

**MAKUENI /KATHONZWENI FORM 4 JOINT EXAMINATIONS 2011**

**Kenya Certificate of Secondary Education**

**BUSINESS STUDIES**

**PAPER 1**

**2 HOURS**

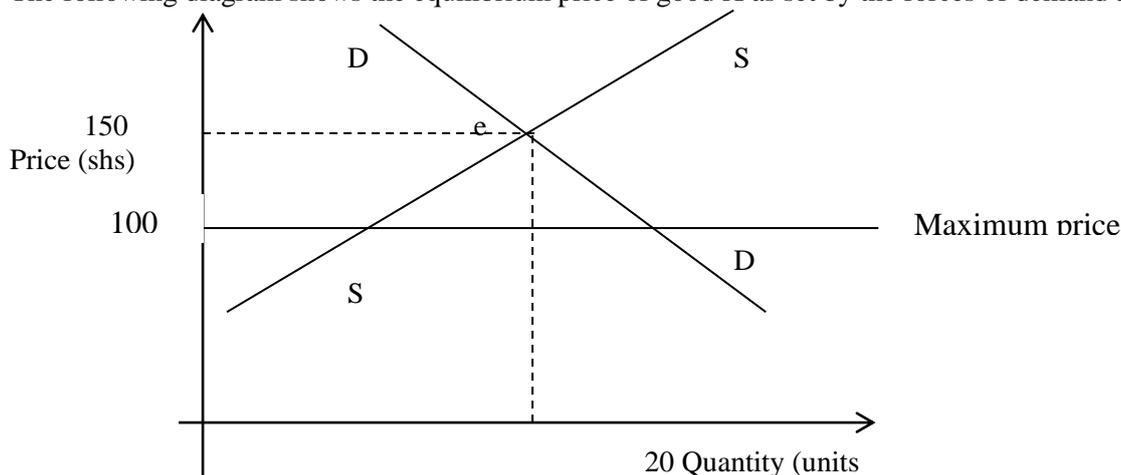
1. Outline four importances of Business studies in a society. (4marks)
2. State four ways in which a business can be socially responsive to the community it is operating. (4marks)
3. State four features of human wants. (4marks)
4. State how the following utilities are attained.

Type of utility	How it is attained
(i) Time	
(ii) Form	
(iii) Possession	
(iv) Place	

5. List four factors that may limit the number of entrepreneurs in an area. (4marks)
6. State four benefits that an organization may derive from filling it's documents (4marks)
7. Briefly state the meaning of each of the following terms as used in business. (4marks)
  - (i) Ultra-Vires
  - (ii) Limited liability
  - (iii) Debentures
  - (iv) Securities
8. BodaBoda transport is a mushrooming business in Kenya today. State four disadvantages of this business. (4marks)
9. Outline four reasons why government participates in business. (4marks)
10. Give four reasons why many business persons prefer mobile phones to landline. (4marks)
11. Highlight four differences between private and bonded warehouse. (4marks)
12. The following are some of the source documents used in accounting; credit note issued; cash sale receipt, Credit note received and invoice issued. Match each of the following books of original entry with the relevant source document. (4marks)

Books of original entry	Source Document
(i) Sales Returns Book	
(ii) Sales day Book	
(iii) Purchase return Book	
(iv) Cash Book	

13. Manna Enterprises had stock valued Ksh 800,000 which was insured against the risk of fire at Ksh700,000. The business took the insurance cover from company X and Y at Sh 300,000 and Sh 400,000 respectively. Later, part of the stock valued at Sh 500,000 was completely destroyed by fire. Calculate the amount of compensation he received from each company. (4marks)
14. Most firms engage in competitive product promotion. Identify four ethical issues that should be considered when promoting products. (4marks)
15. The following diagram shows the equilibrium price of good X as set by the forces of demand and supply



Suppose the government sets the maximum price at Sh 100 (below Sh 150, the equilibrium price). What Would be the effect?

