

1. **Outline four benefits consumers enjoy from after sale services offered by traders.(4mks)**
 - They are saved from incurring the transport costs from the point of purchase to their premises.
 - They enjoy technical advice on the use hence are able to use the product effectively.
 - Free or cheap repair of the product saves on repair costs.
 - High level of expertise in servicing/ maintenance enhances the life of the product
 - Free installation./ Rehabilitation of the product saves on cost and also ensures proper installation
 - Parts or the whole product can be replaced if it develops problems during the guarantee period.
 - Effective packaging eases transportation and guarantees safety.

2. **Highlight four ways in which harsh economic environment can affect the performance of business.** (4mks)
 - Low consumer incomes reduces demand for goods and services.
 - High interest rates makes borrowing expensive
 - High price levels leads to low sale volumes.
 - High tax levels reduces consumers' disposable incomes hence low trading activities
 - Cost of doing business increases as aids to trade become expensive
 - Profit margins decreases as cost increase
 - Unstable rate of returns due to price fluctuations.
 - Low saving due high cost of living
 - Low investments as consumption expenditure increases.

3. **Outline four factors that may determine the amount of rent charged for use of land as a factor of production.** (4mks)
 - Duration for which the land is being used.
 - Size of the land
 - Location of the land
 - The kind of use to which the land will be put
 - The potentiality/ fertility of the land.
 - The number of parties interested in the land

4. **State four reasons why a person would send a short message service (sms) rather than**

make a call.

(4mks)

- It is cheaper
- Detailed information can be sent
- It is confidential
- Can be used for future reference
- Appropriate where there is noise barrier in the environment.
- The receiver may be one with hearing impairment
- The message can be condensed to use few units of credit
- The same message can be sent to many receivers at once
- Can be used as evidence in case of dispute
- It is reliable as delivery can be confirmed.

5. Outline four policies that the Kenya government may formulate in order to alleviate imbalances in income distribution. (4mks)

- Population control particularly in disadvantaged areas.
- Decentralization of industries to new areas to improve such areas.
- Putting minimum wage legislations to low income earners.
- Fixing floor prices for agricultural products to uplift small scale farmers
- Land reclamation and redistribution
- Increased participation in economic development through parastatals
- Mass employment policies/ labour intensive ventures such as kazi kwa vijana initiative
- Fiscal policies such as progressive taxation
- Promoting small and medium enterprises to create employment opportunities.

6. State four advantages of multinational companies to the host countries. (4mks)

- Generates revenue to the host country through taxation
- Creates employment opportunities in the host country
- Technology transfers to the host country
- Raises the level of investment in the host country
- Improves consumer choices in the host country
- Promotes general development and improvement of standards of living in the host country.

7. State four ways in which government can influence the supply of a product in the market. (4mks)

- Use of quotas
- Use of taxes
- Use of subsidies
- Use of licensing
- Banning production or importation of that product.
- Starting a business to produce that product.

8. Prepare Usigu Traders balance sheet from the following information obtained from their books for the period ending July 31st, 2015 (4mks)

Usigu Traders
Balance Sheet
As at 31st July, 2015

	Sh	Sh		Sh	Sh
<u>Fixed Asstes</u>			Capital		746,000
Premises		870,000	<u>Current Liabilities</u>		
<u>Current Assets</u>			Creditors	200,000	
Stock	100,000		Bank overdraft	<u>120,000</u>	
Debtors	46,000				<u>320,000</u>
Cash in hand	<u>50,000</u>				
		<u>196,000</u>			
		<u>1,066,000</u>			<u>1,066,000</u>

9. Outline four measures that the government has put in place to protect consumers. (4mks)

- Setting and maintaining standards through KEBS
- Enacting various legislations to protect consumers
- Promoting consumer awareness/ education
- Provision of essential goods/ services at fair prices/ quality
- Licensing businesses to guard against illegal businesses
- Setting up courts/ tribunals/ bodies to enforce/ arbitrate consumer interests.

10. State four factors that have contributed to the increase in the use of matatu as means of passenger transport. (5mks)

- They fill up faster than buses hence save time
- They supplement bus companies especially in the remote rural areas where they are the only means
- They are flexible in terms of time, route and charges.
- They are easier to hire as most of them are readily available
- They are cheaper to acquire as compared to buses.
- They are faster over short distances.

11. Outline four challenges faced by human beings in the process of satisfying their wants.(4mks)

- Human wants are too many and varied hence cannot be fully satisfied/ unlimited.
- The resources needed for satisfaction are never enough
- Difficulty in making choices due to scarce resources.
- Human wants are recurrent
- Human wants vary in intensity and urgency
- Human wants are competitive in nature.
- Human wants keep on changing with time, place, age, gender.

12. Outline four factors that an entrepreneur should consider when introducing a new product into the market. (4mks)

- Market demand for the product
- Quality of the product in relation to the existing products
- Affordability of the product
- Availability of factors inputs for the production of the product.
- Socio cultural beliefs of the customers.

- Government policies such as legislation, taxation, subsidies, and price control.

