

Circumstances that may lead to the existence of a business opportunity to be exploited by the entrepreneur include: *market gaps*

- (i) Lack of some products/services/goods
Customers may need ^{require} some products/services which are not easily found in their area ^{may be} market
- (ii) Higher prices of goods/services
Existing market prices may be unnecessarily high hence offering them at relatively lower prices (would create an opportunity.)
- (iii) Excess demand/shortage/inadequate supply (of goods/service)
When the quantities of goods available in the market are not sufficient, an opportunity to supply more exist.
- (iv) Low ^{poor/substandard} quality products. *hence creating a room for provision of better goods/services*
When customers expect better quality products then, this presents an opportunity to offer them.
- (v) Sub-standard services. *Lack/poor/inadequate after sale services*
An opportunity will exist where ^{examples} better services are offered in the distribution of goods. *after buying/selling of goods/services*
NB Accept correct after sale service as expansion eg Transf
- (vi) Un-met sociocultural needs/conditions/Market niche
Goods and services ^{which} should target the society's existing attitudes/practices and beliefs / which existing products may not be addressing.
- (vii) Innovation/invention/creativity/Discovery of new technology/product
Discovery of new technology ^{product} which may lead to reduced costs of production and (general) efficiency presents an opportunity.
- (viii) Need for variety/choice/limited variety - To wider consumer choice/To meet different consumer needs *(Any 5 x 2 = 10 marks)*
- (ix) Where there is disaster/catastrophy/occurrence of a disaster/catastrophy - which creates needs/requirement
- (x) Seasonal events/occurrences/festivities which creates need requirements *NB Accept examples of event as a mention eg & ma*
- (xi) Exploitation of natural resources which stimulates growth of business activities
- (xii) Implementation of development projects which spurs business activities
- (xiii) Growth of population which creates demand for goods & services
- (xiv) Change in government policy which creates demand

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565/2 MS

(b)

Factors that Chuma steel manufacturers may consider when choosing a channel for distributing their products include:

split - member

(i) The geographical spread of customers.

If the customers are spread over a wide area, then a longer channel would be preferable. *use intermediaries/middlemen*

(ii) Durability of the steel products.

not perishability.

Since steel products are not easily spoilt, long channels can be used in their distribution.

(iii) Level of competition.

not competitors

Shorter channels should be used if competition is so stiff.

(iv) Resources and size of the firm.

small in size

longer

If the firm has limited resources and only serves a small market, then a shorter channel is ideal.

(v) Government policy.

Chuma steel manufacturers must adhere to government regulation on the distribution of steel products.

(vi) Marketing risks.

Where marketing risks are higher, more middlemen should be involved to spread such risks.

(vii) Availability of intermediaries.

as not availability of channel where they are available.

Chuma Steel Manufacturers can only use channels where intermediaries are available.

(viii) Pricing of the steel products.

Shorter channels will be preferred where the prices are to be kept low by avoiding the intermediaries.

(ix) Size of market where it is small use direct/short channel

(x) Cost of Channel should choose/use channel that is affordable/cheap (Any 5 x 2 = 10 marks)

(xi) Volume/quantity of output if large use a long channel

(xii) Profitability use a short channel to maximize (get most) profit

*NB: it asking abt circumstances
- Show long or short channel / direct to long or short.
- vice versa of the channel is accepted apart from
- The otherwise must be complete*

Clauses that must be specified in the Memorandum of Association of a public limited company include:

(i) The Name Clause.

This clause states the name of the company and ends with the word "limited" / This name must be unique to the company / and not shared with any other. / *which (must)* / *registered*

(ii) The Objects Clause.

This clause states the objectives of the company / and specifies what the company has powers to do. / *functions / activities / mandate / aims / goals*

(iii) The Situation Clause.

This clause states the physical location of the company's / registered office. / *country of regis*

(iv) The Liability Clause.

This clause states the extent to which members are liable to the debts of the company. / *headquarters* / Shareholders / and members have "limited liability".

(v) The Capital Clause.

This clause states the amount of capital that the company is authorized to raise / the capital structure / the composition / and the values of the shares / *total / maximum / minis*

(vi) Association and Subscriptions Clause. / *declaration clause*

This clause contains a declaration by the original members who registered the company about their desire to form a company / their objectives / the number of shares they will own / and their personal details.

