

1. (a) Measures that the Government may take to solve youth unemployment in Kenya include:
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- Adoption of relevant education system that equips the youth with skills (e.g. Artisan, carpentry, masonry) / makes the youth employable
 - Adoption of favourable Government policies that encourage use of labour intensive methods of production. To use labour absorb more labour increase job opportunities.
 - Diversification of economic activities that provide variety of production activities (e.g. mixed agriculture, ICT.) / by encouraging establishing different industries / sectors
 - Increasing Government spending in projects that employ the youth e.g. kazi kwa vijana / accept relevant protection as expansion which expands size of economy. e.g. or GSDP
 - Partner with the private sector to steer community based projects that involve the youth.
 - Encourage maximum utilization of available (natural) resource to increase production activities
 - Encouraging rural development / attract firms and minimize rural-urban migration.
 - Improve Infrastructure in order to stimulate economic activities
 - Control population Growth so as to have a labour force that the economy can absorb / sustain (Any 5 x 2 = 10 marks)
 - Export labor by assisting the unemployed (youth) to acquire jobs abroad / countries with labour deficiency.
 - Lending / Setting up a firm to assist the unemployed to start income generating activities / accept any 5 as a form of amendment.
 - Protect local industries (from foreign competition) so that they can expand absorb more labour
 - Encourage / promote the informal sector / Inakali sector in order to promote self employment.
 - De-localisation / decentralisation of firms that reduces rural urban migration / increased job opportunities in any part of the country / my value addition can be awarded.
 - Income / wage policy to harmonize / eliminate differences between regions / sectors
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- Aid (local) / (foreign) investment to grow the economy / increase production activities / industries / projects to increase production
 - Revive collapsed firms / industries / projects by injecting more funds to collapsed / industries / projects
 - Establish employment policy to make it easy for the youths to get jobs / accept any 5 employment policies as a condition
 - Setting up vocational / TVET institutions to train youths on vocational skills.

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(b)

Reasons why consumers need protection include:

- (i) To protect them from unfair pricing by traders who may overcharge them.
- (ii) To protect them from consuming low quality goods i.e. sale of counterfeits (instead of the original goods) that do not meet the set standards.
- (iii) To be shielded from misleading false information about products which may give wrong impression about the product / cheat on the performance of the product.
- (iv) To safeguard them from occupying unsafe structures/construction of substandard structures/buildings that endanger / treats life or consumer that do not meet minimum safety standards.
- (v) To protect them from artificial shortages (hoarding) usually meant to increase prices. / deny consumer access to good services.
- (vi) To protect them from harmful products e.g. selling skin lightening creams to ignorant client / that are unhygienic / expired / can cause damage problems to consumers / accept mention of harmful products as expense
- (vii) To protect them from breach of contract i.e. failure to honour contracts on the part of traders / untimely repossession or stock harassment by traders
- (viii) Underweight / undersized goods / services - where some traders sell goods below the weight / size paid for / give less service to consumers / cheat consumers on the weight / size of the goods
(Any 5 x 2 = 10 marks)
- (ix) Socially unacceptable goods / services some traders sell other goods / services that violate the morality of society / accept example of socially unacceptable goods / services as a mark
- (x) Illegal goods / services some traders are unlicensed / unregistered / unqualified to provide some goods / services
- (xi) Unhygienic environment / premises some traders sell goods / services under dirty / unclean / unhealthy conditions that can affect the health of consumers / contaminate goods / services

2. (a) **Principles of Government spending include:**

(i) **Sanction.**

The expenditure must be sanctioned by parliament. *Authorised/approved* relevant bodies.

(ii) **Economy.**

Should be incurred in the most affordable way to avoid any possible wastage. *wastage/misuse*

(iii) **Accountability/Good proper financial management**

Public funds should be well managed and proper records maintained (for auditing).

(iv) **Flexibility.**

The expenditure policy should be flexible to accommodate the changing/prevailing economic situations (e.g. drought, floods, pandemics etc.)

(v) **Benefit. Maximum/ optimum social benefit**

Any expenditure must accord maximum benefit to the majority of the people.

(vi) **Productivity.**

The expenditure should be incurred in the most productive projects to ensure maximum social benefit. *(return on investment)*

(vii) **Equity.**

Should be incurred in a way that ensures fair income distribution.