16. Highlight four circumstances that may influence a firm to locate its operations near the source of raw Materials. (4marks)
17. List four sources of monopoly power. (4marks)
18. State four roles played by intermediaries in the distribution of goods. (4marks)
19. State four uses of National income statistics. (4marks)
20. Kavisi traders made a gross profit of Ksh 28,000 for the year ended 31<sup>st</sup> December 2010. The gross profit mark-up was 33  $\frac{1}{3}$ %. Calculate the value of sales for the year. (4marks)
21. The following is a cash book of Motomoto Traders for the month of June 2009.

**Motomoto Traders  
Cash Book.**

Date	Particulars	Cash	Bank	Date	Particular	Cash	Bank
2009 June 1 <sup>st</sup>	Balance b/d	20,000	90,000	2009 June 12 <sup>th</sup>	Insurance	7000	
5 <sup>th</sup>	Sales			13 <sup>th</sup>	Cash		30,000
13 <sup>th</sup>	Bank	8,000		15 <sup>th</sup>	Salaries	15,000	
23 <sup>rd</sup>	Cash	30,000		17 <sup>th</sup>	Lorna		16,000
25 <sup>th</sup>	Sales		20,000	23 <sup>rd</sup>	Bank	20,000	
			40,000	31 <sup>st</sup>	Balance c/d	16,000	104,000
		58,000	150,000			58,000	150,000
July 1 <sup>st</sup>	Bal b/d	16,000	104,000				

Explain the entries made on dates specified below. (4marks)

- (i) 1<sup>st</sup> June 2009  
(ii) 13<sup>th</sup> June 2009  
(iii) 17<sup>th</sup> June 2009  
(iv) 31<sup>st</sup> June 2009

22. The following information was obtained from the records of Kakai Traders as at 31<sup>st</sup> December 2010

Furniture and fittings	Sh 20,000
Stock	Sh 5,000
Creditors	Sh 7,000
Cash at Bank	Sh 12,000
Debtors	Sh 3,000
Long term loan	Sh 10,000

**Required:**

- (i) Determine the capital (1mark)  
(ii) Prepare Kakai's Balance sheet as at 31<sup>st</sup> December 2010 (3marks)

23. Indicate whether the following Accounts are **personal, nominal or real**.

Account	Type
Rent	
Land	
Discounts	
Creditors	

24. Highlight four reasons why the government taxes it's citizens (4marks)  
25. State four factors hindering development planning (4marks)

**MAKUENI /KATHONZWENI FORM 4 JOINT EXAMINATION 2011**

**BUSINESS STUDIES**

**PAPER 1**

**JULY /AUGUST 2011**

**MARKING SCHEME**

**1. Four importances of Business studies in a society.**

- ❖ Helps learners to understand the role of the government in relation to business activities.
- ❖ Helps the society to appreciate the role of communication and information technology in modern business management.
- ❖ Helps learners to acquire self discipline and positive attitude towards work.
- ❖ Helps learners to acquire the necessary entrepreneurial knowledge, skills and attitude for starting and operating a business.
- ❖ Helps learners to understand business and its environment.

*Any four 1x4=4marks*

**2. Four ways in which a business can be socially responsive to the community in which it is operating.**

- ❖ Conservation of the environment.
- ❖ Providing products at cheaper or affordable prices.
- ❖ Promoting community welfare programmes.
- ❖ Promotion of employment.
- ❖ Improvement of social amenities.

*Any four 1x4= 4marks*

**3. Four features of human wants.**

- ❖ Are insatiable.
- ❖ Vary in intensity and urgency.
- ❖ Are competitive.
- ❖ Are recurrent.
- ❖ Are habitual.
- ❖ Are universal.

*Any four =4x1=4marks*

**4. How utilities are attained.**

- (i) Goods stored until appropriate time for their use.
- (ii) By converting raw materials into finished goods.
- (iii) Through transfer of ownership of goods /services from one person to another through trade.
- (iv) Through transportation.

