Question one

a. Principles of insurance

i. **Utmost good faith (uberrimae fidei)-**This principle requires that contracting parties be honest .It requires the insured to disclose all material information to the insurer on the property being insured

ii. **Principle of indemnity** –It is the restoration of the insured who suffers loss to his former financial position he or she was before the loss occurred

iii. **Proximate cause**-the cause of loss for which a claim for compensation is made should have direct or fairly close connection with the actual or real risks insured against (iv) **Insurable interest**-insurable interest exist where due to a risk occurring , a person is bound to suffer financial loss.The insured must be directly benefiting form the destroyed property and therefore its absence will make the person to suffer a loss

iv. **contribution**- incase one insures with two or more insurance companies to cover the same risk, the different insurance companies will share proportionately when it comes to compensating the insured for the loss arising from the occurrence of the risk

v. **Subrogation-** after the insured has been indemnified the remains or benefits arising from the damaged property belongs to the insurance company.The insured should not gain from any loss but should only be relieved of the actual loss suffered   (Mention 1 mark explanation 1 mark)

b. Ways through which containers may be ineffective as a way of moving goods

i. They are very expensive to buy and maintain
ii. They are not used to carry goods of irregular shape
iii. it crates unemployment
iv. They require loading and off loading equipment
v. Containers cause damage to roads increasing maintenance costs

Mention 1 mark and explanation 1mark
Points are also awarded for any other relevant points

Question two

a. Internal economies of scale that may be experienced by the firm

i. **Managerial economies of scale-**a firms productivity can be increased by employing qualified staff who offer better organization structures

ii. **Marketing economies**- A firm that sells in large quantities incurs fewer costs in advertising and distribution

iii. **Financial economies**- A firm with strong financial base can expand their business

iv. **Risk bearing economies**- Large firms reduce risks in market failure through diversification of products or markets

v. **Technical economies**- These are benefits to a firm due to specialization of labour and machinery

vi. **Research economies-**Research in new methods of production,new market and new products is necessary for firms that are large because it is affordable

vii. **Welfare economies-**Workers incentive do motivate their workforce eg welfare like recreation , health, housing and education

viii. **Buying economies**

ix. **Division of labour and specialization**

Any 5 points @2mks =10mks

b. Factors considered when setting up an office layout for a business organization

i. Work flow -this refers to the continuous flow of work in a particular section for example accounts office
ii. Minimum movement -movement of staff need to be saved this reduce noise and distractions
iii. Supervision- the arrangement of office should provide opportunity for ample supervision
iv. Working space- the layout should allow each worker to have enough working space

v. Proximity to equipment -equipment harness to the work is needed in order to avoid unnecessary movement

vi. Communication -office arrangement should promote effective communication in the business organization

vii. Office appearance -there should be attractive and good appearance of the of the layout chosen for the business organization

viii. Legal requirement -the rules and regulations set should be adhered to for ample lighting, ventilation, etc

ix. Staff to be accommodated -office arrangement should take into account the job type and grade of the office staff

x. Cost of setting the layout- the cost of setting the layout should be affordable \\\\\

Question three

a. Causes of unemployment

i. **Rapid population grown rate-**This increases the supply of labour at a faster rate than the rate of growth of employment opportunities

ii. **Inappropriate education system**- where the education system does not instill relevant skills and attitudes towards existing work, employment opportunities will co-exist with surplus labour which is mismatched

iii. **Change in production methods (used in appropriate technology**)-The use of capital intensive methods in countries or areas where there is abundant supply of labour leads to persistent unemployment

iv. **Rural –urban migration** -Unemployment in urban centres has increased due to the large exodus of rural youth moving to town leading to excess labour in towns

v. **Low demand for goods and services -**Where incomes are generally low, there is low purchasing power. This results to a decline in economic activities and consequently a decline in employment

vi. **Minimum wage laws -**The fixing of high minimum wages by the government results in low demand for labour. This results in increased unemployment.

vii. **Shortage of other factors (inadequate co-operant factor inputs**) -labour requires other factors like machines ,equipment ,raw materials and entrepreneurship. Lack of such co-operant factor inputs results to unemployment.

viii. **Low economic growth** .The low growth rate of the economy results in a slow rate of economic activities leading to scarce employment opportunities.

b)Benefits of a business plan

- Assist in sourcing for finances as it can be used to convince financial institutions /investors to fund the operations of the firm
- It can be used to evaluate the goals/objectives of the firm to determine if it is headed in the right direction.
- It is used as a tool of management/directing/coordinating the different business activities
- Confers a business a competitive edge by assisting it to gain better understanding of the market/ competitors/shows weather the business is financially feasible or not.
- Enhance efficiency of the firm through allocation of available resources in their best uses.
- Motivates/inspires the management/employees to work as a team to accomplish the objectives of the firm/business.

