

NAME:CLASS:..... ADM.NO. :.....

BUSINES FORM THREE, TERM 2 - 2024
MID – TERM

1. Highlight four reasons why traders do not prefer water transport. (4mks)

- Not suitable for ferrying perishable goods
- Loss or damage of goods due to unfavourable weather condition.
- Water ways are limited to specific region.
- Danger in water bodies eg piracy
- Not all traders deals with bulky and heavy goods where water transport is most suitable.
- Delay on urgently required supplies.

2. Mention four ways through which government regulate business activities. (4mks)

- Licensing
- Ensuring Standard
- Legistration
- Inspection

3. Outline four determinants of price of commodities in the market. (4mks)

- i) Extent of demand
- ii) Nature of supply
- iii) Government regulation
- iv) Quality of goods
- v) Operating cost
- vi) Market spread/location transport.

4. Daily limited is a horticultural company producing flower in Kenya. Outline four channels it may use to export its flower to Germany. (4mks)

- Daily limited – Foreign consumers
- Daily limited – Foreign Agent – Foreign consumer
- Daily limited – foreign agent – importer - foreign consumer
- Daily limited – foreign wholesaler – foreign consumer

5. Highlight four factors to be considered when determining premium to be charged in life assurance policy. (4mks)

- Health of the person.
- Occupation of the insured
- Age of the person
- Residence of insured
- Time period (endowment or term policie)

6. Outline four circumstances under which manufacturers may require to use intermediaries to sell their goods. (4mks)

- Where the market is spread over a wide geographical area.
- Where they requires financing for the production.
- If the products are not urgently need.
- Where they don't deal with specific customers.
- If they don't have financial ability to transport.
- Where they need goods to be prepared for sales

7. Differentiate the following terms as used in product promotion.

i) Publicity. (2mks)

Download this and other FREE revision materials from <https://teacher.co.ke/notes>

Mention of a product firm or a person in the mass media. The product is mentioned to many people at once.

ii) Public Relation. (2mks)

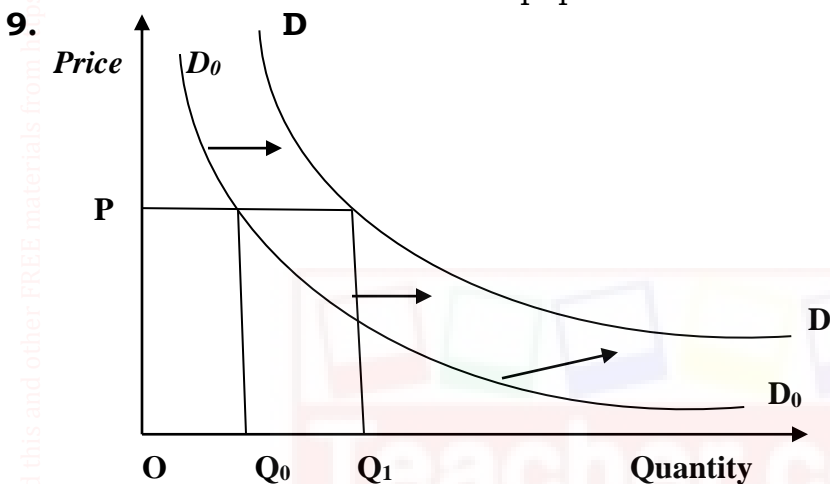
- Passing information with a view of creating or promoting /maintain good will.
- Firm improve their image to the public

8. Define the following terms as used in national income. (3mks)

- a) G.D.P-** Gross domestic product which is the total monetary value of all goods and services produced in a country over a period of one year.
- b) G. N. P –** Gross national product which is the total monetary value of all the goods and services produced by the citizens irrespective of where they are over a period of one year.

c) Per capita income – National income attributable to one person (per head income)

$$\text{Per capital income} = \frac{\text{National income}}{\text{Total population}}$$



Highlight four reasons that might have led to the above behavior. (4mks)

- Increase in level of consumers income.
- Increase in the price of substitutes.
- Favourable government policies.
- Positive change in taste and preference
- Better terms of sale.
- Increased population
- Decrease in price of complimentary
- Fair or even distribution of income.