*4x1=4marks*

**5. Factors that may limit the number of entrepreneurs in an area.**

- ❖ Poor infrastructural facilities.
- ❖ Inavailability of resources.
- ❖ Inappropriate education and skills.
- ❖ Unfavourable government policies.
- ❖ Lack of market.
- ❖ Stiff competition.

*Any four 4x1= 4marks*

**6. Benefits that an organization may derive from filling its office documents.**

- ❖ Helps in office tidiness and efficiency.
- ❖ Loss of documents is minimized.
- ❖ Documents are protected from landing into unauthorized hands.
- ❖ Keeps documents neat and tidy.
- ❖ Reference can be made in future hence an aid to memory.

*Any four 4x1= 4marks*

**7. Terms used in business.**

- ❖ Ultra-Vires-A business acts contrary to the provision of a memorandum of association i.e. company carries out functions for which it was not formed to carry out.
- ❖ Limited liability – a case where the failure of a company to repay loans or debts does not lead to attachment of private properties of share holders.ie incase a company is unable to repay debts personal properties of owners cannot be sold.

- ❖ Debentures –loans from the public to a company i.e. a unit of loan from public to a company.
- ❖ Securities – shares or documents used in support of share ownership. **4 x 1 = 4 marks**

**8. Disadvantages of Boda Boda transport business in Kenya.**

- ❖ Low carrying capacity.
- ❖ Unlicensed drivers.
- ❖ Some have no insurance cover.
- ❖ Lack of spare parts.
- ❖ Prone to accidents due to speed.
- ❖ Health hazard (respiratory due to unprotective clothes) **Any 4=4x1=4marks**

**9. Four reasons why government participates in business.**

- ❖ To generate income.
- ❖ To attract foreign investment.
- ❖ To create confidence in the economy.
- ❖ To venture in businesses where individuals are not willing to invest due to low profit margins.
- ❖ To provide essential goods and services.
- ❖ To invest in areas of National interest. **Any 4 = 4x1=4marks**

**10. Four reasons why businesspersons prefer mobile phones to landline.**

- ❖ Business person can be contacted anytime.
- ❖ They can make or receive calls anywhere there is network.
- ❖ Mobile phone is portable.
- ❖ They are faster.
- ❖ It has internet facility.
- ❖ One can bank and withdraw through the phone.
- ❖ One can send a message e.g. for an order. **Any 4= 4x1=marks**

**11. Differentiate between private and bounded warehouses.**

Private warehouse	Bounded warehouse
(i)Are owned and controlled by individuals.	(i)Owned and controlled by the government.
(ii)Located near owners premises.	(ii)Located near the entry points.
(iii)No permission is needed for release of goods.	(iii)A release warrant is required.
(iv)Are small in size.	(iv)Big in size.
(v)Goods stored may not be subjected to custom Duty.	(v)Are subjected to payment of custom duty.

**Well matched points 4x1=marks**

**12. Source documents.**

- (a)Credit note issued.
- (b)Invoice issued.
- (c)Credit note received.
- (d)Cash sale receipt.

**4x1=4 marks**

$$13. \text{ Company X} = \left\{ \frac{\text{Sum insured}}{\text{Actual value}} \times \text{total loss} \right\}$$

$$= \left\{ \frac{300,000\sqrt{1}}{800,000} \times 500,000 \right\} = \text{Shs. } 187\,500\sqrt{1}$$

$$\text{Company Y} = \left\{ \frac{\text{Sum insured}}{\text{Actual value}} \times \text{total loss} \right\}$$

$$= \left\{ \frac{400,000\sqrt{1}}{800,000} \times 500,000 \right\} = \text{shs.}250,000\sqrt{1} \quad (4 \times 1) = 4 \text{ marks}$$

**14. Four ethical issues considered in product promotion.**

- ❖ Not disclosing side effects.
- ❖ False pricing.
- ❖ Cheating on performance of the product.
- ❖ Cheating on ingredients of the product.

