

<p>1.</p>	<p>Class of human wants satisfied by the commodity or service given in the table:</p> <ul style="list-style-type: none"> (a) basic (b) secondary (c) basic (d) basic (e) secondary (f) secondary (g) basic (h) secondary 	<p>(8 x ½) = 4 marks)</p>
<p>2.</p>	<p>Factors that make office managers to communicates to their staff in writing include:</p> <ul style="list-style-type: none"> (a) <u>Confidentiality</u>. The confidentiality of the message is enhanced by written means (b) <u>Accuracy</u>. The message is delivered in its original form <u>without distortion</u>. (c) <u>Completeness of message</u>. Written forms may be able to pass ^{long} <u>detailed illustrations</u>. (d) <u>Future reference</u>. The message may form a basis for decision making in the future. (e) <u>Reliability of the means</u>. This is a trusted means of communicating in institutions. (f) <u>Economy</u>. It is cost effective since it is <u>affordable</u>. <i>cheap</i> (g) <u>Accessibility</u>. It is easily accessible to all staff members. (h) <u>Acceptability</u>. It is the acceptable means of <u>official communication in institutions</u>. <p><i>(i) Evidence: It is a proof ^{proof} of communication</i> <i>(ii) Desired impression - shows the seriousness ^{seriousness} of the message communicated</i></p>	<p>(any 4 x 1 = 4 marks)</p>

3.

**Birika Traders
Trial Balance
As at 31/12/2014**

DETAILS	Dr.(Sh.)	Cr. (sh.)
Furniture & fittings	234,000 ✓	
Debtors	67,500 ✓	
Capital		157,900 ✓
Commission earned		13,200 ✓
Creditors		34,750 ✓
Drawings	21,800 ✓	
5 year bank loan		114,450 ✓
Discount received		3,000 ✓
	323,300 ✓	323,300 ✓

(12 x 1/3 = 4 marks)
(8 x 1/2 = 4 marks)

4. **Functions of an office in an organization include:**

- (a) An administration centre for the organization.
- (b) The communication centre for the organization.
- (c) A centre for processing data.
- (d) Production and reproduction of documents.
- (e) Management of records / Filing
- (f) Public relations centre for the organization / customer care
- (g) Safe guarding of the organization's assets.
- (h) Personnel functions are coordinated from the office / human resource

- (i) mailing
- (j) Distribution / dissemination of information
- (k) Receiving and sending information

(any 4 x 1 = 4 marks)

5 **The roles played by the Nairobi securities exchange in the Kenyan economy include:**

- (a) A measure of the country's economic performance as reflected in the prices of shares.
- (b) Sets the price/value of securities based on the forces of demand and supply.
- (c) Ensures safety of transactions since the financial health of listed companies is usually verified. / Safeguards investors interest.
- (d) Promotes economic growth through disinvestment and reinvestment
- (e) Promotes local ownership of companies through sale and purchase of shares.
- (f) Provides ready market for (sale and purchase of) shares hence improving liquidity.
- (g) Promotes saving and investment among the population.

(Any 4 x 1 = 4 marks)

- (i) Raising revenue for the government.
- (ii) Creation of employment.
- (iii) Provides useful information to investors.

6. **The basic concepts in population described in the statements are:**

- (a) Optimum population.
- (b) Fertility rate/birth rate
- (c) Declining population
- (d) Ageing population.
- (e) ~~Price control.~~

(4 x 1 = 4 marks)

