** **(4 marks)**

i) Simple credit –credit extended to a customer for a short time

ii) Monthly credit –credit extended to a buyer and payment is end of the month.

iii) Budget accounts-

iv) Trade credit –credit extended to another trader who buys goods on credit for reselling

v) Credit card facilities-

4. **Circumstances when downward communication can be used in an organization (4marks)**

- When training juniors

- When evaluating performance

- When delegating duties

- When solving any problem facing workers

- When motivating junior

5**. Features of oligopoly**

-firms are interdependent in decision making

- Firms deal in products that are homogenous/similar./deal with differentiated products.

- Firms under oligopoly engage in non price competition

-there might be price leadership where large firms dictate the price market

- There’s limiting factors to entry, like large capital investment for one to be a player in the market.

- They have a kinked demand curve

- Few sellers with many buyers

6**. Ledgers**

 Dr Sales a/c Cr

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Details  | Folio  | Amount  |  | Date  | Details  | Folio | Amount  |
| 1pb8/11/18 | Bal c/d |  | 150,000 |  | 15/11/18 | Bank  |  | 150,000 |
|  |  |  | 150,000 |  |  |  |  | 150,000 |
|  |  |  |  |  | 18/11/18 | Bal c/d |  | 150,000 |

Dr Bank a/c Cr

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date  | Details  | Folio  | Amount |  | Date  | Details  | Folio  | Amount  |
| 15/11/18 | Sales  |  | 150,000 |  | 18/11/18 | Bal c/d |  | 150,000 |
|  |  |  | 150,000 |  |  |  |  | 150,000 |
| 18/11/18  | Bal b/d |  | 150,000 |  |  |  |  |  |

Dr Salaries a/c Cr

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date  | Details  | Folio  | Amount  |  | Date  | Details  | Folio  | Amount  |
| 18/11/18 | Cash  |  | 20,000 |  | 18/11/2018 | Bal c/d |  | 20,000 |
|  |  |  | 20,000 |  |  |  |  | 20,000 |
| 18/11/18 | Bal b/d |  | 20,000 |  |  |  |  |  |

Dr Cash a/c Cr

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date  | Details  | Folio  | Amount  |  | Date  | Details  | Folio  | Amount  |
| 18/11/18 | Bal c/d |  | 20,000 |  | 18/11/2018 | salaries |  | 20,000 |
|  |  |  | 20,000 |  |  |  |  | 20,000 |
|  |  |  |  |  | 18/11/2018 | Bal c/d |  | 20,000 |

7 a) **Frictional**: It arises when one looses job and is in the process of looking for another one

 b) **Structural**: Arises out of mismatch between the skills possessed by the potential employee and the job available.

 c) **Involuntary**: Arises when people are looking for jobs in the existing wage rate but cannot get one

 d) **Residual**: it affects people who are either physically or mentally challenged.

 8. **Features of non bank financial institutions.** **(4 marks)**

- they offer savings and fixed deposits

- they provide medium long term finance

- they provide finance for specific sectors only

- provide finance for capital development

- they don’t participate in the clearing houses since they don’t have cheque facilities

-they do not safe guard valuables they not under direct control of central bank

- they don’t offer draft facilities since they don’t operate current account

9. **Methods trade restrictions**. (4 marks)

-**Tariffs** –increase in tariffs discourages imports whereas decease encourages

- **Quotas**- restriction of the quantity of imports into the country

- **Administrative bottlenecks**-long procedures to be followed to impot

- **Foreign exchange control**- government making it difficult in the acquisition of foreign currency to facilitate international trade.

- **Moral persuasion**- government making appeals to importers or exporters no to engage in trade of certain commodities.