- ❖ Social cultural conflicts.
- ❖ Negative effects on the environment. *Any 4 =4x1=4marks*

**15. The effect of charging a price lower than the equilibrium price.**

- ❖ There will be excess demand hence shortage.
- ❖ Rationing of goods.
- ❖ Queuing for the commodity.
- ❖ Traders may hoard the goods.
- ❖ Black marketing. *Any 4 =4x1*

**16. Circumstances that may influence a firm to locate its operations near the source of raw materials.**

- ❖ Where the raw material are bulky.
- ❖ Where raw materials are perishable.
- ❖ Where competition of raw materials is high.
- ❖ Where market of the product is concentrated near the source of raw materials.
- ❖ Where constant supply of raw materials is required to ensure continuous production.

*Any 4 =4x1=4marks*

**17. Sources of monopoly power.**

- ❖ Control of source of raw material.
- ❖ High capital requirement to start the business.
- ❖ Patent rights.
- ❖ Size of the market especially where the market is small.
- ❖ Legislation by the government allowing operation of only one firm.
- ❖ Monopoly of technical knowledge. *Any 4 =4x1=4marks*

**18. Roles played by intermediaries in the distribution of goods.**

- ❖ They break bulky.
- ❖ Offer transport of goods.
- ❖ Take risks of buying goods from producers and sell them to consumers.
- ❖ At times provide finance to the producers when they buy on cash from them.
- ❖ Pass important information from the producers to consumers and vice versa.
- ❖ They assist in product promotion.
- ❖ Provide variety of products to consumers. *Any 4x1 = 4marks*

**19. Four uses of National income statistics.**

- ❖ Indicator of standard of living.
- ❖ Comparing living standards.
- ❖ Assessment of economic performance over time.
- ❖ Assisting government in planning.
- ❖ Used in investment decision making.

*Any 4x1 =4marks*

**20. Calculation of value of sales.**

Change **mark-up** to margin.

33⅓% as a fraction = ⅓

Add numerator to denominator

⅓ + 1 = ⅔ X100 =25%

Margin is ⅔ or 25% √1

Margin =  $\frac{G P \sqrt{1}}{Sales}$

$$\therefore \frac{1}{4} = \frac{28,000 \sqrt{1}}{Sales}$$

*4x1=4marks*

Sales = 28 000 X 4 = Sh.112 000 √1

OR

Sales = G P + cost of goods sold √1

Mark -up =  $\frac{G P}{COGS} \times 100$

$$\frac{100}{3} = \frac{Shs.28\ 000 \times 100}{COGS}$$

COGS = 84 000 √1

*4x1=4marks*

∴ Sales = 28 000 + 84 000 √1 = Shs.112 000 √1

**21. Explanation of the entries made**

- (i) 1<sup>st</sup> June 2009: These were the balances brought forward i.e. Cash Sh. 20,000 and Bank Shs. 90,000
- (ii) 13<sup>th</sup> June 2009: Withdrew cash from the bank for office use Ksh.30,000 which is a contra entry.
- (iii) 17<sup>th</sup> June 2009: Paid Lorna a creditor Shs. 16,000 by cheque.
- (iv) 31<sup>st</sup> June 2009: Balances to be carried down to next trading period: cash Shs. 16000, Bank .104000

**22. (i) Capital = Assets – liabilities.**

$$\begin{aligned} \text{Assets} &= 20,000 + 5000 + 12000 + 3000 \\ &= 40,000 \checkmark \end{aligned}$$

$$\text{Liabilities} = 7000 + 10,000 = 17000 \checkmark$$

$$\therefore \text{Capital} = 40,000 - 17000 = \text{Shs. } 23\ 000 \checkmark$$

**(ii) Balance sheet:-**

**Kakai Traders  
Balance sheet.  
As at 31<sup>st</sup> Dec 2010**

ASSETS		LIABILITIES	
Furniture / fitting	20,000√	Capital	23,000 √
Stock	5 000√	Liabilities	
Cash at Bank	12 000√	Creditors	7,000√
Debtors	3 000√	Long term long	10,000√
	40,000√		40,000

