

- (iv) Communicating parties' use of a common language: thus enhancing understanding of the message.
- (v) Making the message concise/brief to avoid unnecessary details/retain attention/concentration.
- (vi) positive attitude : between the communicating parties/sender and receiver
- (vii) good listening/ attentiveness: to get the message being sent/presented
- (viii) use of simple language /non technical terms: language to be understood by the receiver/level of the receiver
- (ix) accuracy/ correctness of the message: to avoid misleading the receiver
- (x) Preparedness /planning: by the sender/receiver to enhance confidence.
- (xi) Adequacy/completeness to provide enough information
- (xii) Noise free /quietness to avoid distraction
- (xiii) courtesy /respect : between the sender and receiver to avoid hostility
- (xiv) Audibility: by use of appropriate equipment /voice projection to make it audible
- (xv) Tone variation: to break monotony /sustain interest

4 (a) Explain the reasons why firms with popular products find it necessary to continually advertise the same products. (10mks)

- to bring to notice of new consumers the existence of a product
- To increase demand/ market so as to justify mass production leads to economies of sales
- To educate customers on use of products
- To announce the price of the products
- To maintain customer loyalty
- To cope with competition
- To correct any misleading information about the product
- To alert customers of imitation
- To remind consumers of availability of the products
- To maintain image name reputation of the product.

b) Explain five disadvantages that a country may experience from imposing trade restrictions on trading partners. (10 marks)

- i. Retaliation by other trading partners/countries leading to reduction in exports.
- ii. Low/foreign exchange earnings due to reduced exports.
- iii. Curtailed transfer of technology/factors of production that may lead to poor quality production/low quality of products/low output.
- iv. Lack of variety of/limited products which restricts consumers' choice.
- v. Poor international relations which may lead to conflicts among consumers/may not get assistance in times of calamity/needs.
- vi. Leads to increased unemployment due to reduced trading activities.
- vii. May suffer balance of payment as a result of reduced income of exports.
- viii. Reduced competition leading to low quality goods/services/inefficient firms/exploitation of consumers.

5 (a) Explain five strategies that a small - scale firm could adopt to expand so as to enjoy economies of scale. (10mks)

- i) Entering into suitable vertical integration/amalgamation/merger with firms at different stages of production/accept explanation with firms at some level of production.
- ii) Diversification/variety of products in order to capture to wider market/increase market share.
- iii) Buying/acquiring other similar businesses to widen the scope of activities
- iv) Secure loans/credit to expand its capital base.

- v) Arrange for franchising, by acquiring rights to produce/selling goods under a name of another company
- vi) Expand the markets to increase the volume of sales.
- vii) Adopting appropriate technology to increase quantity/quality
- viii) Ploughing back profits to finance its operation
- ix) Forming cartels with similar businesses.

(b) Explain five disadvantages of using a bank overdraft as a source of finances

(10 mks)

- It is an expensive source of finance as the interest charges are very high
- Frequent use of overdraft could be sign of poor management hence
  - it make it difficult to obtain credit. Bank may recall the overdraft any time
- Overdraft are not easily available unless one is well known
- Interest repayment cannot be planned for with certainty
- Limited access- overdrafts is only given to current account holders only
- Security – the lenders may require security/ property pledge
- Limited amount are hence unsuitable for long term financing
- Repayment patterns are unplanned hence any deposits made in the account are assumed to be repaying the overdraft
- Short repayment period which affects the cash flow of the firm

6

a) One of the major objectives of the Kenyan government is to solve unemployment problem in the country. Explain five possible ways it can use to achieve this. (10mks)

i) Use of labour intensive methods

The government should encourage the use of labour intensive methods instead of capital intensive

ii) Diversification of economic activities

If the country introduces a variety of economic including the application of irrigation in agriculture the problem of seasonal unemployment can be solved

iii) Adopting relevant education

The government should adopt the education system that is relevant to the labour market needs

iv) Delocalisation of industries

The government should encourage the delocalization of industries through various incentives as a way of spreading job opportunities to rural areas and therefore reduce rural urban migration related employment.