*NB (i) The word clause need not to appear
(ii) Objective clause is acceptable.*

(Any 5 x 2 = 10 marks)

(b) (i)

Kisababu Traders
Trading Account

For the period ending 31/12/2014

	Shs	Shs		Shs
Opening stock		15,700	Sales	84,000
Add: Purchases	58,800		Less: Returns in	9,000
Less: Returns out	1,500	57,300	Net Sales	75,000
COGAFS		73,000		
Less: Closing stock		13,000		
COGS		60,000		
Gross Profit c/d		15,000		
		75,000		75,000

net sale - no tick

(10 x 1/2 = 5 marks)

(ii)

$$\text{Mark up} = \frac{\text{GP}}{\text{COGS}} \times 100$$

$$= \frac{15,000}{60,000} \times 100$$

$$= 25\%$$

NB (i) if only a formula is given without proceeding award 1/2 mark or tick (4 x 1/2 = 2 marks)

- (ii) A candidate who works out and gets 1/4 award 3 ticks i.e. 1 1/2 marks
- (iii) Wrong GP correctly used mark consistently
- (iv) A candidate who gives the markup 25% without showing working give 2 ticks i.e. 1 mark

(iii)

$$\text{Rate of Stock Turnover} = \frac{\text{C.O.G.S.}}{\text{Average Stock}}$$

$$= \frac{60,000}{(\text{O.P. Stock} + \text{C.L. Stock})}$$

$$= \frac{60,000}{15,700 + 13,000 / 2}$$

✓ (average stock)

$$= \frac{60,000}{14,350}$$

$$= 4.18 \dots$$

✓ = 4 times

NB (i) Stating correct formula without proceeding toward a tick is 1 mark

(ii) correct answer is 4 award a tick is 1 mark

(iii) A student may give 4 without lines $3 \times 1 = 3$
(6 x 1/2 = 3 marks)

3. (a)

Demerits of using carts as a means of transport in towns include:

- (i) Carts are prone to delays occasioned by their slow speed.
- (ii) Movement of carts is affected by extreme ^{adverse / poor} weather conditions like rainfall. / Leading to stoppage
- (iii) They are unsuitable for transporting goods over long distances as people and animals get tired when pulling them. / since they are slow.
- (iv) Carts offer little ^{minimal / safety} protection to goods against damage by ^{falling} elements of weather such as rain, hot sun, dust, wind.
- (v) ^{stack of goods} Goods transported by carts are susceptible to theft / making it an unsuitable means of transporting valuable goods.
- (vi) Carts cannot carry very heavy and bulky ^{large volumes of} goods since their carrying capacity is limited.
- (vii) Carts ^{are a nuisance} inconvenience motor vehicles and other road users since they are slower. / cause obstruction
- (viii) Carts may be a cause of accidents since those pulling them usually disregard traffic rules.

(ix) Unsuitable for use after night fall - as it might be against the by laws. (Any 5 x 2 = 10 marks)

NB Protection is either safety or security

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- Demerits ^{565/2 MS} must be brought up = -ve side

(vii) "cause obstruction" only no marks
- unsuitable not cannot
Accept demerit and its consequences

(b) Types of direct taxes that the government may use to collect revenue from individuals and companies include:

- split*
- (i) Personal Income Tax (P.A.Y.E.).
This is tax charged on an individual's income which may be from salaries, wages and profits made from businesses. (This tax is usually progressive in nature.) *Legal office / Commercial*
 - (ii) Corporation Tax / Corporate tax.
This tax is usually charged on the profits made by companies and other incorporated business. (It is a fixed percentage of the profits.)
 - (iii) Capital Transfer Tax / gift tax.
This tax is charged when there is change of ownership of capital investment from one person to another.
 - (iv) Stamp duty.
This tax is charged on the transfer of land or securities from one person to another.
 - (v) Capital gains tax.
This tax is charged when an asset is sold at a price that is higher than its book value.
 - (vi) Estate (death) duty.
This tax is levied when property is transferred to an inheritor/ heir after the death of the original owner.
 - (vii) Wealth tax / Capital tax equity tax.
This tax is levied on personal wealth that goes beyond a certain limit. This wealth may include realizable assets like land, houses, accumulated profits and even savings.)
 - (viii) Withholding tax.
This tax is levied on savings like pension/dividends and any moneys held by individuals.
 - (ix) Residential Rental income tax charged on landlord's rent collected by landlord. (Any 5 x 2 = 10 marks)
Property tax levied on land / Land improvements / buildings (Payable to county government)