*12 x 1/3 = 4marks*

**23. Indicate:**

- a) Nominal
- b) Real
- c) Nominal
- d) Personal

**24. Reasons why government taxes its citizens.**

- ❖ To raise revenue.
- ❖ To discourage consumption of harmful products.
- ❖ To protect local industries by discouraging importation of certain goods.
- ❖ To reduce income inequalities in the country.
- ❖ To control inflation by reducing money supply.
- ❖ To encourage delocalization of industries.
- ❖ To correct balance of payment problem by taxing imports highly.
- ❖ To discourage importation or production of unwanted goods by taxing them highly.

*Any 4x1=4marks*

**25. Problems hindering development planning**

- ❖ Inadequate data.
- ❖ Inadequate specialists.
- ❖ Political instability.
- ❖ Inaccurate data.
- ❖ Over ambitious plans.

*Any 4x1=4marks*

NAME----- INDEX NO-----

CANDIDATE'S SIGNATURE-----

DATE-----

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**BUSINESS STUDIES**

**PAPER 2**

**JULY / AUGUST 2011**

**2 ½ HOURS**

**MAKUENI /KATHONZWENI FORM IV JOINT EXAMINATIONS 2011**

**Kenya Certificate of Secondary Education**

**BUSINESS STUDIES**

**PAPER 2**

**2 ½ HOURS**

**INSTRUCTIONS TO CANDIDATES.**

**Answer any five questions.**

1. (a) Explain five ways in which savings and credit co-operative societies (SACCO's) benefits its members. (10marks)
- (b) State and explain five reasons for trade restrictions. (10marks)
2. (a) Outline five reasons why development planning is very necessary in a country.
- (b) The following information was extracted from the final accounts of Mwako General Supplies on 31<sup>st</sup> December 2010.

	Shs
Sales	150,000.
Purchases	65,000.
Stock (1/1/2009)	18,000
Fixed assets	100,000
Current assets	45,000
Current Liabilities	37,000
Total expenses	10,000
Stock 31 <sup>st</sup> December 2009	12,500

Calculate the following ratios

- (i) Margin (2marks)
- (ii) Mark-up (2marks)
- (iii) Return on capital (2marks)
- (iv) Working capital ratio (2marks)
- (v) Rate of stock turn over (2marks)
3. (a) Explain five types of unemployment in an economy. (10marks)
- (b) Explain five factors that may limit adoption of modern technology in business operation. (10marks)

4. (a) Outline four circumstances under which middlemen can be eliminated from the chain of distribution (10marks)

- (b) The table below shows the trends in inflation rates of country X

Year	Inflation rates
2007	15%
2008	22%
2009	40%

Explain five possible factors that may have contributed to the above trend. (10marks)

5. (a) Explain five circumstances in which a trader may offer after sales services. (10marks)
- (b) The following trial balance was extracted from the books of Sam traders business for the year ended 31<sup>st</sup> August 2005.

SAM TRADERS  
Trial balance  
As at 31<sup>st</sup> August 2005

Title of account	DR	CR
Capital		1,234,600
Sales		640,000
Purchases	380,000	640,000
Carriage inwards	20,000	
Debtors	63,500	
Creditors		48,400
Stock (1/9/2004)	86,000	
Carriage outwards	18,500	
Purchases returns		30,000
Sales returns	25,000	
Rent incomes		35,000
Premises	450,000	
Furniture	250,000	
Motor vehicles	550,000	
One year bank loan		200,000
Salaries	80,000	
General expenses	120,000	
Discounts	14,800	

allowed		12,000
Discounts received	16,500	
Electricity	15,500	
Cash at bank	10,200	
Cash in hand	100,000	
Drawings		
	2,200,000	2,200,000

Closing stock on 31<sup>st</sup> August 2005 was valued at Sh. 56,000.