10. Give five steps that Kenya can take to solve her employment problem. (5mks)

- Diversity economic activities.
- Develop rural areas.
- Encourage use of local resources.
- Control direct foreign investment.
- Adopting a relevant education system.
- Encourage labour intensive method.

11. a)i) Write down the basic book – keeping equation. (1mk)

$$A = C + L$$

Assets = Capital + Liabilities.

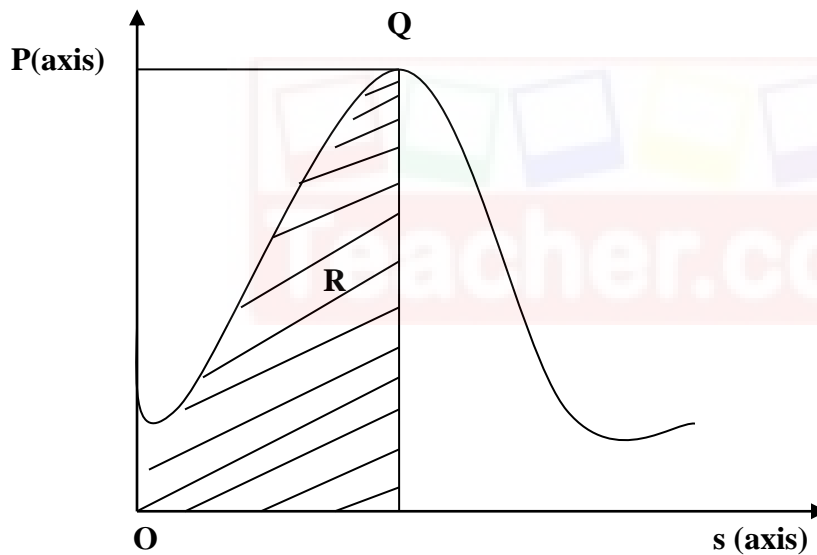
ii)Explain on the basic book keeping equation. (2mks)

Fixed assets + currents assets = Capital + Long term liabilities + Short term liabilities.

b) From the following information relating to Mayfair enterprises as at 31st July 2017. Determine the networth of a business. (2mks)

	Sh.	
Furniture and fillings	20,000	
Cash at hand	5,000	
Cash at Bank	12,000	
Creditor	7,000	
Debtors	3,000	
Long term Loan	10,000	
Capital (network) = Assets - Liabilities		
Assets – Furniture and fittings	20,000	
Add Cash at Bank	5,000	
Add cash at hand	12,000	
Add debtors	3,000	=40,000
Less liabilities – Creditor	7,000	
Long term loan	10,000	= 17,000
		<u>23,000</u>

12. The diagram below represents the relationship between population and income per capita.



State what is represented by P and S (axis) and letter R and Q

P – Output per head (capital)

S – Population

R – Under population

Q – Optimum Output

13. Outline four contents of statement of account. (4mks)

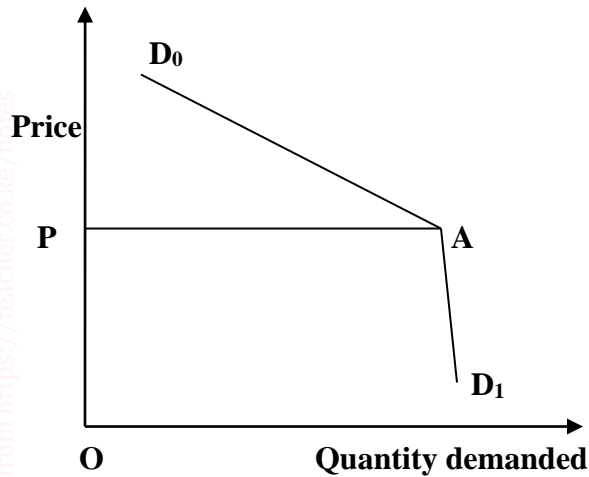
- Name and address of the buyer and the seller.
- Account number
- Date
- Particulars (detail column)
- Money column
- Term of credit

