

565/1

**BUSINESS STUDIES PP1 MS**

**Instructions to Candidates**

- (a) Write your name and index number in the spaces provided above.
- (b) Sign and write the date of the examination in the spaces provided above.
- (c) This paper consists of 25 questions.
- (d) Answer ALL questions in the spaces provided
- (e) This paper consists of 8 printed pages. Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing
- (f) Candidates should answer the questions in **English**

*For Examiner's Use Only*

Question	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Marks															

Questions	16	17	18	19	20	21	22	23	24	25
Marks										

**TOTAL MARKS**

Turn Over

1 - 5 MR OGUN  
 6 - 9 MR OSING  
 10 - 13 MR ADIOLA  
 14 - 17 MR JUMA  
 18 - 21 MR OMBANO  
 22 - 25 MR NDUDE

1. Ways in which manufacturers enhance consumer protection
  - Indicating expiry dates on products
  - Indicating the recommended retail prices
  - Indicating any side effects of the product
  - Ensuring that their agents are ethical
  - Avoiding misleading advertisements
  - Giving guarantee to customers on durable electrical appliances which may fail to function.
2. Ways in which government influence price of a commodity
  - Taxation may increase the price
  - Subsidies may reduce the price.
  - Legislation may increase / decrease the price
  - Price control /price ceiling
  - Price decontrol /price liberalization
3. Circumstances under which a firm would be located near the market for its products.
  - When the products are perishable thus require fast delivery
  - When the products are bulky / heavier than the raw materials
  - When the products are fragile to avoid losses through breakage
  - When its cheaper to transport raw materials than the final product
  - When the raw materials are in the same location as the market for the product
  - When it is the government policy that firms locate near their markets
  - When the unit value of the products is high/ may pose security threat during transportation
4. Reasons why most Developing Countries still rely on extractive level of production.
  - Storage of capital
  - Lack of skilled manpower
  - Lack of modern technology
  - Heavy reliance in subsistence production
  - Good climate hence engage in Agricultural production.
  - Natural resources available hence engage in primary production.
5. Benefits of a business that uses e-mail.
  - It is fast in sending and receiving information
  - It is relatively cheap
  - It makes it possible to communicate with persons far away in other continents.
  - Information obtained can be kept as hard as soft copy for future reference.
6. Factors that influence entrepreneurship
  - Infrastructure
  - Presence of credit facilities
  - Information available about markets
  - Government policy of business ownership
  - Level of taxation.
  - Legal controls
  - Political stability

- Security available.
  - Level of Technology.
7. Circumstances under which producers may prefer to sell their produce directly to the consumers.
- Where the consumers are localized.
  - Where the product is of technical nature
  - Where the product is of very high value.
  - Where the produce is perishable
  - Where the producer has his own retail outlet.
  - Where the producer is producing goods as per the customers specification.
  - Where true producer requires immediate feedback from consumers.
  - Where the level of competition in the market is very high.
  - Where the level of production is very low
  - Where the consumers prefer buying directly from the producers.
  - Where the producer does not want to share the profits with middlemen.
  - Where that is a government policy.
  - Better use of available resources.
8. Forms of consumer exploitation.
- Very high prices for products
  - Inferior quality good
  - Misleading information about a product misleading advertisements.
  - Harmful products
  - Hoarding of products
  - Breach of contracts
9. A sole proprietor business may be dissolved.
- If the owner decides to transfer the business to another person.
  - If a court of law orders that the business be dissolved.
  - Where the continued existence of the business is in breach of the law.
  - Where time objective for the establishment of the business has been achieved.
  - If the owner of the business is declared bankrupt
  - If the owner of the business dies.
  - If the owner decides to close down the business.
  - If the owner becomes incapacitated or insane.
  - If the business makes continuous heavy losses.
10. Benefits of warehousing to consumers
- Regular/steady supply of goods at all times
  - Wide variety of goods for the consumers to choose from
  - Stable prices by releasing adequate volumes of goods to the market to meet consumer demand.
  - Preparation of goods for sale through blending, packaging, breaking the bulk, branding.