Prepare Sam Traders Trading profit and loss account for the year ended 31<sup>st</sup> August 2005.

(10marks)

6. (a) Explain five ways in which transport contributes to economic development in Kenya. (10marks)
- (b) A.R.T is one of the chain stores retail outlets operating in Kenya. Explain five benefits of operating this kind of business. (10marks)

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**BUSINESS STUDIES**

**PAPER 2**

**JULY /AUGUST 2011**

**MAKUENI /KATHONZWENI FORM 4 JOINT EXAMINATION 2011**

**Kenya Certificate of Secondary Education**

**BUSINESS STUDIES**

**PAPER 2**

**JULY /AUGUST 2011**

**MARKING SCHEME**

**1. (a) Benefits of SACCOs to members.**

- ❖ Encourage savings /making big /regular contributions.
- ❖ Provide loans based on contributions.
- ❖ Members receive dividends.
- ❖ Educate members /advise them on their rights /obligations.
- ❖ Provide front office banking facilities /service to their members.
- ❖ Give interest to their members.
- ❖ Charge low interest to loans given to members.
- ❖ Insure members contributions /members loans /written off- loans.
- ❖ Give loans on easy terms /conditions.
- ❖ Members' savings /new contributions is doubled upon death of members.
- ❖ Members are provided with other products – W.C.F.
- ❖ Loans are on reducing balance.

*Any 5 well explained 5x2 =10marks*

**(b) Reasons for trade restriction.**

- ❖ Creation of employment.
- ❖ Protection of domestic infant industries.
- ❖ Protection of strategic industries.
- ❖ Regulation of balance of payment deficit.
- ❖ Conservation of foreign exchange reserves.
- ❖ Need to diversify industrial base.
- ❖ To prevent dumping of foreign goods into the country.
- ❖ Protect cultural and social values of a country.
- ❖ Improvement of terms of trade.
- ❖ To prevent cheap-labour products.

*Any 5 well explained x 2 =10marks*

**2. (a) Five reasons why development planning is very necessary.**

- ❖ Enables proper allocation of resources.
- ❖ Enables the evaluation of the project at various stages of implementation and assess when they are in line with the expected out comes.
- ❖ It is important because it ensures balanced development.
- ❖ It helps mobilize different sectors of the economy for greater productivity.
- ❖ It helps co-ordinate investments in the whole country.
- ❖ It is used to convince foreign investors that loans and grants will be put to good use.
- ❖ It is used to achieve fair and balanced distribution of resources in the country.
- ❖ It helps to identify resource gaps which need to be filled.
- ❖ It helps to rank development projects in order of priority.

*Any 5 well explained 5x2=10marks*

**(b) Financial ratios:**

(i)  $\text{Margin} = \frac{\text{Gross profit}}{\text{Net sales}} \times 100$

$$\begin{aligned} \text{Gross profit} &= \text{sales} - \text{cost of goods sold.} \\ &= 150,000 - (18,000 + 65000 - 12500) \\ &= 150,000 - 70500 = \text{Shs. } 79500 \end{aligned}$$

*2marks*

$$\therefore \frac{\text{Margin}}{150,000} = 79500 \times 100 = 53\%$$

(ii)  $\text{Mark-up} = \frac{\text{Gross profit}}{\text{Cost of goods sold}} \times 100$

$$\frac{79,500}{70,500} \times 100$$

$$= 112.77\% = 113\% \quad \text{2marks}$$

(iii)  $\text{Return on capital} = \frac{\text{Net profit}}{\text{Capital employed}} \times 100$

$$\begin{aligned} \text{Net profit} &= \text{Gross profit} - \text{Total expenses} \\ &= 79\,500 - 10,000 = \text{Shs. } 69500 \end{aligned}$$