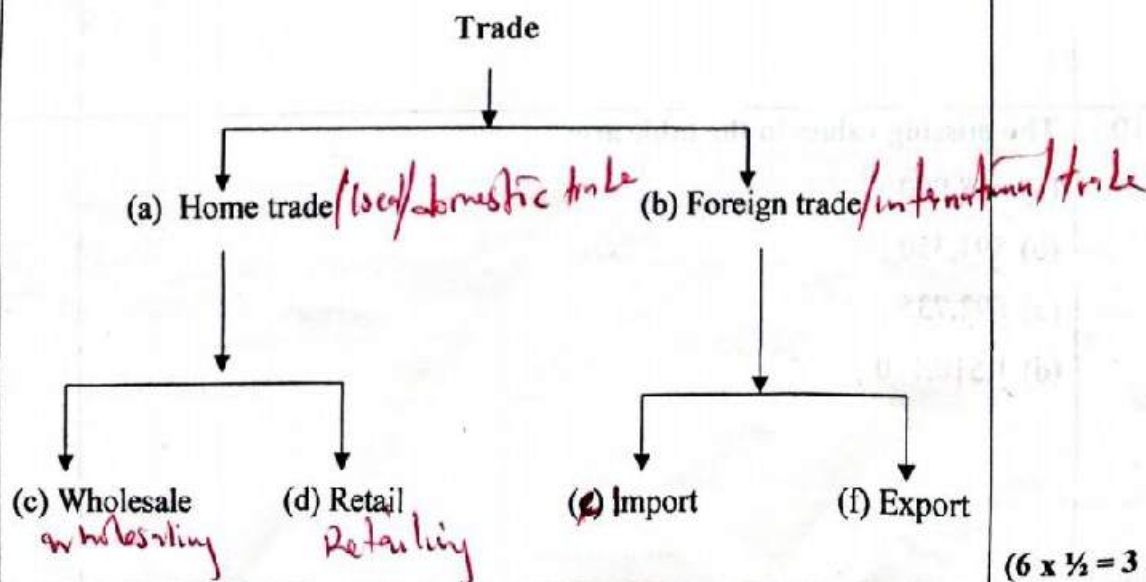
why, where, if, in case

7. Circumstances under which each of the terms of trade would be applied in foreign trade are:

- (a) Franco: when the price quoted covers all expenses till goods reach the premises of the buyer
- (b) Ex-works: when the price quoted only covers the cost of production and while they are within the manufacturer's warehouse.
- (c) In bond: when the prices quoted covers all expenses until goods are delivered in a bonded warehouse in the country of destination.
- (d) Free alongside ship (F.A.S): Where the price quoted cover all expenses to the point where the goods are next to the ship.

(Any 4 x 1 = 4 marks)

8. Completing the diagram illustrating the structure of trade:



(6 x ½ = 3 marks)

9. Merits of using sales people to promote the sales of a particular product include:

- (a) It gives a personal touch which elicits positive response from potential clients.
- (b) It can be used to target specific groups of customers.
- (c) It is flexible since the message can be tailored to suit the needs of each client.
- (d) Allows for demonstration on product usage.
- (e) Source of immediate feedback from the buyer.
- (f) Buyer's questions/concerns are immediately addressed.
- (g) It leads to more sales since customers may be convinced by persuasive salespeople.

(4 x 1 = 4 marks)

(h) Facilitates collection of data

10. The missing values in the table are:

- (a) 458,900
- (b) 594,350
- (c) 892,735
- (d) 1,510,110

(4 x 1 = 4 marks)

<p>11</p>	<p>Features that may indicate a country's state of underdevelopment include:</p> <p>(a) <u>High disparities in income distribution.</u></p> <p>(b) <u>High population growth rate.</u></p> <p>(c) <u>Dominance of the subsistence sector.</u></p> <p>(d) <u>High levels of poverty</u> / <i>Low per capita income</i></p> <p>(e) <u>Low levels of savings and investment.</u></p> <p>(f) <u>High levels of unemployment.</u></p> <p>(g) <u>Low levels of technology.</u></p> <p>(h) <u>Over reliance on developed countries.</u></p> <p>(i) <u>Underutilization of natural resources.</u></p> <p><i>(j) Poor infrastructure in infrastructure</i></p> <p><i>(k) High levels of illiteracy</i></p> <p><i>(l) Poor health facilities</i></p> <p><i>(m) Poor governance</i></p> <p><i>(n) Outdated cultural practices</i></p> <p><i>(o) Low labour productivity due to inadequate capital factors</i></p> <p><i>(p) Low levels of industrialization</i></p> <p><i>(q) High dependence ratio</i></p>	<p><i>Only allow 7</i></p> <p><i>unemployment</i></p> <p>(any 4 x 1 = 4 marks)</p>
<p>12.</p>	<p>Small scale retail business that one can run without a shop include:</p> <p>(a) <u>hawking</u></p> <p>(b) <u>peddling</u></p> <p>(c) <u>road side selling</u></p> <p>(d) <u>Open air market trading.</u></p> <p>(e) <u>Automatic vending by use of a machine.</u></p> <p>(f) <u>On-line selling.</u></p> <p><i>Itinerant trading ✓</i></p>	<p>(any 4 x 1 = 4 marks)</p>