Question four

a. Factors that influence the choice of product promotion methods

i. **Costs of adverting** -The promoter should consider if the chosen method of promotion is within his/her financial ability

ii. **Nature of product -**For products that require demonstration of how they are used, choice of appropriate promotion method is necessary

iii. **Urgency of the promotional message-**The promotional method adapted has to deliver message to the audience at proper good time depending on urgency of the information

iv. **Government policy**(**the law) -** a firm should use only those methods that are allowed by the law of the land

v. **Competitors methods** -A firm should use a promotion method that will make it compete favorably with other competing firms

vi. **Objectives of the promoting firm-**Firms will choose the promotion activities that will achieve its set goals eg to correct firms dented image of a product , it can use public relations method

vii. **Geographical coverage of method -** A firm should choose promotion method that is most accessible to its customers

viii. **Target market -** A firm should choose a promotion method that addresses specific age or gender
(any 5 points x2=10 marks, 1mk for mention,1mk for explaining

b) Role of commercial attaches in trade promotion
- Exploring new markets for more export opportunities
- Analyzing markets for exports from their home countries
- Keeping statistics of products packaging sizes and methods of manufacturing
- Publicize and advertise their countries exports
- Inform traders back home on the standards required
- Selecting buyers, agents and distributors of the home country's export
- Assist sales missions from home and organize educational tours.
- Organize visits to trade fairs and exhibitions for businessmen from their home courtiers
- Make detailed reports on commercial activities that may help improve the exports from their countries
(5 x 2 = 10 marks)

Question five

a. Differences between a movement along a demand curve and a shift of a demand curve

Movement along a demand curve	Shift in demand curve
i. It involves only one demand curve	i. Involves two demand curves
ii. It is brought about by change in price of the product	ii. Brought about by a change in other factors that influence demand other than the price of the product
iii. It involves a change in the quantity demanded	iii. Involves a change in demand
iv. A different quantity is demanded only at a different price	iv. A different quantity is demanded at the same price as before
v. Movement along the curve can be traced up and down along the same curve	v. A shift causes the curve to move either to the right or left

2 marks for each matching difference

(b)The following information relates to Maralal Traders for the month of May 2014.

May 1: Balance brought forward:
     Cash   Shs. 180,000
      Bank   Shs. 450,000 (Cr)
     3:   Received a cheque of 1,500,000 from Mpasha, a debtor
     7: cash sales Shs. 280,000
    11: Jolloimat, a creditor of Shs.600,000 was paid by cheque of sh 400,000 and the balance
by cash.
     14: Received commission in cash sh. 150,000
     17: A debtor, Leteipa, paid his account of 185,000 by cheque less 2% cash discount.
     19: Paid the following expenses by cheque:
       Rent Shs. 75,000
       Electricity Shs. 32,000
Water   Shs. 25,000
     21: Withdrew Shs. 100,000 from bank for personal use
     24: Paid cash Shs 133,280 to Kinai after deducting a cash discount of 2%
     25: Received a cheque of sh. 200,000 from Kiyapi, a debtor

28: Paid Salaries Shs. 120,000 by cheque.
31: Banked all cash except sh. 50,000.

Required:

Record the above transactions in a Three column cash book.   (10mks)

Three-column cash book

Date	Details	L.F	D. Rc	Cash	Bank	Date	Details	L.F	D.Al	Cash	Bank
2014 May 1	Balance	b/f		180,000		2014 May 1	Balance	b/f			450,000
,, 3	Mpasha				1,500,000	,, 11	Jolloimat			20,000	40,000
,, 7	Sales			280,000		,,19	Rent				75,000
,,14	Commission			150,000		,,19	Electricity				32,000
,,17	Leteipa		3,700		181,300	,,19	Water				25,000
						,,21	Drawings				100,000
						,,24	Kinai		2,720	133,280	
,,25	Kiyiapi				200,000	,,28	Salaries				120,000
,,31	Cash	c			226,720	,,31	Bank	c		226,70	
						,,31	Balance	c/f		50,000	906,020
				610,000	2,108,020					610,000	2,108,020
Jun.1	Balance b/f			50,000	906,020						

Question six
a. Reasons that may limit use of pipeline transport in a country
i.   May not be able to offer door to door services especially in regard to transportation of oil.
ii.   May interfere with other development projects along its route
iii.   A leakage can cause considerable environmental hazard or losses
iv.   limited ability to generate employment
v.   Requires constant monitoring which could be expensive
vi.   construction of pipeline is very expensive
vii.   Not appropriate or economical for transporting small quantities of products.
viii.   It is difficult to monitor where it passes in remote areas
ix.   can easily be sabotaged where transportation of inflammable product is concerned
Mention 1 mark, explanation 1 mark

b. Relevant ledgers accounts

Dr   **Creditors Account**   Cr

2010		Sh	2010		Sh
January 4	bank	12,000√	January 1	balance b/d	40,000√
January 26	balance c/d	46,000√	January 13	purchases	18,000√
		58,000			**58,000**√
			January 26	balance b/d	46,000

Dr   **Bank Account**   Cr

4

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

2010		Sh	2010		Sh
January 1	balance b/d	50,000√	Janaury 4	creditors	12,000√
January 26	cash	6,000√√	January 26	balance c/d	44,000√
		56,000			**56,000**√
January 26	balance b/d	44,000			

Dr		**Purchases account √**			Cr
2010		Sh	2010		Sh
January 13	creditors	18,000√	Janaury 26 balance b/d		18,000√
					18,000√
January 26	balance b/d	18,000			

Dr		**Cash account**			Cr
2010		Sh	2010		Sh
January 1	balance b/d	90,000√	January 26	Bank	6,000√√
			January 26	balance c/d	84,000√
					90,000√
January 26	balance b/d	84,000			

($^1/_2$ x20=10mks)