

Kenya Certificate of Secondary Education

NAME ADM NO:

DATE

SIGNATURE

CLASS

565/2

FORM 4

TIME: 2½ HOURS

INSTRUCTIONS TO ALL CANDIDATES

1. *Write your name and admission number in the spaces provided above.*
2. *Sign and write the date of the examination in the spaces provided above.*
3. *Answer any FIVE questions.*
4. *All questions carry equal marks*

1. a) **five sources of business ideas available to potential investors in Kenya.**

- Reading of newspapers and magazines
- Watching shows from televisions
- Listening from other people
- Practicing one's hobby
- Engaging in vocational training
- Visiting shows and exhibitions
-

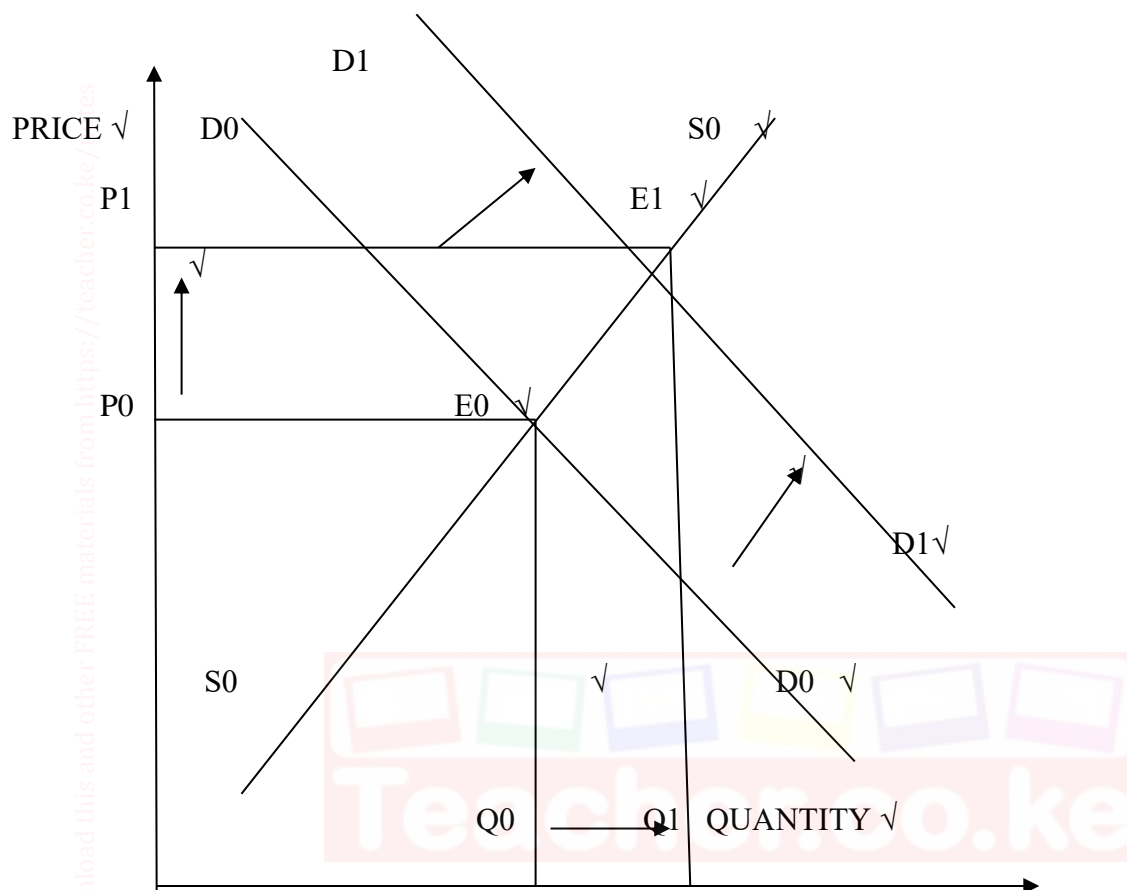
b) **Five monetary policy measures that the Kenyan government may adopt to control inflation in the country.**

- i) **Increase bank rate;** making borrowing expensive hence reduced demand for loans.
- ii) **Selling government securities;** in open market operation to reduce excess money in circulation.
- iii) **Increase cash/ liquidity ratio;** reduce amount of money available for lending/ hence reduced money supply.
- iv) **Increase compulsory deposit with the Central Bank;** to reduce amount of money at the disposal with the commercial banks to lend out.
- v) **Use of selective credit control;** so that money is in the hands of a few sectors of the economy.
- vi) **Moral suasion/ moral persuasion;** the government appeals to commercial banks to limit their lending to the public to reduce the money supply.

2. a) **Five measures that the government may put in place to create an enabling environment for businesses to grow and expand.**

- i) **Training business people;** so as to equip them with the necessary skills to run/ operate business.
- ii) **Licensing of businesses;** so as to reduce unhealthy competition among businesses.
- iii) **Provision of infrastructure;** for smooth operation/ movement of business people and their products.
- iv) **Provision of adequate security;** to protect the business people and their properties.
- v) **Offering financial assistance/ loans to business people;** to enable them to start and expand business.
- vi) **Reduction of taxes;** so as to reduce the cost of operating businesses.
- vii) **Provision of subsidies;** to reduce the production cost.

b) a) Using a well labeled diagram, explain the effects of increase in demand for a commodity on market equilibrium when its supply remains constant.