13. Identify the document used in the following transactions. (4mks)

Transaction	Document used
i) It is an evidence of the delivery of goods sent by the seller	Delivery note
ii) It is used by seller to the buyer correcting an overcharge in an invoice	Credit note
iii) It is issued by the seller to a buyer upon making payment for goods.	Receipt
iv) It is sent by the seller to the buyer requesting for payment for goods sold on credit.	Invoice

14. Outline four reasons why SACCOs are popular among employees in Kenya. (4mks)

- It enables members to save easily through check off system
- They charge low interest rates on loans
- Dividends are distributed to members yearly
- No securities required for loans
- Members can obtain different categories of loans
- It may offer banking facilities
- Member's death leads to cancellation of outstanding loans.
- Member's saving go to the beneficiaries in the event of death.

15. Outline four measures that the government may adopt to encourage even distribution of industries in the country. (4mks)

- Provision of free/ cheap/ affordable land in rural areas.
- Offer tax relief/ holiday for firms wishing to relocate to rural areas
- Development of infrastructure all over the country
- Improvement in the security situations in all the areas of the country
- Provision of subsidies to those who wish to establish their firms in rural area
- Offering direct financial assistance to firms in rural areas
- Development of rural areas such as rural electrification.

16. List four costs incurred by intermediaries in the chain of distribution. (4mks)

- Actual cost of buying goods
- Transportation costs
- Storage costs
- Advertising costs
- Insurance costs
- Salaries and wages
- Packing and blending costs.

17. The following information relates to Kisumu Entreprises at the beginning of the beginning of the month of January 2012.

Determine Kisumu enterprises capital on 31.1.2012.

(4mks)

$$A = C + L$$

$$C = A - L$$

$$\begin{aligned} \text{Assets} &= 2,500 + 9,000 + 28,000 + 40,500 + 23,200 + 125,000 \\ &= \text{Sh. } 228,200 \end{aligned}$$

$$\begin{aligned} \text{Liabilities} &= 45,000 + 12,500 + 35,000 \\ &= \text{Sh. } 92,500 \end{aligned}$$

$$\begin{aligned} \text{Capital (opening)} &= 228,200 - 92,500 \\ &= \text{Sh. } 135,700 \end{aligned}$$

$$\begin{aligned} \text{C.C} &= \text{O.C} + \text{A.I} + \text{N.P} - \text{D} \\ &= 135,700 + 50,000 + 17,200 - 7,500 \\ &= \text{Sh. } 195,400 \end{aligned}$$

18. Entre the following transaction in the relevant ledger accounts. (4mks)

Delivery Van a/c							
Dr				Cr			
Date	Details	L.F	Amount	Date	Details	L.F	Amount
2016 1 st Jan	Bank		350,000				

Bank a/c							
Dr				Cr			
Date	Details	L.F	Amount	Date	Details	L.F	Amount
2016 5 th Jan	Cash		200,000	2016 1 st Jan	Delivery Van		350,000

Atieno's a/c							
Dr				Cr			
Date	Details	L.F	Amount	Date	Details	L.F	Amount
				2016 3 rd Jan	Cash		18,000

Cash a/c							
Dr				Cr			
Date	Details	L.F	Amount	Date	Details	L.F	Amount
2016 3 rd Jan	Atieno		18,000	2016 5 th Jan	Bank		200,000

6 th Jan	Sales		15,000			
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Dr				Sales a/c				Cr			
Date	Details	L.F	Amount	Date	Details	L.F	Amount	Date	Details	L.F	Amount
				2016				6 th Jan	Cash		15,000

19. Outline four source documents used in making entries in the book of accounts. (4mks)

- Invoice
- Cash receipt
- Debit note
- Credit note
- Payment voucher
- Cash remittance note

20. Highlight four benefits that Kenya may enjoy by allowing free trade. (4mks)

- Kenya will be able to specialize in the production of goods that she is best at producing
- citizens will enjoy cheaper and better quality goods
- enables efficient allocation of resources/factors of production
- promotes international peace and understanding
- increased employment opportunities for the citizens
- promotion of industrial growth
- improvement in the standards of living of Kenyans
- citizens can access a wide variety of goods

21. State four circumstances under which a trial balance may not balance. (4mks)

- where there are errors of partial omission of entries
- incase of wrong balancing of accounts
- where there are arithmetic errors

- where there is poor alignment of figure in the trial balance
- incase different figures are entered in different accounts for the same transaction
- incase of wrong entries in the ledger accounts

22. Outline four services offered by the Central Bank as a banker to Commercial Banks. (4mks)

- replacement of old notes/issuance of new notes
- mediation/arbitration in cases of disputes
- advising them on financial matters
- maintain foreign exchange reserves
- being a lender of last resort
- undertakes statutory management during financial crisis/receivership
- providing a central clearing house
- repatriation of excess foreign currency/profits abroad

23. State four indicators of underdevelopment. (4mks)

- high levels of poverty
- high population growth rate/dependency ratio
- widespread unemployment
- disparities in income distribution
- low levels of savings and investments
- dependence on subsistence sector
- underutilization of natural resources
- high dependency on developed countries
- use of poor methods of production/technology

24. List four principles of government expenditure.

(4mks)

- maximum social benefit
- flexibility
- economy
- equity
- sanction
- accountability/proper financial management
- productivity
- elasticity

**25. Give four reasons why the national income of country X may be higher than that of country Y.
(4mks)**

- larger labour force
- more capital availability in X
- a better entrepreneurial culture in X
- higher/more natural resources available in X
- use of better technology
- political stability/ good governance in country X
- a better attitude towards work by citizens of X
- higher levels of investment, both local and foreign