v) Population control

The government can encourage population control through the various methods of family planning

vi) Encourage the use of local resources

The government can encourage investments that use of local resources like cotton and protect the local import industry against unfair competition

vii) Increasing government expenditure

The government can increase its expenditure on projects that would create more jobs like the youth fund and also the construction of roads and dams

viii) Seek for direct foreign investment

The government can seek for or encourage foreign investment in the country especially those that are labour intensive

*1 mark for mention otherwise 2 marks*

$5 \times 2 = 10 \text{ mks}$

(b) On 1<sup>st</sup> June 2017, Ngamire Traders had cash in hand shs. 87,000, cash at Bank sh. 60, 000 (CR) and stock shs. 90,000.

During the month, the following took place:

- June 2: Cash sales sh. 50,000 issued a receipt No. 063  
 " 3: Paid salaries and wages shs. 101,500 payment voucher No. 083  
 " 6: Received a cheque for shs. 76,800 from Kemunto, after allowing her a cash discount of 4%. Receipt No. 064  
 "9: an old motor vehicle valued at sh.350,00 was exchanged with a machine valued at sh. 280,000 and the balance was settled in cash.  
 "12: Settled Omwambi's account of shs. 40,000 in cash having deducted sh.800 cash discount. Receipt No. 0656.  
 "18: Withdrew shs. 30,000 from bank for office use.  
 "20: Received shs. 19,950 from Kahawa by cheque after allowing 5% cash discount. Receipt no. 065  
 "21: Received shs. 16,500 cash from Mwikali in settlement of her account less sh. 600 cash discount. Receipt No. 066.  
 "22: Bought office furniture by cheque shs. 85,000. Receipt No. 734  
 "23: Withdrew sh. 5000 cash for private use.  
 "26: an old computer with a book value of sh. 70,000 was sold for sh. 60,000 and payment made by cheque  
 "28: Paid wages sh. 24,000 in cash receipt No. 801  
 "29: Settled Halima a creditor of sh. 18,000 by cheque after deducting a 10% cash discount. Receipt n.056  
 "30: Received a cheque for shs. 150,000 in respect to cash sales. Receipt No. 067.

**Required:**

(i) A cash receipt journal

(3mks)

(ii) A cash payment journal.

(3mks)

(iii) A general journal

(4mks)

(b)

**CASH RECEIVED JOURNAL**

Date	Details	Receipt No	Ledger Folio	Disc. Allowed	Cash	Bank
June 2	Sales	063			50,000	
6	Kemunto	064		3,200		76,800
18	Bank		C		30,000	
20	Kahawa	065		1,050		19,950
21	Murkali	066		660	16,500	
30	Sales	067				150,000
				4,910	96,500	246,750

(9x 1/3 = 3mks)



### CASH PAYMENT JOURNAL

Date	Details	Receipt No	Ledger Folio	Disc. received	Cash	Bank
June 3	Salary & wage	PV 083	C	800	39,200	101,500
12	Omwanbo	0656				
18	Cash					
22	Furniture	734				
23	Wages	801				
23	Drawings					
29	Halima	056				
				180	5,000	17,820
				980	68,200	234,320

9x 1/3 = 3 mks

### The General Journal

DATE	DETAILS	FOLIO	DR	CR
June 1	Cash in hand Cash at bank Stock Being cash, bank overdraft and stock as at this date		87,000	60,000
June 9	Machine a/c Cash a/c Motor vehicle a/c Being the record of exchange of a fixed asset and balance settled in cash		280,000 70,000	350,000
June 26	Bank a/c loss on disposal a/c computer a/c Being the record of sale of a fixed asset at a loss and payment settled by cheque		60,000 10,000	70,000

2x 1/3 = 4