

1. *Give four circumstances under which a trader may find deferred payment appropriate. 4mks)*
- Where a customer is credit worthy.
  - Where the trader wants to attract and retain customers.
  - Where a trader wants to increase his sales.
  - Where the trader wants to dispose off slow moving stock.
  - Where the trader wants to use the method as a competitive tool.
2. *Highlight four benefits that the Kenya government derives from a bonded warehouse. (4mks)*
- Government is able to prevent entry of illegal goods.
  - Government is able to check on the quality of imports.
  - Government gets revenue.
  - Government is able to know the type of dutiable goods entering the country.
3. *Outline four circumstances under which a high population growth rate may be desirable. (4mks)*
- Where there is need to increase the market demand.
  - Where enough labour supply is needed.
  - Where there is need for technological advancement.
  - Where there is need to fully exploit local resources where optimum population is desirable.
4. *Outline four roles played by the central bank in the development of the economy. (4mks)*
- Issuance of currency used in trade.
  - Stabilizing the currency so as to encourage economic activities.
  - Licensing of commercial banks which are major agents of economic development.
  - Regulating investment activities.
  - Ensuring equality in economic development.
  - Protecting domestic industries against stiff competition from foreign companies.
5. *Indicate in the space provided the account to debit and the account to credit in the following transaction. (4mks)*
- | <u>Transaction</u>                         | <u>Account to Debit</u> | <u>Account to credit</u> |
|--|-------------------------|--------------------------|
| (i) Started business with shs 50,000 cash  | Cash                    | Capital                  |
| (ii) Received a cheque from a debtor       | Bank                    | Debtor                   |
| (iii) Took cash from till for personal use | Drawings                | Cash                     |
| (iv) Bought stock on credit                | Purchases               | Creditors                |
6. *State four characteristics of basic human wants. (4mks)*
- Cannot be postponed.
  - Felt needs
  - Are necessities for life.
  - Satisfied before secondary wants.
7. *Identify the type of partners described by the following statements. (4mks)*
- Does not contribute capital but allows his / her name to be used. Nominal / Quasi
  - Is thirty years old . Major
  - Liable for the partnership's debt up to his / her capital contribution. Limited.
  - Plays an active role in the day – to – day management of the partnership. Active.

8. **State four types of demand.** (4mks)  
 (i) Joint demand  
 (ii) Derived demand  
 (iii) Composite demand  
 (iv) Competitive demand.
9. **Name any four services / activities carried out in the process of distribution.** (4mks)  
 (i) Wholesaling  
 (ii) Retailing  
 (iii) Storage  
 (iv) Packaging  
 (v) Insurance  
 (vi) Product promotion  
 (vii) Transportation
10. **State four reasons why books of original entry are important.** (4mks)  
 (i) Relieves the ledger of too many details.  
 (ii) Contains details not found in ledger accounts  
 (iii) Facilitates tracking of errors.  
 (iv) Maintained by different people from those maintaining ledgers hence minimizing chances of fraud and promotes efficiency.  
 (v) Contains information useful when preparing control accounts.
11. **State four situations when the terms of trade for a country is favourable.** (4mks)  
 (i) Price of imports decline while that of exports is constant.  
 (ii) Prices of imports decline, while those of exports increase.  
 (iii) Prices of imports remain constant exports increase.  
 (iv) Prices of exports and imports increase.  
 (v) Where price of export is higher than imports.  
 (vi) Prices of exports and imports decrease where decrease of exports is lower than imports.
12. **Name four benefits derived from division and specialization.** (4mks)  
 (i) Better methods of production due to invention and innovation.  
 (ii) Workers are able to perform tasks in which they are talented.  
 (iii) High quality goods are produced due to regular repetition of tasks.  
 (iv) Enhances standardization of products through mass production.  
 (v) Saves on time and energy since workers do not switch from one job to another.  
 (vi) Lowers cost of production due to extensive use of machinery.  
 (vii) Production of a wide variety of goods.  
 (viii) Firms benefit from economies of scale due to large scale of production.  
 (ix) Great efficiency leads to mass production.
13. **Identify four reasons why the government needs to protect consumers from exploitation** (4mks)  
 (i) To ensure that harmful goods are not sold to them.  
 (ii) To ensure that consumers are offered goods that are of the right weights.  
 (iii) To ensure that contracts entered between consumers and businessmen are honoured.  
 (iv) To ensure the safety of tenants.  
 (v) To ensure that consumers are supplied with goods on regular basis.  
 (vi) To ensure that businesses are housed in safe premises.  
 (vii) To ensure that businesses are housed in hygienic premises.