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Turn over

NB - The candidate must mention word tax or stamp without duty no marks

4. (a) Factors that may have contributed to increased demand for soft drinks include:
Mention 1mk - fully explained 2mks

(i) Favourable pricing/fall in price

The soft drinks are priced at a value that consumers can easily afford.

(ii) Increasing consumer incomes.

People are able to buy more of the products *due to increased earnings* *have higher purchasing power*

(iii) High prices of substitutes *not*

Most of the products in the market that can serve as substitutes are highly priced hence not preferred by buyers *making buyers to prefer soft drinks*

(iv) Favourable tastes and preferences/fashions/Trends.

More consumers now like soft drinks as compared to other drinks.

(v) Favourable government policies *lower taxes/increased subsidies* which keep the prices of soft drinks down/stable *affordable* (hence encouraging their consumption.)

(vi) (General) increase in population.

With more people, more of the products are consumed.

(vii) Aggressive marketing/sales promotion.

More consumers are attracted to soft drinks due to intense advertising *and* other promotional strategies.

(viii) Equitable distribution of income among consumers.

Since many people have access to earning, they are able to buy more of the products.

x High/peak/festive seasons which make people to indulge in the consumption

(Any 5 x 2 = 10 marks)

(x) Expectation of future increase in price hence making people to buy more now.

(xi) Anticipation of future shortage/fall in supply which makes people to buy more now

(xii) Fall in prices of complementary goods since they are used jointly -

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- NB Look at the effect (Show how)

(b) Forms of economic integration that countries may join to promote international trade include:

Mention with explanation (mention must be there)

(i) Preferential Trade Area.

In this form of integration, trade barriers are reduced among the member nations while the barriers are applied at normal rates for trading activities with non-member nations.

(ii) Free trade area.

This is economic integration where all trade barriers are removed between the member countries while each country retains its own barriers towards non-members.

(iii) Customs union.

In this form of integration, tariffs and other trade barriers are removed between member countries while their trade policies are harmonized with regard to treatment of trade with the rest of the world.

(iv) Common market.

This integration goes beyond harmonizing trade policies and removal of trade barriers but also allows for free movement of labour and capital among member nations.

(v) Economic union.

In this form of integration, member countries set up common institutions like central banks/adopt use of common currency (monetary system) and have common public services like railways network.

~~(vi) Duty-free zones.~~

~~Member countries allow importation of raw materials without charging duty.~~

~~Exports from these zones to member countries also attract no excise duty.~~

(Any 5 x 2 = 10 marks)

(vi) Political union / legislative union / state union This is unification of countries (Share a central government (recognized by other states as a country))

might be in any order

5. (a) Differences between an open office and an enclosed office include:

Open Office	Enclosed Office
(a) All staff work in one large room.	(a) Each staff is allocated a room from where they work.
(b) There is no confidentiality in consultations and discussions.	(b) Discussions and consultations are done in confidence.
(c) Senior staff sit together with the juniors hence no status conferred.	(c) Confers status on top level staff as they are allocated own offices.
(d) Office equipment and machines are easily shared and cannot be misused.	(d) Office equipment and machines like telephones are easily misused (since they are located in particular offices).
(e) Disruptions and noise from colleagues is high due to overcrowding.	(e) Little noise and disruption from colleagues since each staff work from own offices.
(f) Has fewer partitions hence cheap to construct.	(f) Has more partitions hence costly to construct.
(g) It is easy to supervise the staff since they are all in one room.	(g) It is difficult to supervise the staff (since they are in different rooms.)

