

4.30 BUSINESS STUDIES (565)

4.30.1 Business Studies Paper 1 (565/1)

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1.	<p>Elements of the demographic environment that may influence the operations of a business include:</p> <ul style="list-style-type: none">a. The population size.b. The geographical distribution of the population.c. The population density.d. The distribution of the population by sex/Gender.e. The distribution of the population by age.f. The population growth rate.g. The birth rate.h. The death rate/mortality rate/attrition rate.i. Immigration rate.j. Emigration ratek. Health of the population.	<p>(Any 4 x 1 = 4 marks)</p>
2.	<p>Circumstances under which goods may be transported by use of containers include:</p> <ul style="list-style-type: none">a. When goods are fragile and require protection from damage.b. When goods are highly valued and need to be secured from theft while on transit.c. When goods are regular in shape and can easily be packed into containers.d. When there is need to minimize handling of goods both at the port and in transit.e. When there is need to use the available space more efficiently.f. When specialized machines for loading and off-loading are available.g. When there is need to cut down on transporth. When there is need to cut down insurance costs.i. Where goods are special and require special attention e.g. perishable and inflammable goods.	<p>(Any 4 x 1 = 4 marks)</p>

<p>3.</p>	<p>Determining Salome's Rate of Return on Capital Employed.</p> <p>a. $CE = C + LTL$ $= 1,119,300 + 1,807,000$ $= \underline{2,926,300}$</p> <p>Rate of Return on Capital Employed</p> $ROCE = \frac{NP}{CE} \times 100$ $= \frac{438,945}{2,926,300} \times 100$ $= \underline{15\%}$ <p>b. Importance of the rate of return on capital employed.</p> <ol style="list-style-type: none"> i. It enables the business to determine the rate at which net profit is generated in relation to the total investments into the business. ii. To compare the performance of the business with similar ones. iii. To compare the performance of the business over time. iv. Shows whether the fiancés of the business have been invested wisely or not. 	<p>(6 x □ = 3 marks)</p> <p>(1 x 1 = 1 mark)</p>
<p>4.</p>	<p>Indicators of economic growth that may be observed as a country progresses include:</p> <ol style="list-style-type: none"> a. Increasing national income. b. Increasing national output/GDP. c. Improved infrastructure. d. Improvement in the provision of health facilities. e. Increased education opportunities. f. Increasing life expectancies. g. Improved housing for the population. h. Provision of more social amenities for leisure e.g. stadia. i. Improved standards of living for the citizens. j. Increased per capita income. k. Increased employment opportunities. l. Reduced dependency ratio/self employment. m. Reduced income disparities. n. Reduction of negative cultural practices. o. Good governance/democracy. 	<p>(Any 4 x 1 = 4 marks)</p>

5.	<p>Factors that may encourage Chemchemi Ltd. to be located in Athi River include:</p> <p>a. Availability of raw materials in Athi River.</p> <p>b. Skilled labour is readily available in Athi River (can be poached from other companies).</p> <p>c. Market is readily available in Nairobi and its environs.</p> <p>d. There is ready supply/source of power.</p> <p>e. Government policy encourages the establishment of such firms in Athi River which is also an E.P.Z.</p> <p>f. An established transport network</p> <p>g. An established communication network.</p> <p>h. Availability of well-developed social amenities like schools, stadia, sewerage systems and water supply.</p> <p>i. Availability of security.</p> <p>j. Availability of auxiliary services e.g. banks.</p>	(Any 4 x 1 = 4 marks)
6.	<p>Ways through which a partnership may beformed include:</p> <p>a. A simple written agreement between the parties.</p> <p>b. An oral agreement between the partners.</p> <p>c. Action by members implying agreement to conduct business together.</p> <p>d. A signed legal agreement (partnership deed).</p> <p>e. By provision of the partnership act where there is no known agreement.</p>	(Any 3 x 1 = 3 marks)
7.	<p>Features of land as a factor of production include:</p> <p>a. It is a natural resource.</p> <p>b. It is fixed in supply.</p> <p>c. Its productivity can be varied by varying the inputs.</p> <p>d. It lacks geographical mobility.</p> <p>e. It is subject to the law of diminishing returns.</p> <p>f. Its quality is not homogeneous.</p> <p>g. It is a basic factor of production.</p> <p>h. It is occupationally mobile.</p> <p>i. It's reward is rent/rates.</p>	(Any 4 x 1 = 4 marks)
8.	<p>The principles of insurance described in the statements are:</p> <p>a. Indemnity</p> <p>b. Proximate cause</p> <p>c. Subrogation</p> <p>d. Insurable interest.</p>	(4 x 1 = 4 marks)