- Providing goods at convenient locations to the benefit of consumers throughout the market.
- Protection of goods against damage / loss of utility / usefulness
- inspection of goods by government officials to ensure they are fit for human consumption. -Keeping of strategic reserves/buffer stocks to be used in the event of emergencies

11. State the books of original entries in which the following documents are used.(4 mks)

(a) Incoming Invoice	<b>Purchases Journal</b>
(b) Incoming Receipt	<b>Cash payment journal</b>
(c) Outgoing Credit Note	<b>Returns journal</b>
(d) Outgoing Invoice	<b>Sales journal</b>

12. Benefits of localization

- Common pool of labour
- Improved infrastructure
- Attract large population / market
- Proper disposal of waste
- Development of subsidiary industries
- Creation of employment
- Development of social amenities

13. Roles played by intermediaries

- Reducing transactions: Lower the numbers of interactions between the producers and the final consumers
- Breaking bulk; Package the goods in small volumes as desired by the customers
- Accumulating bulk ; Buy small volumes of goods from small scale producers and then sell the gathered large quantities to the large scale cusforces e.g. maize
- Provide variety of goods; Stock a wide variety of goods from varieties producers for the consumers to choose from
- Storage; Keep goods in safe conditions until demand arises leading to fairly stable prices
- Transport; Have goods to locations that are convenient to the customers
- g) Feedback ; Pass the information gathered from consumers to the producers
- h) Risk – taking
- distributions

14. Ways to be used by an organization to protect its properties and control.

- Entrancing security against theft.
- Ensuring physical care by people using the property.
- Keeping records of movement and usage of each of the property.
- Taking insurance cover.
- Proper repair servicing and maintenance.

15. Services offered by advertising agencies.

- Help organizations in designing their trade marks, Logos and advertising materials

- Book space and air time for their clients in various media.
- Offer advertising services to their clients on selling techniques.
- Advertise on behalf of their clients the appropriate media to be used.

16. Reasons why Kenya needs to encourage rail transport.

- It is cheap to maintain after construction.
- it is labour saving ( Saves labour expenses) as it is capital intensive.
- Large volume of the product is delivered quickly.
- Can deliver the product for 24 hours( 24 hr operation)
- Is environmental friendly as pipes are laid underground.
- Reduces accidents on our roads by tankers.
- Reduces congestion on our roads by tankers
- Reduces road damage by tankers.
- Pipes can be laid even in areas of poor topography.
- Perishable goods will go bad.

17. Services rendered by producer cooperative societies to their members.

- Sell firm inputs at fair prices / on credit.
- Give loans at low interest rate.
- Give advice on proper farming methods.
- Carryout research and pass findings to farmers.
- Look for market for their members produce.
- Facilitate payment for farmers.
- Offer transport facilities for their members produce to the factory.
- They process, blend and pack members produce.
- Store members produce awaiting sale.

17. Fill in the blank spaces marked a, b, and c in the table below

Business	Capital	Assets	Liabilities
P	5,500	16,000	<b>10,500</b>
Q	9,300	<b>24,300</b>	15,000
R	<b>11,600</b>	27,600	16,000

- a 10500  
b. 24,300  
c. 11,600

18. Reasons for government participation in business activities

- To generate income
- To attract foreign investment
- To create confidence in the economy
- To venture in business where private sector is not willing to invest due to low profit margins
- To provide essential goods and services
- To invest in areas of national interest

20. Negative consequences of inflation

- Reduction in profits
- Wastage of time
- Conflicts between employers and employees
- Decline in standards of living
- Loss to creditors
- Retardation of economic growth
- Adverse effects on balance of payment
- Loss of confidence in monetary system
- Discourages savings

21. Considerations when choosing a location of an office.

- Space – Should be enough for future expansion.
- Access- Easy to be reached by worker's and clients
- Security- For visitors, workers and equipment/property.
- Support services- Should be available e.g Transport, Insurance, communication etc.
- Public image- Whether location is prestigious or not. Good location depicts a successful firm
- Physical surrounding
- Running costs.

22. Positive effects of declining population

- • Reduced government expenditure
- Enabling a country to attain optimum population.
- Reduce pressure on land and other resources
- Reduce dependency of unemployed on the employed.

23. Reasons why electric trains are not common in Africa

- Inadequacy of capital / poverty
- Shortage of power/ electricity
- Mismanagement of railway transport
- Absence of visionary leadership – not given priority to development of rail transport.

24. Limitation of direct production.

- Possible in limited sectors e.g. agriculture
- Poor quality products
- No income generation
- Limited employment opportunities
- Quantity supplied is low

25.

**KIGALI Traders**  
**Trading account**  
**for the year ended 31 nov 2020**

	Sh	Sales	400,000
Opening stock	75,000		
+ purchases	260,000		
	335,000		
+ carriage on purchases	12,500		
Cost of goods available for sale	347,500		
- closing stock	27,500		
Cost of sales	320,000		
Gross profit c/d	80,000		
	<u>400,000</u>		<u>400,000</u>
		Gross profit b/d	<u>80,000</u>