NB: Properly labeled diagram.

(10×1=10 marks).

Or In case direction for price and quantity change not indicated award explanation as follows:

- i) There will be excess demand that will lead to increase in price from P_0 to P_1 .
- ii) Suppliers will supply more to take advantage of increased price i.e. Q_0 to Q_1 .

3a) Differences between cooperatives and public limited companies:

COOPERATIVES	PUBLIC LIMITED COMPANIES
a) Formed by a minimum of 10 members.	a) Formed by a minimum of 7 shareholders.
b) Registered by commissioner of cooperatives.	b) Registered by registrar of companies.
c) Managed by a committee elected by members in an AGM.	c) Managed by board of directors.
d) Governed by cooperatives by laws.	d) Governed by articles of association.
e) Formed to provide services to members.	e) Formed with aim of making profit.
f) Members have a common bond/attachment.	f) Shareholders have nothing in common.

(5×2=10 Marks): No splitting of marks.

3b) On 1 Jan 2024, ABC Traders had 180,000 cash in hand and a bank credit balance of sh. 57,500. During the month, the following transactions took place.

2024

Jan 3 Cash sales sh. 21,800.

4 A debtor settled his account of sh.90,000 by cheque.

10 Paid salaries sh. 40,000 in cash.

12 Took cash sh. 3,500 to settle a personal debt.

23 Received a cheque of sh. 8,460 from a debtor after deducting 6% cash discount.

24 Deposited sh. 10,000 in the bank from the office.

25 Purchased stock worth sh. 8,950 on credit.

26 Cash sales banked directly sh. 38,000

29 Settled creditors' account sh. 6,000 by cheque, less 3% cash discount.

31 Banked all cash except sh. 40,000

Required: prepare Mulei traders 3 column cash book as at 31 Jan 2020

4a) **Explain five types of unemployment.**

- Cyclical Unemployment
- Structural
- Frictional
- Disguised
- Seasonal
- Voluntary
- Involuntary

4b) **five methods that a country can use to restrict the volume of imported Goods.**

- Increase Tariffs
- Increase quotas on imported goods
- increasing subsidies on production
- administrative bottlenecks
- Foreign exchange control
- Embargoes

Total Ban on certain goods

5a) **Services that retailer offers to consumers:**

- i) Breaking bulk, selling goods in small quantities that consumer can afford.
- ii) They bring goods closer to consumers thus reducing their transport costs.
- iii) They offer a variety of goods to consumers from different manufacturers which enable them to make choices.
- iv) They advice consumers on issues such as prices, use, variety, quality and new brands.
- v) They ensure continuous supply of goods through buying and storing and releasing in time of needs.
- vi) They offer after sale services such as transportation, installation and packaging to consumers.
- vii) They offer credit facilities to those customers who are credits worthy.

(5×2=10 marks)

5b) Procedure followed when making an insurance claim:

- i) Notify the insurer immediately when the insured risk occur.
- ii) Filling the claim form, giving details relating to the occurrence of the risk.
- iii) Investigation of the claim to assert whether the cause of the loss has any direct connection with the risk insured.
- iv) Preparation of the assessment report concerning the extent of the loss.
- v) Payment of the claim to the insured which concludes the contract between the insured and the insurer.

6a) Four characteristics of land as an economic resources

Land has alternative uses (complimentary use)

It has utility, land can be combined with other factors of production.

Land is universal, Supply of land is fixed

Land can be changed to have economic value e.g river water can be used for irrigatio, sun to to solar power

Land has monetary value, Quality of land varies from place to place

SULIMO TRADERS

TRADING PROFIT AND LOSS A/C

FOR THE PERIOD ENDING 31 DECEMBER 2020

Dr		Cr	
	Ksh		Ksh
Opening stock	37760	Sales	186000
Add purchases	115560	Less return inwards	<u>4400</u>
Add carriage inward	2340	Net sales	181600
	117900		
Less return outwards	3550		
	<u>114350</u>		
COGAS	152110		
Less closing stock	<u>49980</u>		
Cost of goods sold	102130		

Gross profit c/d	<u>79470</u>		
	<u>181600</u>		<u>181600</u>
		Gross profit b/d	79470
Carriage outwards	3260		
Motor expenses	6640		
Rent	4560		
Salary & wages	24470		
General expenses	12000		
Rates	1200		
Net profit c/s	<u>27320</u>		
	<u>79470</u>		<u>79470</u>
		Net profit b/d	27320

@entry=1/2mark,total =8 mks

(ii) Balance sheet as at the date. (4 marks)



SULIMO TRADERS

BALANCE SHEET

AS AT 31 DECEMBER, 2020

	Ksh	Ksh		Ksh
<u>Fixed Assets</u>			<u>Capital + Liabilities</u>	
Equipment	6000		Capital	128440
Machinery	24000	30000	Add net profit	27320
<u>Current Assets</u>			Less drawings	<u>20500</u>
Stock	49980			135260
trade debtors	45770		<u>Current Liabilities</u>	
Bank	38760		Trade creditors	<u>30450</u>
Cash	1200	<u>135710</u>		
		165,710		165,710

@entry= $\frac{1}{2}$ mark,total =4 mks

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