*2marks*

$$\begin{aligned} \text{Capital employed} &= \text{Fixed Assets} + \text{working capital} \\ &= 100,000 + (45000 - 37000) \\ &= 100,000 + 8000 = 108,000 \end{aligned}$$

$$\therefore \text{Return on capital} = \frac{69,500}{108,000} \times 100$$

$$= 64.35\%$$

$$= 64\%$$

*2marks*

(iv)  $\text{working capital ratio} = \frac{\text{Current Assets}}{\text{Current liabilities}}$

$$= \frac{45000}{37000} = 1.22:1$$

*2marks*

$$\begin{aligned} \text{(v) Rate of stock turn over} &= \frac{\text{Cost of goods sold}}{\text{Average stock}} \\ \text{Average stock} &= \frac{18000 + 12500}{2} \\ &= \frac{30500}{2} = 15250 \end{aligned}$$

$$\begin{aligned} \therefore \text{Rate of stock turnover} &= \frac{70500}{15250} = 4.62 \\ &= \approx 5 \text{ times.} \quad \mathbf{2marks} \end{aligned}$$

**3. (a) Types of unemployment**

- ❖ Frictional unemployment: People lose jobs and go on looking for new ones.
- ❖ Seasonal unemployment: Caused by seasonal variations i.e. peak (high labour demand) off-peak (decline in labour demand)
- ❖ Structural unemployment: Occur when /demand for labour declines due to changes in production methods / decreases in the supply of goods / services.
- ❖ Cyclical unemployment: Occurs repeatedly at similar times i.e. cycles of economic activities that alternate from boom to recession.
- ❖ Disguised unemployment: Occurs when the number of people employed exceeds those that are required.
- ❖ Involuntary unemployment: Occurs when people are actively looking for jobs at the existing wage rate but not able to get them.
- ❖ Real-wage unemployment: Occurs when the real wages rate is above the one needed to employ all workers.

*Any 5x2 well explained =10marks*

**(b) Five factors that may limit the adoption of modern technology in business operations.**

- ❖ Insufficient capital – High cost of acquiring and maintaining new technology.
- ❖ Some technology is changing very fast requiring continuous updating which is expensive.
- ❖ Adopting new technology may lead to lay-offs and increase in unemployment.
- ❖ It increases cost of goods in the short-run increasing prices of goods thus discouraging potential customers.
- ❖ Some technology has sight effects e.g. computers affects eye sight.
- ❖ Requiring hiring of new staff or retaining which is expensive.
- ❖ Break down of some machines may lead to losses or interruption of business operations.
- ❖ Some technology may lead to environmental degradation e.g. disposal of waste, which calls for measures which are expensive.

*Any 5x2 well explained =10marks*

**4. (a) When middlemen can be eliminated in the chain of distribution.**

- ❖ When demand for products is high.
- ❖ When value of goods is high.
- ❖ Sensitive products.
- ❖ When goods are produced on order.
- ❖ When serving a small market.
- ❖ When dealing with small quantities of products.
- ❖ If goods are perishable.
- ❖ Where cost of production is high.

*Any 5 x 2 well explained = 10marks*

**(b) Factors that may have contributed to the above trend in inflation.**

- ❖ Increased cost of inputs e.g. raw materials.
- ❖ High interest rates on loans which leads to higher prices of goods.
- ❖ Increase in the amount of money supply which increases demand of a commodity than supply.
- ❖ Increased credit facilities by commercial banks that increase the amount of money in circulation leading to excess demand that hikes prices of goods.
- ❖ Increased population that exceeds the supply of commodities.
- ❖ Scarcity of factors of production that hike their prices leading to high consumer prices.
- ❖ Poor infrastructure that hinders the movement of goods thus causing shortages hence high prices.
- ❖ High prices of imports that are transferred to high prices of consumer goods.
- ❖ Increased government taxes on consumer commodities which are passed over in terms of high prices for commodities.

*Any 5 well explained 5x2 = 10marks*

**5. (a) Five circumstances in which a trader may offer after sales services.**

- ❖ Goods being of technical nature.
- ❖ Need for demonstrations /advise.