13. **Functions of the Department of External Trade in the Ministry of Industry, Trade and Co-operatives include:**

- (a) Develop bilateral and multilateral trade agreements to accord preferential treatment to Kenyan exports.
- (b) Educating Kenyan exporters on trade regulations and practices in other countries.
- (c) Intervene on behalf of Kenyan traders in resolving trade disputes between Kenyan traders and foreign clients.
- (d) Arrange for trade fairs, shows and exhibitions for Kenyan goods in foreign countries.
- (e) Expand and diversity foreign markets for Kenyan goods.
- (f) Inform Kenyan producers on the available selling opportunities in other countries.

(Any 4 x 1 = 4 marks)

14. **Factors that Chemichemi dairies would consider before selecting a channel to distribute their fresh milk include:**

- (a) Length of the channel due to perishability of the milk.
- (b) The geographical spread of their customers.
- (c) The resources at the firms' disposal like milk cooling plants, distribution vans etc. / Role played by the intermediaries
- (d) Pricing of the milk and cost of the channel. / Cost alone is not enough
- (e) The nature of competition.
- (f) The prevailing market risks.
- (g) The government policy on milk distribution.
- (h) Needs to free storage space.

accept cost

Reliability of the channel.

(Any 4 x 1 = 4 marks)

<p>15.</p>	<p>Relevant books of original entry into which information extracted from the source documents would be recorded are:</p> <p>(a) Purchases journal / <u>bought journal</u></p> <p>(b) Returns inwards journal / <u>sales returns inward</u></p> <p>(c) Cash receipts journal/cash book.</p> <p>(d) Purchases journal. / <u>bought journal</u></p>	<p>(Any 4 x 1 = 4 marks)</p>
<p>16.</p>	<p>Features of co-operative societies include:</p> <p>(a) <u>Formed by a minimum of ten members.</u></p> <p>(b) <u>Run by a management committee.</u></p> <p>(c) <u>Governed using by -laws.</u></p> <p>(d) <u>Surplus/profits is distributed to members.</u></p> <p>(e) <u>It is a separate legal entity from the members.</u></p> <p>(f) <u>It has limited liability.</u></p> <p>(g) <u>It has perpetual succession / It has continuity</u></p> <p>(h) <u>Its main source of capital is the shares contributed by members.</u></p> <p>(i) <u>It is formed by people with common interest</u></p> <p>(j) <u>It has no maximum memberships</u></p> <p>(k) <u>No single member to own more than 15% of the total share capital</u></p>	<p>(Any 4 x 1 = 4 marks)</p>
<p>17.</p>	<p>Factors which may lead to an increase in a country's national income include:</p> <p>(a) <u>A stable political environment.</u></p> <p>(b) <u>Technological advancement.</u></p> <p>(c) <u>Vibrant entrepreneurship.</u></p> <p>(d) <u>Increased supply of skilled labour.</u></p> <p>(e) <u>Increased access to capital.</u></p> <p>(f) <u>Optimal utilization of available natural resources / Land</u></p> <p>(g) <u>Positive attitude of citizens towards work.</u></p> <p>(h) <u>Reduced level of subsistence sector.</u></p> <p>(i) <u>Increased foreign investment.</u></p>	<p>(Any 4 x 1 = 4 marks)</p>

<p>18.</p>	<p>(a) Determining net purchases:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Purchases</td> <td style="width: 15%; text-align: right;">84,375</td> <td style="width: 5%; text-align: center;">✓</td> </tr> <tr> <td>Add : Carriage in</td> <td style="text-align: right;">9,170</td> <td style="text-align: center;">✓</td> </tr> <tr> <td></td> <td style="text-align: right;">93,545</td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Less: returns out</td> <td style="text-align: right;">15,520</td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Net purchases</td> <td style="text-align: right; border-top: 1px solid black;">78,025</td> <td style="text-align: center;">✓✓</td> </tr> </table>	Purchases	84,375	✓	Add : Carriage in	9,170	✓		93,545	✓	Less: returns out	15,520	✓	Net purchases	78,025	✓✓	<p>(Any 6 x ½ = 3 marks)</p>
Purchases	84,375	✓															
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	93,545	✓															
Less: returns out	15,520	✓															
Net purchases	78,025	✓✓															
	<p>(b) Reasons for preparing the trading account include:</p> <ul style="list-style-type: none"> (i) Enables the business to <u>determine the value/cost of goods sold</u> in a given period. (ii) It <u>reveals the amount of revenue generated from the sale of stock in a given year</u>. <i>reveals net sales</i> (iii) It helps to <u>determine whether the business has made a loss or a profit</u> from the sale of stock in a given year. (iv) It can help <u>gauge the performance of a business if compared across different years</u>. (v) It can help to <u>compare the performance of a business to that of others</u>. <i>to facilitate preparation of profit or loss account</i> 	<p>(2 marks)</p>															
<p>19.</p>	<p>Levels of production in which the workers belong are:</p> <ul style="list-style-type: none"> (a) Secondary (b) Tertiary (c) Primary (d) Secondary (e) Tertiary (f) Primary (g) Secondary (h) Tertiary. 	<p>(8 x ½ = 4 marks)</p>															