9.	<p>Items that would be included in the measurement of national income using the income approach include:</p> <p>a. Salaries/wages or personal earnings by households. b. Interest received for use of capital. c. Profits made by public enterprises. d. Dividends received by shareholders. e. Rent received for the use of land. f. Undistributed profits before tax on firms. g. Stock appreciation. h. Transfer payments e. g. grants to students. i. Depreciation on capital. j. Net income from abroad.</p>	(Any 4 x 1 = 4 marks)		
10.	<p>The C.P.I. for the year:</p> $2011 = \left(\frac{100.80}{90} \times 100 \right) = 112$ $2012 = \left(\frac{103.50}{90} \times 100 \right) = 115$ $2013 = \left(\frac{105.30}{90} \times 100 \right) = 117$ $2014 = \left(\frac{108}{90} \times 100 \right) = 120$	(4 x 1 = 4 marks)		
11.	<p>Retail businesses that a school leaver may engage in include:</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> <p>(a) Kiosks (b) Canteens (c) Tied shops (d) Single shops (e) Market stalls (f) Mobile shops (g) Roadside selling.</p> </td> <td style="width: 50%; vertical-align: top;"> <p>(h) Open air market trading. (i) Hawking (j) Peddling (k) Automatic vending machine.</p> </td> </tr> </table>	<p>(a) Kiosks (b) Canteens (c) Tied shops (d) Single shops (e) Market stalls (f) Mobile shops (g) Roadside selling.</p>	<p>(h) Open air market trading. (i) Hawking (j) Peddling (k) Automatic vending machine.</p>	(Any 4 x 1 = 4 marks)
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12.	<p>Benefits of using the internet for office communication include:</p> <p>(a) Reduced cost of communication. (b) Provides unlimited space for filing. (c) A fast means of communication. (d) Provides a source of information for research. (e) Facilitates quick decision making. (f) Reduces paperwork and the need for paper files. (g) Accords convenience while communicating. (h) Communication can take place at all times. (i) Information can be passed to many people at different places at the same time.</p>	(Any 4 @ 1 = 4 marks)																														
13	<p style="text-align: center;">Zawadi Traders</p> <p style="text-align: center;">Rent income Account</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: left; border-bottom: 1px solid black;">Dr.</th> <th colspan="3" style="text-align: right; border-bottom: 1px solid black;">Cr.</th> </tr> </thead> <tbody> <tr> <td style="width: 15%;">12/11/15</td> <td style="width: 20%;">Tenants</td> <td style="width: 15%; text-align: right;">20,000</td> <td style="width: 15%;">1/1/2015</td> <td style="width: 20%;">Bal. b/d</td> <td style="width: 15%; text-align: right;">50,000</td> </tr> <tr> <td>31/12/15</td> <td>Bal. c/d</td> <td style="text-align: right;">150,000</td> <td>10/6/2015</td> <td>Tenants</td> <td style="text-align: right;">120,000</td> </tr> <tr> <td></td> <td>(P&L)</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">170,000</td> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">170,000</td> </tr> </tbody> </table>	Dr.			Cr.			12/11/15	Tenants	20,000	1/1/2015	Bal. b/d	50,000	31/12/15	Bal. c/d	150,000	10/6/2015	Tenants	120,000		(P&L)							170,000			170,000	(5 x 1 = 5 marks)
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14.	<p>Means of payment that may be provided by commercial banks to their customers include:</p> <p>(a) Cheques (b) Bank drafts/Banker's cheques. (c) Standing orders. (d) Traveler's cheques. (e) Credit transfers. (f) Telegraphic transfers. (g) Use of credit/debit cards. (h) Electronic Funds Transfer.</p>	(4 x 1 = 4 marks)																														

15.	<p>Determining equilibrium price and quantity. Where: $Qd_e = 4P + 50$ and $Qs_e = 8P + 30$ PDF Compressor Free Version</p> $4P + 50 = 8P + 30$ $50 - 30 = 8P - 4P$ $20 = 4P$ $\frac{20}{4} = P$ $\underline{5} = P$ <p>\therefore equilibrium price = 5</p> <p>Equilibrium quantity = $(5 \times 4) + 50$ = $20 + 50$ = <u>70</u></p>	(8 x □ = 4 marks)
16.	<p>Ways in which the balance of payment of a country may be improved include:</p> <ol style="list-style-type: none"> Restriction of imports. Diversification of exports. Export promotion. Devaluation of the country's currency. Deflation/reduced money supply. Value addition to increase the value of the exports. Encouraging foreign investments to the country. Restricting outflow of capital. 	(Any 4 x 1 = 4 marks)
17.	<p>Identifying the source documents:</p> <ol style="list-style-type: none"> Outgoing <u>receipts</u>. Incoming <u>invoice</u>. Payment voucher. Debit note. 	(4 x 1 = 4 marks)
18.	<p>Factors to be considered by a firm when deciding on the method to use for promoting its products include:</p> <ol style="list-style-type: none"> Nature of the product. The competitors' promotional strategies. The cost of the methods. The target audience. The level of demand for the product. Urgency of the promotional message. Availability of the promotional media. Government policy/legal requirements. Objectives of the firm/promoter. Geographical coverage of the method. 	Any 4 x 1 = 4 marks)

