**CaSPA ELDORET DIOCESE**

**ELDORET DIOCESE EXAM 2021**

BUSINESS PP1 MS

1. ***State four benefits of learning business studies to a Kenyan student.*** 
   * *To relate knowledge, skills, and attitudes to day to day.*
   * *Skills necessary to start a business.*
   * *Appreciate role of business in provision of goods and services.*
   * *Appreciate need for good business practices.*
   * *Self-discipline and positive attitude towards work.*
   * *Understand the role of government in business activities.*
   * *Understand the role of communication and information technology.*
   * *Develop positive attitude towards the environment.*
2. **Highlight four measures a** bus**to ensure that its environment is conducive to its business activities.**
   * *Ensuring the business operates in surrounding that are clean and attractive to customers.*
   * *Ensuring that legal requirements and conditions have been fulfilled i.e., relevant permits and licenses have been obtained.*
   * *That all government taxes are paid promptly*
   * *Suppliers to the business paid promptly for their services.*
   * *Ensuring the goods and services priced in relation to their quality.*
3. ***State four factors to consider when evaluating a viable business opportunity.*** 
   * *Potential profits*
   * *Availability of market*
   * *Availability of raw materials*
   * *Amount of capital required*
   * *Level of competition*
   * *Security*
   * *Government policy*
   * *Level of development of infrastructure.*
   * *Future growth*
   * *Acceptance by the community*
   * *Cost of capital*
   * *Ability to manage*
4. **Most organizations have come up with customer care desks. Outline functions that they play.** 
   * Advise management on issues and complaints
   * Attend to any enquiry
   * Build confidence in clients (efficient service)
   * Attend to complaints
   * Ensure that clients are attended to fast enough
5. ***Identify the documents that each of the following descriptions refer to. (***

|  |  |
| --- | --- |
| *Description* | *Document* |
| *i)Used to inform buyer that seller has*  *received the order* | *Acknowledgements note* |
| *i) Used to ask about the availability of*  *goods* | *Letter of inquiry* |
| *ii) Used to organize for transportation*  *of goods between seller and buyer* | *Consignment notes* |
| *iii) Used to show goods sold on credit* | *Invoice* |

1. ***Name four factors affecting the circular flow of income***

* *Savings-leakages*
* *Taxes- leakages*
* *Government expenditure*
* *Investments*
* *Foreign trade*

1. WINNICO Limited

Trial Balance

As at 31st December 2020.

|  |  |  |
| --- | --- | --- |
| Item | Dr.  Ksh. | Cr.  Ksh. |
| Capital |  | 150,000 |
| Furniture | 110,000 |  |
| Purchases | 285,000 |  |
| Hawi (supplier) |  | 180,000 |
| Sales |  | 230,000 |
| Wages paid | 41,000 |  |
| Return inwards | 5,000 |  |
| Return outwards |  | 15,000 |
| Cash | 139,000 |  |
| Rent received |  | 5,000 |
|  | 580,000 | 580,000 |

1. ***i.***

*Cost of sales =KSH. 360,000*

*20=*

*=KSH.72,000*

*ii. G.P =72,000 + 360,000*

*=KSH. 432,000*

1. ***Characteristics of services***
   * + - They are intangible and invisible as they are not in material form.
       - They can’t be stored for future use-perishable.
       - Quality can’t be standardized.
       - They are inseparable from the provider.
2. ***State four causes of seasonal unemployment in Kenya***
   * *Decline in the supply of certain raw materials*
   * *Temporary employment/contract workers*
   * *Economic depression/decline in economic activities*
   * *Voluntary resignation due to greener pastures*
   * *Interdictions i.e. temporary stoppage or termination of employment*
3. Highlight four circumstances under which the capital of a business may change

(4marks)

* Profit increases capital
* Losses reduces capital
* Additional investment increases capital
* Drawings reduces capital

1. Romano Traders

Two column cash Book



1. List **four** clauses of memorandum of association for joint stock companies
   * *Name clause*
   * *Objective clause*
   * *Liability clause*
   * *Capital clause*
   * *Declaration clause*
2. **State four causes of demand-pull inflation**

* Increase in government expenditure
* Effects of credit creation by the commercial banks
* Increase in money incomes
* General shortage of goods and services
* Increase in consumer’s expenditure

1. **State four activities carried o u t in the process of distribution (4mks)**
   * *Handling*
   * *Storage*
   * *Packing/packaging*
   * *Transportation*
   * *Grading*
   * *Blending*
   * *Sorting*
   * *Breaking the bulk*
2. ***Outline* four *structural changes that may take place when a country is experiencing economic development***
   * + *Shift from agriculture to manufacture*
     + *Reduction in illiteracy levels*
     + *Increase in skilled manpower*
     + *Improvement in health facilities*
     + *Improvement in technology*
     + *Improved infrastructure*
     + *Improved balance of payment*
3. ***State four reasons why it is suitable to locate a bonded warehouse at the point of entry of a country***
   * *For easy re-exporting.*
   * *For easy inspection of imports.*
   * *To prevent the entry of harmful goods /dangerous goods.*
   * *To prevent exit without legal authority.*
   * *For easy collection of custom duties.*
4. ***Highlight*** four ***reasons why businesses still use radios to promote their products despite other highly advanced media***
   * *Wider geographical cover*
   * *Serves both the literate and illiterate members of the society.*
   * *Different radio channels can cast in different languages*
   * *Blind can get the message*
   * *Able to reach many people at the same time*
   * *Radio is accessible even in the remote areas*
   * *Allows repetition of message*
   * *Affordable /cheaper to advertise.*
5. State **four** factors that may lead to an increase in market supply of a product***.***

(4 marks)

* *Increase in the price of the product*
* *Fail in the cost of production*
* *Availability of cheap credit*
* *Government policy.*
* *Decrease in prices*
* *When the demand is high*
* *Future expected fall in price*

1. State reward for each factor of production. (4marks)

* Capital -interest
* Land-rent /rates/royalties/lease fees
* Entrepreneurship -profit
* Labour-wages/salaries /professional fees/commission

1. ***Highlight 4 methods used by a monopolistic firm to differentiate its products***
   * + *Branding*
     + *Packaging in different sizes*
     + *Pricing*
     + *Blending into different colours*
     + *Persuasive advertising*
     + *Trademarks*
2. Juma wholesalers owned a motor vehicle valued at Kshs. 2,000,000 which they comprehensively insured for Kshs. 1,600,000. The vehicle was involved in an accident and written off. Determine the amount of money Juma wholesalers should expect to get from their insurer

Compensation = sum assured/insured premium x loss

Actual value

1,600,000 x 1,600,000 = 1,600,00

2,000,00

1. **State four ways in which the government is involved in business activities**

* Regulation
* Training
* Internal trade promotion
* Eternal trade promotion
* Service provisions
* Creation of enabling environment
* Consumer protection

1. State four ways in which the nature of goods would influence the choice of transport.
   * *If goods are perishable a fast and appropriate means is required*
   * *If goods are fragile, a smooth means of transport is required*
   * *If goods are highly valued, a safe and secure means is required*
   * *If goods are urgently required, a faster means is used*
   * *If goods are bulky an appropriate means will be used*
2. ***State four advantages of locating a firm near the source of raw materials. (4 marks)***
   * *Reduce transport cost*
   * *Get quality raw materials*
   * *Enhance continuous production*
   * *Avoid wastage of raw materials*
   * *Reduce its cost of production.*