- ❖ Where expertise is required on installation and the trader has the technical ability/knowledge/back up.
- ❖ Where a product is new in the market.
- ❖ Where competition is stiff and the trader uses after sales services as a product promotional tool/competition edge /win more customers /increase sales.
- ❖ Where specialized transport is required /the nature of the product is such that it requires specialized transport and the trader can afford /readily provide.
- ❖ Where expertise is required in maintaining /servicing /spares parts and the trader is able to provide/there are no other firms that can provide.
- ❖ Where it's the policy of the trader. Has no option of providing customer relations.
- ❖ Improve business image /retain market /customer loyalty.
- ❖ Where there is government policy – Trader has no option. *Any 5 well explained 5x2 = 10marks*

**(b) Sam traders, Trading, profit and loss A/C for the year ended 31<sup>st</sup> August 2005**

**Sam Traders**  
**Trading, Profit and Loss Account**  
**For the year ended 31<sup>st</sup> August 2005.  $\sqrt{1/2}$**

<p>Opening stock <span style="float: right;">86,000</span></p> <p>Purchases <span style="float: right;">380,000<math>\sqrt{1/2}</math></span></p> <p>Add carriage inwards <span style="float: right;"><u>20,000<math>\sqrt{1/2}</math></u></span></p> <p style="padding-left: 20px;"><span style="float: right;">40,000</span></p> <p>Less purchase returns <span style="float: right;"><u>30,000<math>\sqrt{1/2}</math></u></span></p> <p style="padding-left: 20px;"><span style="float: right;">370,000</span></p> <p>Cost of goods available for sale <span style="float: right;">456,000<math>\sqrt{1/2}</math></span></p> <p>Less closing stock <span style="float: right;"><u>56,000<math>\sqrt{1/2}</math></u></span></p> <p>C.O.G.S <span style="float: right;"><u>400,000<math>\sqrt{1/2}</math></u></span></p> <p>Gross profit <span style="float: right;"><u>215,000<math>\sqrt{1/2}</math></u></span></p> <p style="text-align: right;"><u><u>615,000<math>\sqrt{1/2}</math></u></u></p>	<p>Sales <span style="float: right;">640,000<math>\sqrt{1/2}</math></span></p> <p>Less sales return <span style="float: right;"><u>25,000 <math>\sqrt{1/2}</math></u></span></p> <p>Net sales <span style="float: right;">615,000</span></p> <p>Gross profit b/d <span style="float: right;">215,000 <math>\sqrt{1/2}</math></span></p> <p>Rent income <span style="float: right;">35,000</span></p> <p>Discount received <span style="float: right;">12,000<math>\sqrt{1/2}</math></span></p> <p>Total expenses <span style="float: right;">249,800 <math>\sqrt{1/2}</math></span></p> <p>Net profit <span style="float: right;"><u>12,200 <math>\sqrt{1/2}</math></u></span></p> <p style="text-align: right;"><u><u>262,000</u></u></p>
	<u><u>262,000</u></u>
	<i>20 x <math>1/2</math> = 10 marks</i>

**6. (a) Ways in which transport contributes to economic development in Kenya.**

- ❖ Creation of employment.
- ❖ Leads to increased production due to the wider market it creates.
- ❖ Avails a wide market for products.
- ❖ Avoids wastage of surplus output.
- ❖ Promotes specialization.
- ❖ Links consumers to producers.
- ❖ Creates space utility. *Any 5 well explained 5 x 2 = 10marks*

**(b) Five benefits of operating A.R.T chain stores outlets.**

- ❖ Trade discounts because of bulk buying.
- ❖ Centralized management which cuts down operating costs.
- ❖ Similar front face appearance ease of identification.
- ❖ Identical goods and equal prices.
- ❖ Slow moving goods in one branch can be transferred to another branch.
- ❖ Wider market spread throughout the country. *Any 5 well explained 5 x 2 = 10marks*