19.	<p>Features of money that enable it to facilitate the exchange of goods and services include:</p> <ol style="list-style-type: none"> General acceptability as a medium of exchange. Cognizability. Portability/easy to carry. Divisibility/can easily be converted to smaller denominations without losing value. Made of homogeneous/uniform material. Stability in value. Malleability. Durability. Scarcity. Not easy to forge (authenticity). 	(Any 4 x 1 = 4 marks)
20.	<p>Benefits of proper filing to an organization include:</p> <ol style="list-style-type: none"> Vital documents will be kept for future reference. Easy retrieval and accessibility of documents. Economic use of available space. Documents are kept safe from damage/loss. Limits accessibility of documents to only authorized personnel. Aids in keeping the office tidy /neat. May help the organization to keep some documents for the length of time as specified by the law. Helps to keep the documents neat. 	(Any 4 x 1 = 4 marks)
21.	<p>Characteristics of a monopolistic competitive market include:</p> <ol style="list-style-type: none"> There is a large number of buyers and sellers who act independently. There are no barriers to entry or exit from the industry. The sellers offer similar products that are only differentiated. No single firm has control over the factors of production. Firms set their own prices. Buyers and sellers have perfect knowledge of the market. Firms incur huge selling/promotional costs. 	(Any 4 x 1 = 4 marks)
22.	<p>Effects of family planning campaign causing a decline in the country's population include:</p> <ol style="list-style-type: none"> Reduced pressure on land. Shrinking market for goods and services. Reduced levels of unemployment. Reducing government expenditure on the provision of social amenities. Reduced dependency burden. Low labour supply. Reduced social problems like crime, lack of housing, traffic jams. Possibility of attaining optimum population. May lead to increased savings and investment. 	(Any 4 x 1 = 4 marks)

23.	<p>Functions of commercial attachees include:</p> <p>a. Educating and advising exporters on trade regulations/practices in other countries.</p> <p>b. Expansion and diversification of exports.</p> <p>c. Organizing for trade fairs and exhibitions of local goods in foreign markets.</p> <p>d. Expansion and diversification of foreign markets.</p> <p>e. Providing information about available selling opportunities in foreign countries to local producers.</p> <p>f. Developments of bilateral and multilateral trade agreements.</p> <p>g. Select buyers/agents and distributors for the country's export.</p> <p>h. Publish and advertise their country's exports in business journals and magazines.</p>	(Any 4 x 1 = 4 marks)
24.	<p>Benefits that may be realized when two firms form a merger include:</p> <p>a. Increase in the volume of output.</p> <p>b. Increased control over supplies.</p> <p>c. Increased influence on the market/customers.</p> <p>d. Reduced cost of operations as a result of economies of scale.</p> <p>e. Access to larger capital.</p> <p>f. Increased ability to control prices of the product.</p> <p>g. Elimination of unhealthy competition. Ability to employ more qualified personnel.</p> <p>h. Increased quality of output.</p> <p>i. Combined talents and skills which may lead to better management.</p>	(Any 4 x 1 = 4 marks)
25.	<p>Factors that may have caused failure of Shaban's shop after two years include:</p> <p>a. Poor location of the business may have made it inaccessible to customers.</p> <p>b. Stiff competition from other retailers.</p> <p>c. Inadequate finances to meet the obligations of the business.</p> <p>d. Shaban's lack of commitment to the business.</p> <p>e. Insecurity</p> <p>f. Political instability.</p> <p>g. Improper management practices.</p> <p>h. Poor customer relations.</p> <p>i. Inappropriate pricing practices.</p> <p>j. Lack of market/low demand.</p> <p>k. Unfavourable government policy.</p> <p>l. Poor marketing strategies.</p> <p>m. Inadequate stock.</p> <p>n. Lack of suitable labour.</p>	(Any 4 x 1 = 4 marks)