**10. Ways in which the external environment of the business may negatively affect its operations (4marks)**

* Poor road network
* High lending interest rates
* Increasing inflation tendencies
* Reducing population due to emigration
* Political instability

**11. Importance of ethical practices in business (4marks)**

* Ensures that the rights of all customers/clients are upheld or respected
* It ensures that all employees are treated by the owner of the business fairly like promotion is based on merit
* It ensures that all the activities of the business do not pollute the environment
* It ensures that the business complies with all government policies such as payment of taxes, renewing of licenses etc
* It ensures that the business achieves its objectives in the most appropriate manner- conducting business free of corruption etc
* It ensures that the business engages in fair competition with their competitors
* It ensures that the business respects the interests and rights of people living with disability
* It ensures that the business complies with gender requirements during employment

**12. Circumstances under which a public corporation could be dissolved (4marks)**

* If there is persistent loss making
* In case of bankruptcy- where the corporation cannot pay its debts
* Where there is change in the act of parliament that formed the corporation
* In case of privatization
* Where there is mismanagement, resulting in poor management of the corporation

**13. Record the following transactions in the relevant books of original entry** **(4marks)**

Purchase Journal

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Detsils | Invoice No. | L.F | Amount |
| 2020April 2 ,, 2 ,, 4 ,, 4 | K.T SuppliersOchoki tradersKiptui SuppliersK.T SuppliersTotals posted to the Purchase account (Dr) in the general ledger |  |  | 40,000 8,00036,00015,00099,000 |

Purchase Returns Journal

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Detsils | Credit note No. | L.F | Amount |
| 2020April 1 ,, 1 ,, 4 ,, 4 | K.T SuppliersOchoki tradersKiptui SuppliersK.T SuppliersTotals posted to the Purchase returns account (Cr) in the general ledger |  |  |  1,000 1,500 3,500 4,00010,000 |

**14. Types of direct taxes (4marks)**

* Personal income tax
* Corporate tax
* Estate (death) duty
* Capital gain tax
* Wealth tax
* Stamp duty
* Capital transfer (gift) tax

**15. Reasons why an insured is unable to get compensation (4mks)**

* If the insurance company is bankrupt
* If the cause of the loss is not the risk that was insured
* If the insured never paid the required premium
* If the insurer learns that the insured caused the loss/damage deliberately
* If the insured had not provided certain material facts about the matter both at taking the policy on when making the claim
* If the claim was made unreasonably long time after the occurrence of the risk
* If the insured has no insurable interest for instance he/she already disposed the property in question

**16. Factors to consider when choosing the channel of distribution of bread to schools in Kenya**

**(4mks)**

* The nature of the market- use intermediaries/long channel since secondary schools are spread over a wide area
* Requirements of the law
* Since bread is perishable, shorter channels are preferable
* Consider the effectiveness of the channels used by competitors
* Marketing risks
* The amount of resources available for the bakery to distribute bread….with enough delivery vans, the bakery can distribute directly hence a shorter channel

**17. Give the meaning of the following terms as used in Book-keeping (4mks)**

1. **Goods**- These are items bought for the purpose of resale.
2. **Liabilities** - This includes all what outsiders claim as theirs in the business
3. **Creditors** - A person or organization to whom money is owed
4. **Capital** – It is also called owner’s equity meaning it is what the owner claims as his/hers in the business

18. State ***four*** features of economic resources. (4 marks)

 *(i) Scarce in supply*

 *(ii) Unevenly distributed*

 *(iii) Complimentary*

 *(iv) Have monetary value*

 *(v) Have utility*

 *(vi) Can change ownership*

 *(vii) Have alternative uses*

19. Highlight ***four*** prescribed code of behavior of an office staff. (4 marks)

 *(i) Respect*

 *(ii) Courtesy*

 *(iii) Loyalty*

 *(iv) Cooperation*

 *(v) Honesty*

 *(vi) Accuracy*

 *(vii) Punctuality*

 *(viii) Diplomacy*

20. The table below show the demand of furniture in Kimumu market for the year 2019.

|  |  |
| --- | --- |
| Month | Quantity demanded |
| March | 1000 |
| April | 800 |
| May | 700 |
| June | 600 |
| July | 500 |
| August | 300 |
| September | 250 |

