

Mr. Asena - Q3 Mr. Ogutu - Q1 Mr. Ndumbe - 5
Mr. Juma - Q2 Mr. Omboko - 4 Mr. Achoto - 6
Mr. Oguta.

1(a) Explain five characteristics of human wants 10 mks.

- They are insatiable - human wants are endless or unlimited.
- They vary in intensity and urgency - vary from one person to another or from one situation to another.
- They are competitive - They yearns for attention.
- They are recurrent/repetitive - They demand to be satisfied again and again.
- Some are universal - They are common to all human beings.
- They are habitual.
- They are complementary.

(b) Explain five sources of monopoly

- Where patent rights, copyrights, royalties belong to one person or firm, then, that creates monopoly.
- Control of an important input in production such as Iron Ore, then such a firm will enjoy monopoly.
- Existence of internal economies of scale, whereby a firm reduces its production costs to a level that other firms cannot.
- Additional cost by other firms such as transport costs, that may increase the price of commodity to a level that it becomes less attractive.
- Financial factors - Where the initial capital is very high, it becomes ~~the~~ difficult for other firms to enter.
- Where a group of firm combine to act as one for the purpose of controlling output.
- Restrictive practices such as limit pricing in order to drive away other firms.

Mr. Juma.

2(a) Explain five services offered by wholesalers to consumers

- Wholesalers ensure a steady supply of goods to retailers which in turn ensures consumers do not experience shortage.
- Wholesalers ensure a steady supply of goods to the market which leads to stable prices hence consumers can plan expenditure.
- Wholesalers make it possible for the customers to enjoy a variety of goods.
- Breaks the bulk thus enabling the consumer through the retailer to get goods in suitable quantities.
- Give information to the consumer through the retailer about goods e.g. changes in products.

2(b) Five factors that may lead to increase in supply

- Decrease in cost of production that led to firms acquiring large quantities of raw materials for production.
- Availability of factors of production that lead to continuous production / large-scale production.
- Use of modern technology that lead to faster and efficient production.
- Reduced taxes on factors of production that made production cheaper.
- Provision of subsidies that lead to reduced cost of production.
- Favourable weather conditions that lead to continued increase in yields.
- Entry of new firms into the industry that lead to overall increase in production.
- Future expectation of decrease in price of commodity.

Mr. Achola.

6(a) Explain five causes of unemployment in Kenya.

- Rapid population growth where labour force entering market is higher than the job opportunities created.
- Inadequate co-operant factor inputs that limit the scale of firm's operation and expansion jobs.
- Use of inappropriate technology. Use of capital intensive limit/reduce job opportunities.
- Inappropriate education system that equip learners with skills/knowledge that is outdated.
- Seasonality in production that leads to unemployment during off peak season.
- Rural-urban migration that lead to urban unemployment.

6(b)

Kamau Traders

Trading, profit and Loss A/c

For the period ended 30th June 2018

Dr		Cr	
	Shs.	Shs.	Shs.
Opening stock		45,000 ✓	
Purchases	140,000 ✓		
+ Carriage inwards	5,400 ✓		
- Returns	18,700 ✓		
			126,700
G. A. F. S			171,700 ✓
Less closing stock			22,000 ✓
Cost of sales			149,700
Gross profit			155,300 ✓
			<u>305,000</u>
Expenses	Shs.		
D.B. Allowed	11,000 ✓		
Salaries/Wages	50,000 ✓		
Comm. Allowed	1,000 ✓		
Power & Lighting	12,000 ✓		
			<u>305,000</u>
		Gross profit b/d	155,300
		ADD A/c. Received	20,000 ✓
		Commission Received	8,000 ✓

20	New motor-vehicle		80,000 ✓ ^{1/2}
	Explo Motors Ltd ✓ ^{1/2}		500,000 ✓ ^{1/2}
	Cash ✓ ^{1/2}		300,000 ✓ ^{1/2}
	(Being a purchase of new motor vehicle partly cash partly credit ✓ ^{1/2})		

Mr. Ndumbe.

- 5(a) Explain five essential of an effective Warehouse
- (i) Compliance with Law to avoid lawsuit.
 - (ii) Proper Recording system - To Monitor Movement of goods.
 - (iii) Well trained staff - For proper Management and efficient
 - (iv) Adequate ~~space~~ ^{space} - To allow easy Movement/ accommodation ^{of}
 - (v) Good Communication network - for easy contact with
 - (vi) Proper building design - Accommodate the intended goods.
 - (vii) Good Transport system - Facilitate faster Movements goods
 - (viii) Appropriate equipment - eg fork ~~lifts~~ lifts for easy operation

(b) General Journal

Date	Particulars	L.F	Dr (Ksh)	Cr (Ksh)
2019 Mar 5	Office furniture Mingiza Furniture Ltd (Being a purchase of office furniture on credit)		25,000 ✓	25,000 ✓
10	Kisumu Traders Machine A/c (Being a sale of Machine on credit)		60,000 ✓	60,000 ✓
15	Bombo Traders Equipment A/c ✓ Gain on disposal ✓ (Being a sale of Equipment on credit at gain)		90,000 ✓	80,000 ✓ 10,000 ✓

Mr. Ombalo.

4a) Explain five reasons for a business preparing a business plan.

- Avoiding mistake - by identifying the mistake and correcting it in the plan.
- Identifying strength and weakness whereby remedial action is taken for the weakness.
- Requirement by financiers - for purpose of convincing the lenders.
- Determining of the amount of finance required to fund the various business activities.
- Allocation of resources - to ensure resources are neither underutilised or used for wrong purposes.
- Adaptability - provide room to accommodate any future changes.
- As motivating factor - it stimulate efforts of workers in achieving the set objectives.

4b Explain five importance of insurance in an economy

- Employment creation - for insurance companies have employed drivers, managers, clerks
- Is source revenue to the government - employees of insurance companies pay taxes to government from salary
- Ensures continuity of business by compensating the insured after suffering a loss.
- Spread of risks through creation of common pool ~~which~~ from which the few who suffer loss are compensated.
- Encourages Savings for example whole life policies
- promote investments - insurance company invest ~~some~~ surplus funds in real estate.

$$5 \times 2 \text{ marks} = 10 \text{ marks}$$

Mr. Osana

300 Explain five reasons why a trader in Mombasa would prefer to transport goods to Nairobi by standard gauge railway instead of road.

- Trader can plan transportation of goods because it follows strict time schedule.
- Is faster hence the trader will save on time.
- Has large carrying capacity which can accommodate large bulk of goods at once.
- Is relatively secure as cases of theft and accidents are rare.
- Economical for transporting heavy and bulky goods over long distance.

(b) Explain five negative effects of inflation.

- Reduction in profits due to reduced sales volume.
- Wastage of time - consumers and firms waste a lot of time shopping around for reasonable prices.
- Conflicts between employees and employers because employees demand high salaries while employers are reluctant leading to strikes.
- Decline in standards of living due to reduced purchasing power of money/cannot afford a variety.
- Loss to creditors - creditor receives the money in future when it has lost value.
- Retardation of economic growth since the investors are not expanding production activities/take risks.
- Adverse effects on the balance of payment because exports become expensive decreasing demand relative to imports.

79300

Carriage outwards	2300 ✓
Interest on Loans	1000 ✓
Rent	1000 ✓
Advertising	1000 ✓
Net profit c/d	86000 ✓
	<u>165300</u>

165300

Net profit b/d 86000.

20 ticks x $\frac{1}{2}$ 10 mks