(VIII) **Surplus**

Savings should be spent on emergencies / fill revenue gaps between collections & projection. *(Any 5 x 2 = 10 marks)*

Expenditure should be less than the revenue collected.

(IX) **Elasticity**

Expenditure should be capable of being expanded/ contracted in line with the size of the economy.

(b)

Trends in office management include:

- (i) Increased computerization *accept automation* in managing business records, data and communication. for efficiency
- (ii) Establishment of Public Relations Department *accept relevant benefits of automation as expansion* to address the need for customer satisfaction. *public relations customer care services desk*
- (iii) Adoption of new office plans that are open and attractive as opposed to enclosed offices. *open landscape to facilitate movement & staff interaction* *reduce office space* *improve cushioned seating* *enhance comfort in office*
- (iv) Increased use of mobile phones (by employees) for (office) communication. *accept easy for benefit of open plan office as expansion*
- (v) Relocation of offices from urban to suburban areas *accept benefits of mobile phones for comm. as explanation* to take advantages of low rent/rates and large space. *location R* *large space away from congested town centres outskirts of busi*
- (vi) Merging duties and responsibilities *employ multi-skilled staff* to reduce the number of employees doing routine work. *save on labour cost* *carry out different tasks*
- (vii) Use of biometric reporting systems to manage staff attendance. *control staff movement*
- (viii) Provision for working from home/away from the physical office. *to save on cost* *minimize congestion* *accept any benefit of working from home as expansion*
- (IX) Innovative ways of motivating staff through travel/meals at work/ transport/ medical cover to improve productivity/loyalty.
- (X) Capacity building to develop staff skills/ competence.
- (XI) HIV/AIDS/covid 19 Awareness policy to sensitise employees/ avoid discrimination/ infection
- (XII) Stress management to promote good health/ coping at work
- (XIII) CCTV/closed circuit TV for surveillance/ enhance security
- (XIV) Inclusivity to promote equal opportunity in employment/ accept samples as inclusivity as a qualification
- (XV) Environmental conservation to minimise degradation/ to ensure sustainability
- (XVI) use of name tag badges for (easy) identification of workers
- (XVII) corporate social responsibility to give back to the community
- (XVIII) team building to enhance bonds/ interaction/ teamwork/ team spirit.

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- (1) ISO Compliant 565/2 MS so as to meet internationally accepted services. Turn over
- (2) outsourcing contracts out non-core activities 5
- (3) performance contracting to ensure set targets are met
- (4) Ethical practices to enhance good governance/ zero tolerance to corruption/transparency
- (5) Branding/ rebranding to enhance corporate image/ brand
- (6) increased use of internet/ emails/ social media/ extranet/ intranet/ conference/ access to Inter

3. (a)