 State ***four*** causes of the above trend. (4 marks)

 *(i) Decrease in population*

*` (ii) Decreased consumers income*

 *(iii) Unfavourable government policy*

 *(iv) Unfavourable change in taste, fashion and preference.*

 *(v) Future expectation of decrease in price.*

 *(vi) Unfavourable terms of sale*

 *(vii) Unfavourableseasoal changes*

 *(viii) Increase in price of the commodity.*

21. Outline ***four*** Fiscal policy measures that may be used to control inflation. (4 marks)

 *(i) Increasing personal income taxes*

 *(ii) Reducing government spending*

 *(iii) Reducing tax on inputs on production*

 *(iv) Subsidizing production*

 *(v) Producing commodities that are in short supply to minimize shortage.*

22. Highlight ***four*** problems encountered when measuring national income using income approach. (4 marks)

 *(i) Problem of transfer payments*

 *(ii) Inaccurate data*

 *(iii) Price fluctuation/inflation*

 *(iv) Problem of handling illegal and unrecorded economic activities*

 *(v) Problem of double counting*

 *(vi) The problem of the subsistence sector*

 *(vii) Problem of valuing government income*

23. State whether each of the following transactions increase (+) decrease (-) or have no effect (NE) on asset, liabilities, capital and the balance sheet totals.

|  |  |  |
| --- | --- | --- |
|  | Transaction | Effects on |
| Assets | Liabilities | Capital | Balance sheet totals |
| (a) | Received cash from a debtor | *NE* | *NE* | *NE* | *NE* |
| (b) | The proprietor deposited extra cash into business bank account from personal sources | *+* | *NE* | *+* | *+* |
| (c) | Paid a creditor by cheque | *-* | *-* | *NE* | *-* |
| (d) | Bought office equipment in cash | *NE* | *NE* | *NE* | *NE* |

24. Outline ***four*** importance of transport in the facilitation of trade. (4 marks)

 *(i) Facilitates the movement of factors of production and other inputs like raw materials.*

 *(ii) Opens up new markets*

 *(iii) Makes it possible for the exploitation of natural resources*

 *(iv) Adds value to goods and services by moving them to the point of consumption*

 *(v) Allows for specialization*

 *(vi) Promotes mass production since goods can be moved to be stored and sold elsewhere.*

 *(vii) Enables goods to be moved to the market.*

25. The information relates to Soila traders for the month of June 2021.

 Sh.

 Opening stock 75,000

 Purchases 395,000

 General expenses 60,000

 Closing stock 170,000

 Sales 500,000

 Capital 1,000,000

 Determine;

 (i) Cost of sales (1 mark)

 *Opening stock + Purchases – closing stock*

 *= 75,000 + 395,000 – 170,000*

 *= Shs.300,000*

 (ii) Gross profit (1 mark)

 *Sales – logs = 500,000 – 300,000*

 *= shs.200,000*

 (iii) Rate of return on capital. (2 marks)

 *= Net profit x 100*

 *Capital invested*

 *N.P = GP – Expenses = 200,000 – 60,000*

 *= 140,000*

 *ROC = 140,000 x 100*

 *1,000,000*

*= 14%*

.

**Paper 2**

**Forms economic integration**

* Preferential trade area-reduced trade barriers among member countries while normal rates are applied for trading activities to non member states
* Free trade area- no barriers among member countries while each country retain their own barriers towards non member states.
* Custom union- tarrifs and other trade barriers are removed among member countries while their trade policies are harmonized with regard to treatment with trade with the rest of the world.
* Common market- there is harmonizing trade policies, removal of trade barriers and free movement of factors of production.
* Economic union- common institutions like central banks, adopting of use common currency and having common public services like railway is embraced
* Duty free zones- the importation and exportation of raw material to and out of this zone does not attract any duty.
* Political union-states form a central government through which they share central bank, defense and core ministries that run their their affairs