- VIII Promote sharing of machines/equipment - Discourages sharing of machines/equipment
- IX Difficult to clean/Tidy up - Easy to clean/tidy up
- X It is a large open rooms - Divided into small rooms/cubicles.
- XI Prone to congestion/overcrowding - Less prone to congestion/overcrowding
- (XII) Economical in use of floor space - uneconomical in use of floor space
- (XIII) Easy spread of contagious/communicable diseases - Less/limited spread of contagious/communicable diseases
- XIV Discourages absenteeism - Encourages absenteeism
- XV Discourages laxity - Encourages laxity
- XVI Encourages teamwork - Discourages teamwork
- XVII Does not guarantee security for personal/organisational properties - Guarantees security for personal/organisational properties
- (XVIII) May discourage unethical behaviour - May encourage unethical behaviour
- XIX Faster flow of communication - Slow flow of communication
- XX Easy location of staff - Difficult to locate staff
- XXI Easy to reorganise/flexible - Difficult to reorganise/inflexible layout
- XXII Easy/cheap to decorate - Difficult/expensive to decorate
- XXIII Low cost of maintenance - High cost of maintenance

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(b)

Mageta Traders

Balance Sheet

As at 31st July, 2016 ✓

	Shs	Shs		Shs
FA			Capital	82,500 ✓
Furniture		61,500 ✓	L.T.L.	
Land		<u>82,000</u> ✓	10 year bank	165,000 ✓
			loan	
Total FA		143,500	S.T.L.	
CA			Creditors	34,100 ✓
Stock	18,600 ✓			
Debtors	17,700 ✓			
Bank	91,000 ✓			
Cash	<u>10,800</u> ✓			
Total C.A.		<u>138,100</u>		
		<u>281,600</u>		<u>281,600</u>

(10 x 1 = 10 marks)

NB end of July is 31st

6. (a) Problems of using national income statistics to compare the living standards of citizens of Kenya and Tanzania include:

- (i) The two countries may have used different currency values ^{whose purchasing power differs} to calculate their national income hence different standards of measure.
- (ii) One country could be having a large subsistence sector whose income may not have been included in the measure of their income ^{understanding the national income}.
- (iii) ^{Disparity in income distribution} The levels of income distribution in one country may be too skewed compared to the other which may have a fair income distribution.
- (iv) The two countries may have different references ^{Tasks hence lack of a common} and economic priorities.
- (v) ^{Measure due to different costs} The two countries could be different in terms of resource endowment hence different abilities to generate income.
- (vi) The climatic conditions in the two countries may be different leading to difference in demand and production.
- (vii) Production activities may affect the health of citizens in the two countries differently.
- (viii) ^{None have no time for leisure / spend more on medication} The political realities in the two countries could be different affecting their stability and the security ^{stability} of citizens.
- (ix) ^{Peace of mind / contentment} The degree of accuracy of the national income statistics are also different in both countries. ^{due to inaccurate data (incomplete data / unskilled personnel)}

- (x) The two countries may have different economic priorities ^(Any 5x2=10 marks) such as consumption versus development project / consumption versus military expenditures
- (xi) The two countries may have different price levels ^{inflation} which distort the true value of goods / services
- (xii) The two countries may have different working conditions which affects the quality of life in one country more than the other

b)

Jawabu Traders
Two Column Cash Book

10 marks

For the Month of February 2015

Date	Details	Folio	Cash (shs)	Bank	Date	Details	Folio	Cash (shs)	Bank
Feb 1	Bal c/f <i>b/d</i>		12,500		Feb 1	Bal c/f <i>b/d</i>			5,000
Feb 3	Debtors			18,900	Feb 2	Water bill		800	
Feb 5	Sales		7,150		"	Electricity		1,100	
Feb 9	Co-op Society			13,000	"	Wages		4,700	
Feb 13	Debtor		15,900		Feb 7	Purchases			6,400
Feb 15	Cash			9,500	Feb 10	Drawings			2,500
					Feb 15	Bank		9,500	
					Feb 17	Creditor			4,390
					Feb 27	Furniture			21,100
					Feb 28	Bal c/f		19,450	2,010
			<u>35,550</u>	<u>41,400</u>				<u>35,550</u>	<u>41,400</u>

40 x 1/4 = 10 marks
(20 x 1/2 = 10 marks)

- NB (i) Omission of dates completely subtract a maximum of 2
(ii) Mark even where there is no folio column
(iii) For the totals to score, all entries must be correct in that column*

Bal or b/d only N.R