20.

Characteristics of a good tax system include:

- (a) Equitably distributes the tax burden according to the payers' ability to pay. */Equity*
- (b) Certain and clearly defines what the payer is expected to pay.
- (c) Convenient and easy for the tax payer to meet the tax obligations. */Convenience*
- (d) Economical and allows the tax to be collected at the least cost. */Economy*
- (e) Flexible enough to allow for adjustments according to prevailing conditions. */Flexibility*
- (f) Diverse as to capture as many sources as possible. */Diversity / broad base*
- (g) Simple enough to be understood by all tax payers. */Simplicity*
- (h) Elastic and able to generate more revenue with improved economic performance. */Elasticity*

(4 x 1 = 4 marks)

21

Contributions of entrepreneurs to the growth of an economy include:

- (a) They create employment by establishing businesses.
- (b) They make use of locally available resources which would have been idle.
- (c) They improve the citizens' standard of living by offering them a source of income.
- (d) Their ventures become a training ground for local labour which then becomes skilled.
- (e) They save the country foreign exchange which would have been spent on imports. */Savings on imports.*
- (f) Promote technological advancement through their creativity.
- (g) Promote entrepreneurial culture by being eye openers to other people who then start their own businesses.
- (h) Promote the accumulation of capital by ploughing back their profits. */Formation of capital.*

(4 x 1 = 4 marks)

- (i) Promote development of infrastructure
- (j) Reduces rural-urban migration
- (k) Reduces foreign dependence of the economy
- (l) Source of government revenue eg tax and fees

22. Factors that may influence an individual's demand for money in order to fulfill the transaction motive include:

- (a) The individual's level of income/earning.
- (b) The frequency of payments by the individual.
- (c) The individual's spending habits.
- (d) The rate of inflation. *Price of commodities*
- (e) The number of dependants supported by the individual.
- (f) Availability of credit.
- (g) The frequency of income/individual's earning. *Interval btw the receipt of income -*

(any 4 x 1 = 4 marks)

23. Determining excess demand or excess supply

Price(sh/bag)	1800	1600	1400	1200	1000	800	600	400
Excess demand	-	-	-	0	200	430	600	800
Excess supply	1120	800	400	0	-	-	-	-

(8 x 1/2 = 4 marks)

24. Benefits of a bonded warehouse to the importer include:

- (a) The importer can sell the goods before paying duty hence transferring the burden to the buyer.
- (b) Goods can be prepared for final sale while still in bond. *eg branly, Bandy*
- (c) Gives the importer time to arrange for payment of duty.
- (d) The importer can look for market while goods are still in bond.
- (e) Some goods like wine, can improve in quality and value while still in bond.
- (f) Security is provided for the goods while they are in bond.

(j) Some may loose weight hence the import pays less tax

(Any 4 x 1 = 4 marks)

25.	<p>Other means of transporting goods and people on land apart from trains and motor vehicles are:</p> <p>(a) <u>Use of animal transport.</u></p> <p>(b) <u>Human portage: <i>Portage</i></u></p> <p>(c) <u>Use of carts.</u></p> <p>(d) <u>Bicycles.</u></p> <p>(e) <u>Motorcycles.</u></p> <p>(f) <u>Pipelines.</u></p> <p><i>(g) Ink Tube (amborickshaw)</i></p>	<p>(Any 4 x 1 = 4 marks)</p>
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