3. (a)	<table border="1"> <thead> <tr> <th>Dr</th><th>CAPITAL A/C</th><th>Cr</th><th>Dr</th><th>BANK A/C</th><th>Cr</th></tr> </thead> <tbody> <tr> <td>3/18 Dr. 100,000 c/d</td><td>1/3/18 Capital 100,000</td><td></td><td>1/3/18 Capital 100,000</td><td>4/3 Cash 20,000</td><td></td></tr> <tr> <td></td><td>30/3/18 Bal. b/d</td><td>100,000</td><td></td><td>6/3/18 Purchases 30,000</td><td></td></tr> <tr> <td></td><td></td><td></td><td>30/3/18 Bal. b/d 10,000</td><td>30/3 Bal. c/d 50,000</td><td>50,000</td></tr> <tr> <td></td><td></td><td></td><td></td><td></td><td>100,000</td></tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Dr.</th><th>MOTOR VEHICLE A/C</th><th>Cr</th><th>Dr</th><th>CASH A/C</th><th>Cr</th></tr> </thead> <tbody> <tr> <td>2/3/18 G. motor 800,000</td><td>30/3/18 Bal. b/d</td><td>800,000</td><td>4/3/18 Bank 20,000</td><td>10/3/18 Drawing 80,000</td><td></td></tr> <tr> <td>30/3 Bal. b/d 80,000</td><td></td><td></td><td>10/3/18 Sales 15,000</td><td>10/3/18 Bal. c/d 27,000</td><td>27,000</td></tr> <tr> <td></td><td></td><td></td><td>30/3/18 Bal. b/d 35,000</td><td></td><td>35,000</td></tr> <tr> <td></td><td></td><td></td><td>30/3/18 Bal. b/d 27,000</td><td></td><td></td></tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Dr.</th><th>GENERAL MOTOR</th><th>Cr</th><th>Dr</th><th>PURCHASES</th><th>Cr</th></tr> </thead> <tbody> <tr> <td>30/3 Bal. 800,000 b/d</td><td>2/3/18 Motor vehicle 800,000</td><td></td><td>6/3/18 Bank 30,000</td><td></td><td>30/3 Bal. 30,000</td></tr> <tr> <td></td><td>30/3/18 Bal. b/d 80,000</td><td></td><td>30/3/18 Bal. b/d 30,000</td><td></td><td></td></tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Dr.</th><th>SALES A/C</th><th>Cr</th><th>Dr</th><th>DRAWING A/C</th><th>Cr</th></tr> </thead> <tbody> <tr> <td>30/3 Bal. 15,000 c/d</td><td>10/3 Cash 15,000</td><td></td><td>10/3/18 Cash 8,000</td><td></td><td>30/3 Bal. 80,000</td></tr> <tr> <td></td><td></td><td></td><td>30/3 Bal. b/d 8,000</td><td></td><td></td></tr> </tbody> </table> <p style="text-align: center;">40x1/4 (20 x 1/2 = 10 marks)</p>	Dr	CAPITAL A/C	Cr	Dr	BANK A/C	Cr	3/18 Dr. 100,000 c/d	1/3/18 Capital 100,000		1/3/18 Capital 100,000	4/3 Cash 20,000			30/3/18 Bal. b/d	100,000		6/3/18 Purchases 30,000					30/3/18 Bal. b/d 10,000	30/3 Bal. c/d 50,000	50,000						100,000	Dr.	MOTOR VEHICLE A/C	Cr	Dr	CASH A/C	Cr	2/3/18 G. motor 800,000	30/3/18 Bal. b/d	800,000	4/3/18 Bank 20,000	10/3/18 Drawing 80,000		30/3 Bal. b/d 80,000			10/3/18 Sales 15,000	10/3/18 Bal. c/d 27,000	27,000				30/3/18 Bal. b/d 35,000		35,000				30/3/18 Bal. b/d 27,000			Dr.	GENERAL MOTOR	Cr	Dr	PURCHASES	Cr	30/3 Bal. 800,000 b/d	2/3/18 Motor vehicle 800,000		6/3/18 Bank 30,000		30/3 Bal. 30,000		30/3/18 Bal. b/d 80,000		30/3/18 Bal. b/d 30,000			Dr.	SALES A/C	Cr	Dr	DRAWING A/C	Cr	30/3 Bal. 15,000 c/d	10/3 Cash 15,000		10/3/18 Cash 8,000		30/3 Bal. 80,000				30/3 Bal. b/d 8,000		
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NB (i) where there's no title / wrong title do not award

(ii) where the candidate comes with stock account do not award.

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- (iii) ignore omission of dates
- (iv) where wrong dates are given - no marks for details and figures
- (v) details on balancing should be balance carried down or bal cf.
- (vi) the balances can be done at the last date of transaction or any date b/w 10th & 30th.

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(b)	<p>Benefits of intermediaries in the chain of distribution include;</p> <ul style="list-style-type: none"> (i) <u>Breaking of bulk i.e., split goods into smaller quantities</u> that can be conveniently purchased by consumers. (ii) <u>Passing of (important) information</u> ^{Feedback} between consumers and producers which improves the quality of goods produced. ^{about the good as expansion} (iii) <u>Accumulation of bulk</u> to ensure a steady supply of goods (throughout the years). ^{Information} (iv) <u>Avails a variety of goods</u> (to the consumers) from different producers that consumers can choose ^{Consumers}. (v) They offer advisory services (to the consumers) about the goods in the market. (vi) Prepare goods for sale (to the benefit of consumers) ^{usage price availability accept relevant advisory services as exp} (vii) <u>Sorts, grading blending</u> through branding packaging of Avail goods closer to the consumers. ^{which relieves saves the consumers the cost of travelling transport time}
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(Any 5 x 2 = 10 marks)

(VIII) provide storage | warehousing. enabling the consumer to get goods at the time they need them in good condition ^{accept other benefits of warehousing to the consumer as expansion}.