**14. Identify four types of policies that Uchumi supermarket may take to cover possible risks in the business. (4mks)**

- (i) Motor vehicle insurance policies.
- (ii) Fidelity guarantee insurance policies.
- (iii) Goods and cash in transit policy.
- (iv) Consequential loss policy.
- (v) Workmen's compensation policy.
- (vi) Bad debts insurance policy.
- (vii) Fire insurance policy.

**15. Name four classes of advertisement. (4mks)**

- (i) Persuasive / competitive advertising.
- (ii) Informative advertising
- (iii) Product advertisement
- (iv) Institutional advertisement.

**16. Identify four negative effects of development. (4mks)**

- (i) It may lead to rural – urban migration.
- (ii) May lead to high level of environmental degradation.
- (iii) May lead to emergency of social evils in urban centres e.g prostitution, crimes
- (iv) Leads to loss of people's traditional moral values.
- (v) Leads to stretching of social amenities in urban centres e.g housing, medical facilities and educational facilities.

**17. Highlight four uses of national income statistics to an economy. (4mks)**

- (i) Use to measure rate of economic growth of a country. When output is high it means productivity has improved.
- (ii) Helps the government to plan its economy since it provides useful information required by planners.
- (iii) Used to compare the standards of living of people in a country by comparing the per capita figures.
- (iv) Help the country to know the size and contribution of various sectors to national income hence can take appropriate measures to improve them.
- (v) Shows the progress of the economy over a given period by comparing national income statistics over given period.

**18. Record the following transaction in a two column cash book given below. (4mks)**

June 1 cash balance shs 600 bank overdraft shs 250  
 June 6 bought goods shs 200 and paid in cash  
 June 8 received a cheque of shs 500 from a debtor

Date	Particulars	LF	Cash	Bank	Date	Particulars	LF	Cash	Bank
1/6/10	Bank b/f		600		1/6/10	Balance b/f			200
8/6/10	Debtor			500	6/6/10	Purchases		200	

19. Match the following types of taxes with the appropriate description given below.  
Corporate tax, customs duty, Estate duty, Excise duty.

	Description	Tax
(a)	It is a tax levied on manufactured goods	<i>Excise duty</i>
(b)	It is a tax levied on wealth of a person after death	<i>Estate duty</i>
(c)	It is a tax levied on entry of goods into a country	<i>Customs duty</i>
(d)	It is a tax levied on profits of business enterprises.	<i>Corporate tax</i>

20. McGeorge enterprises supplied the following information about the business as at 31<sup>st</sup> Dec 2016.

Cash in hand	shs 12,000
Creditors	shs. 350,000
Furniture	shs 20,000
Pick up	shs 200,000
Debtors	shs 16,000

**Prepare a balance sheet from the information.**

**(4mks)**

McGeorge Entreprises  
Balance sheet  
As at 31<sup>st</sup> Dec 2016

Assets	Capital + liabilities
Furniture	capital
Pick – up	creditors
Stock	
Debtors	
Cash in hand	
598,000	598,000

21. **Outline five benefits of using e-mail for communication.**

- (i) Reliable – it reaches the designated e-mail address without failure.
- (ii) Accessibility – easily accessed through mobile phones.
- (iii) Confidential – can only be accessed by the secret password/code known by the addressee
- (iv) Fast-messages are sent fast and reach fast as the addressee can get the signal of new messages.
- (v) Cheap – it is affordable as the charges are low.

22. **State four ways in which the government may promote entrepreneurship in a country.**

- (i) Providing grants of cheap credit.
- (ii) Provision of good infrastructure / security.
- (iii) Provision of relevant education and training / regular workshops
- (iv) Protection of local markets / passing anti – dumping laws.
- (v) Lower taxation to crucial businesses.
- (vi) Supporting local research and innovations / patenting local technologies
- (vii) Signing bilateral and multilateral agreements.

**23. Give four Circumstances under which consignment can be air lifted. (4mks)**

- (i) If distance involved is great or long.
- (ii) Incase goods are required urgently.
- (iii) Where the consignment is valuable and needs security.
- (iv) Where products are perishable.
- (v) Where there is no other alternative means.

**24. Identify the business environment to which each of the following factors relate, by ticking in the relevant column.**

factor	Internal environment	External environment
(i) Management cycle		
(ii) Raw materials		
(iii) Employee motivation		
(iv) Population structure		

**25. State four undesirable effects of inflation to the Kenyan economy. (4mks)**

- (i) Weakens the value of the local currency
- (ii) Adverse effect on contractual agreement for provision and supply of goods and services.
- (iii) Decline of standards of living for people earning fixed income.
- (iv) Lenders loose borrowers.
- (v) Inflation discourage savings.
- (vi) Increase the cost in implementing of development plans.
- (vii) Balance of payment deficit.
- (viii) Fall in investment and increase levels of employment.
- (ix) High inflation rates general industrial unrest.