14. Outline four benefits that may accrue to business from a countrys political stability. (4mks)

- Enhance utility of local resource
- Increase local investment

- Encourage foreign investment
- Reduce brain – drain
- More development
- Vibrance in business activities

15. Study the curve below and answer the question that follows



a) Name the curve $D_0 AD_1$

$D_0 AD_1$ – the kinked demand curve

b) Name the point marked A

A – Kink – where price are rigid

c) Which product market is the curve applicable?

Oligopolistic competition market structure

d) Why is P the price that is generally prevailing in the market

P – The most profitable price /popular to both seller and buyer/customer locality.

SECTION B

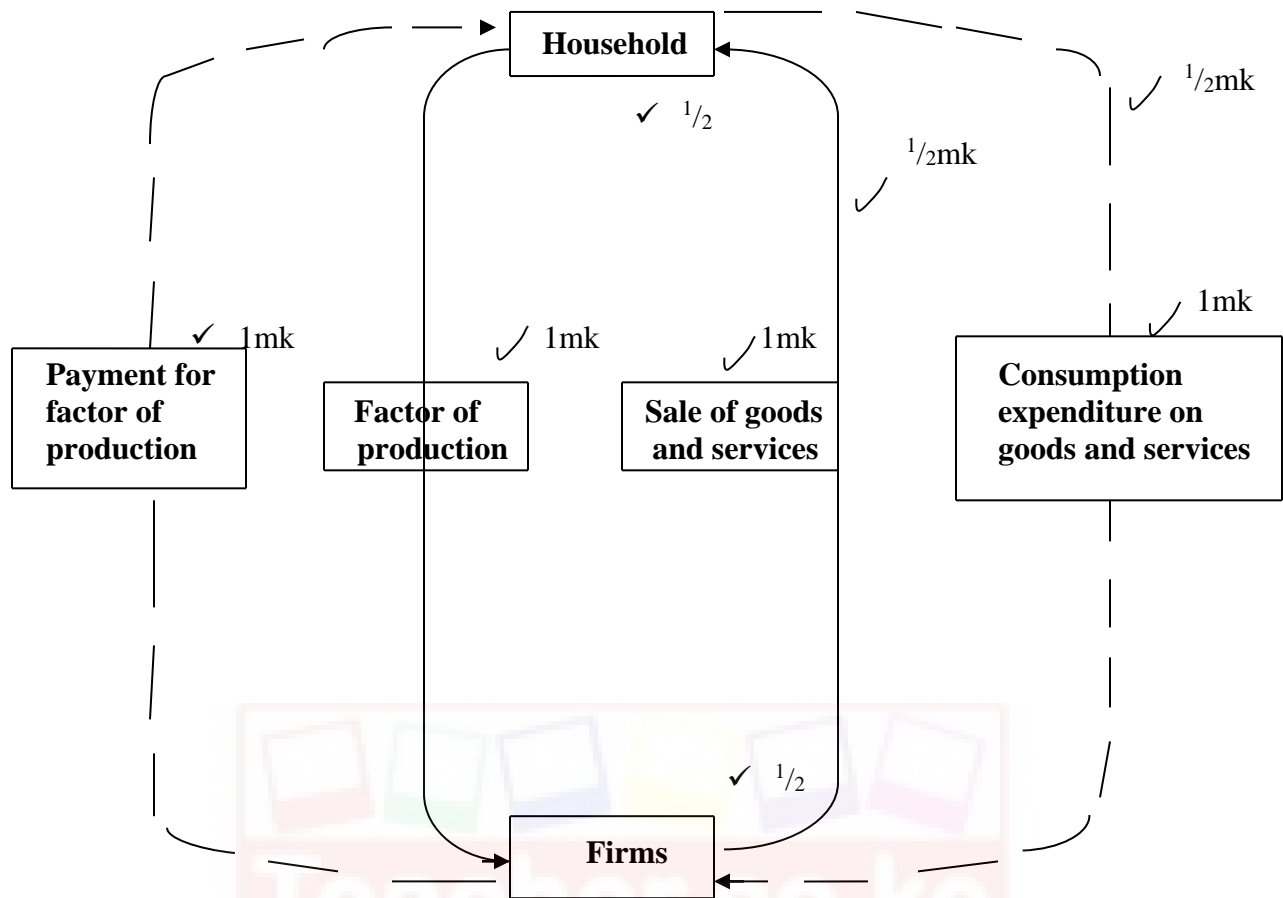
1. Explain five factors that influence a country fertility rate. (10mks)