(IX) Promote | Advertises goods that creates awareness or availability | existence of good | that makes the consumer make informed choices ^{decision} when buying goods.

(X) Selling goods on credit. enabling consumers to afford more | expensive goods

(XI) offers transport, which relieves the consumer of transporting goods | transport cost

(XII) offers after sale services to enhance product usage | increase customer satisfaction | accept ^{examples of} examples of after sale services.

4 -

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4. (a) Benefits of savings accounts to a customer.

- (i) Allows the customer to save and accumulate small amounts of money by for future use since withdrawals are controlled/limited.
- (ii) Offers safe custody for the customer's money against theft/loss.
- (iii) Minimal charges are levied on the account making it more attractive/affordable compared to current account.
- (iv) Customers earn interest on the account balance as an income which increases the bank balance.
- (v) Requires little/no deposits to open which makes inaccessible use compared to other accounts.
- (vi) Customer may get bank loan on the basis of the savings accounts.
- (vii) Encourages the customer to invest from the savings.

(viii) Deposits can be made into the account anytime to the convenience of the customer compared to fixed account. (Any 5 x 2 = 10 marks)

(ix) Account holder are issued with identification cards which may also act as a debit card.

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(b)	<p>Ways in which a warehouse may promote trade include:</p> <ul style="list-style-type: none">(i) Promote mass production by allowing the producer to continue producing goods since there is space for storage or (finished) goods raw materials(ii) Stabilizes prices by regulating the flow of goods by storing the surplus and releasing the goods when demanded.(iii) Ensures continuity of supply where seasonally produced goods are stored and gradually released to the market. (when need arises)(iv) It facilitates the preparation of goods for sale like branding, sorting, packaging etc. accept relevant method of preparation for sale as expansion.(v) Creates time utility by ensuring that consumers get goods when required.(vi) Ensures safety of goods from physical damage, theft and the damaging effects of weather pests(vii) May add value to some goods, e.g. wine can improve in quality/taste(better) when they stay for long time. (fetch better price) better satisfaction & needs
(XII)	<p>Enables traders to look for moment) safe goods while they are still in the warehouse (Any 5 x 2 = 10 marks)</p>
(IX)	<p>Ensure seasonally demanded goods are stored until required</p>
(X)	<p>bonded warehouses help to store goods awaiting clearance by custom authority / allow the importers to claim the goods / look for money to pay for custom duty/ clearance.</p>
(XI)	<p>security for goods/ since they are protected from theft/ pilferage</p>

4

5. (a) (i)

Adan Traders Profit and Loss Account

**ADAN TRADER'S
PROFIT AND LOSS ACCOUNT ✓
FOR THE PERIOD ENDED 31ST DEC. 2018**

	Sh.		Sh.
Discount allowed ✓	15,000	Gross profit b/d	120,000 ✓
Salaries and wages✓	27,000	Discount received	2,400 ✓
Commission ✓ allowed	16,600	Commission received	9,000 ✓
Power and lighting✓	11,700		
Net profit ✓	61,100		
	131,400		131,400 ✓
		Net profit	61,100

10x½ ~~10x~~

(10 x ½ = 5
marks)

(ii)

**ADAN TRADER'S
BALANCE SHEET ✓
FOR THE PERIOD ENDED 31ST DEC. 2018**

Dr	Sh.	Cr
Premises	1,120,000	Capital ✓
Furniture	49,000	Net profit ✓
Stock	25,000	Creditors ✓
Debtors	55,000	
Cash in hand	65,000	
Cash at bank	80,000	
	1,394,000	1,400,200
		(10 x ½ = 5 marks)

10x½

OR**ADAN TRADER'S****BALANCE SHEET**

Dr	Sh.	Cr
Premises	1,120,000	Capital
Furniture	49,000	Add net profit.
Stock	25,000	Creditors
Debtors	55,000	
Cash in hand	65,000	
Cash at bank	80,000	
	1,394,000	1,339,100
		(10 x ½ = 5 marks)

- N.B. 1. penalise foreign item on the balance sheet up to zero
 2. wrong net profit, correctly posted to the balance sheet a however this should arise from an arithmetic error.
 ③ wrong titles do not award.

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(b) Benefits of communication to a business include.

- (i) Enhances coordination (between departments) ensuring they all work towards achieving objectives of the business.
- (ii) Helps maintain a positive relationship with (other) stakeholders. for smooth operation / reduce conflicts.
- (iii) Facilitates the decision making process (within the business) for better management.
- (iv) Increased employee motivation due to clarification of goals, objectives and expectations.
- (v) Better performance [improved productivity] due to clear targets setting and feedback.
- (vi) Increased sales due to effective product promotion.
- (vii) Improved harmony [peace understanding] in the business due to minimal conflicts since issues are clarified and challenges addressed.
- (viii) Improved Image/ reputation (of the business) | corrects negative attitude perception which elevate the standing of the business in the market | in the eyes of the public. (Any 5 x 2 = 10 marks)
- (ix) helps to clarify issues/ points so as to avoid confusion to be well understood
- (x) Enables the business to get information/ obtain/ send information from internal/ external sources (that can be useful to the business)
- (xi) Enhances/ promotes teamwork through consultational sharing of ideas/ resources
- (xii) facilitates/ promotes research which helps to improve processes/ activities in the business.

6. (a) Reasons that make it necessary for the government to promote entrepreneurship include:
- Job Creation. Employment creation for production activities / Trading activities may boost economic activities in the country.
 - Opening up of remote parts of the country. Trading activities may attract support industries such as banks and infrastructure in some areas. Accept e.g. support industry / auxiliary services & infrastructure
 - To raise living standards. Trade usually brings goods that some areas may not be in a position to produce hence higher living standards by availing a variety of goods to them.
 - To reduce rural urban migration. When more people engage in business in the rural set-up, it may serve to lower the rate of rural urban-migration. Accept any advantage as reduction in rural-urban migration.
 - To promote innovation and creativity. Entrepreneurship encourages use of new technology which in turn results into high quality / Quantity production.
 - To make use of local resources. The Government may desire to put all the available resources into proper use, to increase production to avoid them being idle.
 - To save on imports. It may be necessary to produce commodities locally rather than buying from outside the country.

(Any 5 x 2 = 10 marks)

- To reduce foreign dominance for business in the country. by encouraging local people to invest in business
- To generate (more) revenue to the government where the business pay taxes to the govt.
- To promote entrepreneurial culture - where successful business men act as role models / mentors for future entrepreneurs

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- To encourage production of a variety of goods so as to satisfy different consumer tastes / widen their choice.
- To encourage production of good for export which generates foreign exchange from non-domestic capital formation / accumulation as one

(b) Advantages of indirect production to the society include:

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- (i) Access to enough quantity of goods due to surplus production. (can be used interchangeably)
- (ii) Improved living standards due to high quality goods produced.
- (iii) They have access to many choices due to a variety of goods produced in the economy.
- (iv) They enjoy stable prices due to large scale production, specialization and competition. (can be used interchangeably)
- (v) Availability of employment opportunities since many people are engaged in various stages of production. accept advantages of employment as expansion
- (vi) The society enjoys improved infrastructure i.e. roads which may be put up to support business activities/ facilitate movement of production/ accept advantages as expansion
- (vii) Improves the societal cohesion since many people are brought together from different areas to trade. peace harmony
- (viii) Maximum utilization of available resources since production is meant for sale/ leading to increased production.

(Any 5 x 2 = 10 marks)

(a) High quality goods produced due to use of (better) advanced technology/ specialisation

(b) It encourages specialization/ division of labour which leads to efficiency in production/ better quality good/ accept advantages of specialization division of labour as expansion

(c) The society enjoys improved social amenities/ which may be put up to support business activities/ accept advantages of social amenities as expansion

(d) The society enjoys improved auxiliary services which are put up to support business activities/ accept advantages of auxiliary services

(e) Encourages trade/ exchange among people to get what they can not produce/ leading to generation of income to owned government through taxes.

(f) Can lead to steady supply of goods since there are many producers who may engage 565/2 MS in small production activities

(g) Promote creativity/ innovation which leads to new ideas product/ technology.

(h) Encourages use of machines which makes production more