- Social /cultural altitude towards childbearing before marriage.
- Significance of children to parent.
- Rate of marriage for people in the productive age bracket
- Incidence or extent of bareness
- Age and sex structure of the population
- Lack of knowledge on danger of large families.
- Favorable government that encourage children bearing eg free maternity/free primary and secondary education. (any five well elaborated points 2mks each)

2. Give five distinguishing between monopoly and monopolistic competition market structures. (10mks)

<u>Monopoly</u>	<u>Monopolistic competition</u>
Single seller	Many sellers
There are chose substitute	No close substitutes
Engage in price competition	No price competition
Free entry and exit of firms.	There are barriers of entry of new firm
Advertising is not necessary	There is heavy advertising

3. i) Diagrammatically illustrate the circular flow of income in a two sector economy. (6mks)



Key

—————> Flow of goods and factor services

- - - - -> Flow of money (income) round the economy

ii) State four assumptions for the circular flow in (i) above to hold. (4mks)

- Only two players/sectors
- Household spend all their revenues on factor of production
- No government intervention.
- The economy is closed (ie No foreign trade)

4. the following information was extracted from the books of Njiru Retailers on 31ST December 2013

2013	Sh.
Capital	105,000
ADB loan	82,000
Creditors	10,000
Premises	100,000
Furniture	14,000
Stock	30,000
Cash at Bank	48,000
Cash in hand	5,000

The following transaction took place during the month of January 2014.

- January 8 paid part of the loan by cheque 20,000**
January 11 bought furniture on credit worth 8,000
January 18 Withdrew 5,000 from Bank for business use.
January 25 paid creditors by cash Sh. 3,000
January 30 bought stock for cash Sh. 2,500
Prepare the balance sheet of Njiru Retailers as at 31st January 2014.

ADB Loan $\longrightarrow 82,000 - 20,000 \longrightarrow 62,000$
 Cash at Bank $\longrightarrow 48,000 - 20,000 - 5,000 \longrightarrow 23,000$
 Furniture $\longrightarrow 14,000 + 8,000 \longrightarrow 22,000$
 Creditors $\longrightarrow 10,000 + 8,000 - 3,000 = 15,000$
 Cash in hand $\longrightarrow 5,000 + 5,000 - 3,000 - 2,500 \longrightarrow 4,500$
 Stock $\longrightarrow 3,000 + 2,500 \longrightarrow 32,500$

NJIRU RETAILERS
BALANCE SHEET
As at 31st January 2014

Assets	Capital + Liabilities
<u>Fixed Assets</u> Premises 100,000 Furniture <u>22,000</u> <div style="text-align: right; margin-top: 5px;">$=122,000$</div>	Capital 105,000 Capital <u>L.T.L.</u> ADB Loan 62,000
<u>Current Asset</u> Stock 32,000 Cash at Bank 23,000 Cash in hand 4,500 <div style="text-align: right; margin-top: 5px;">$= 60,000$</div> <div style="text-align: right; margin-top: 5px;"><u>182,000</u></div>	<u>S.T.L.</u> Creditor 15,000 <hr style="width: 50%; margin-left: auto; margin-right: 0;"/> <div style="text-align: right;"><u>182,000</u></div>