**MARANDA HIGH SCHOOL**

***Kenya Certificate of Secondary Education***

**FORM FOUR**

**565/2**

**BUSINESS STUDIES**

**MOCK EXAMS 2024**

**CONFIDENTIAL M/S**

1(a). **Explain five benefits of advertising to the customer**

Through advertising the customer may be educated on how to use the product.

It may inform the customer about the offers available in the market

Customers may benefit from reduced prices as result of competitive advertising.

Advertisement may guide the customer on where to get the product

Customer may benefit from improved quality of product brought about by competititve advertising.

Through advertising, information relating to price and other features of the product may be availed to the customer

(b). **Explain five merits of localization of firms (10mks).**

It encourages the establishment of support business in the area such as banks, insurance.

It encourages the creation of pool labour which enables firms to meet their labour force requirements

Localized firms are likely to attract others which use the finished goods of the established firms as raw materials therefor creating market for the localized firm

Localized firms are able to easily dispose of their wastes by either selling it to other firms for recycling or by jointly undertaking waste disposal projects.

Concentration of firms in one region area encourages creation of employment opportunities hence improving their standard of living

Concentration of firms in one area encourages the development of roads, communication lines that reduces the cost of doing business

2(a**). Explain five characteristics of economic resources (10mks)**

Scarcity in supply- economic resources are limited/insufficient in supply

Have money value- economic resources have value/price at which they can change ownership

Unevenly distributed- some places may have plenty of a thing while others have less of it or nothing at all

Have utility- economic resources are useful since they satisfy human wants

Have alternative uses- economic resources may be put into different uses.

Can change ownership – economic resources can be transferred from one person to another through sale, donation.

Can be combined – economic resources can be combined in various quantities to produce other goods and services

Can be complimentary –different economic resources may be consumed together

(**b). Explain five factors that may cause unfavourable balance of payments to a country.**

Fall in volume of exports that lead to reduced exports earnings

Deterioration in the country’s terms of trade relative to imports since import expenditure

Would be higher than exports earnings

Increase in volume of imports at a constant exports will lead to higher expenditure on imports

Restriction by trading partners that lead to one country importing more than she is exporting to a restricted partner

Less capital inflow compared to outflow- a country whose profit repatriation is higher than donations and grants received will experience deficit

Over-valuation of domestic currency which encourages importation but discourages exportation.

**3(a). Explain five factors that may lead to distortions of the message during communication (10mks).**

Language barrier –use of foreign languages may lead to wrong interpretation of the message.

Poor listening –lack of willingness from the side of receiver may lead ineffectivesness of communication

Negative attitude- existence of mistrust and prejudice make passing of information difficult.

Poor timing – message sent when one is in hurry may be properly delivered or received

Wrong media – may not convey a confidential message over the telephone effectively.

Emotional responses – anger or excitement may lead to distortion of the message.

Noise –noise interferes with concentration

Unfamiliar non verbal signals –use of gestures, nodding that is unfamiliar to the receiver may lead to wrong interpretation

**(b). Give five differences between perfect competition and monopoly (10mks).**

|  |  |
| --- | --- |
| **Perfect competition** | **Monopoly** |
| There many suppliers | Only one supplier |
| Price is determined by forces of demand and supply | Price is set by the supplier |
| No barriers to entry | There are barriers to entry |
| The products are homogenous | Products are heterogenous |
| Price discrimination is not possible | There is price discrimination |

**4(a). Explain five challenges of embarrassing use office machine in office operations (10mks).**

Initial and maintenance cost of machines are high.

Breakdown may lead to stoppage of whole production process leading to delay

Machines may become outdated due advancement in technology hence being disposed

Machines contributes to unemployment that lead to low standard of living

Some machines require trained manpower who may be difficult and expensive to acquire

Some machines may require special stationery and other materials which increases cost of doing business

Carelessness of workers may results into an enormous wastage of resources

**(b). Explain five problems associated with expenditure approach (10mks).**

No accurate records of expenditure are kept especially in the private sector.

Expenditures for subsistence sector can only be mere approximations due to lack of records

Differentiating between final expenditure and intermediate expenditure may be difficult

It suffers from the problem of double counting

Fluctuating exchange rates may pose challenges especially in valuation of exports

**5(a). Explain five reasons why individuals may decide to come together to start a partnership business (10mks).**

Unlike sole proprietorship, partnership can raise more capital through partners’ contribution

Work is distributed among the partners. This reduces the workload for each partner.

Different talents are combined such that each partner is assigned the responsibility which he can perform best

Unlike sole-proprietorship who bears losses and liabilities alone, these are shared among the partners in a partnership.

There few legal requirements in formation of a partnership compared to a limited liability company

Consultation and sharing ideas among partners may lead to a better decision (10 marks)

b). The following opening balances were extracted from the books of Jacky traders on 1 July 2021

**Details Sh**

Furniture 56,000

Capital 80,000

Creditors 20,000

Debtors 25,000

Bank 11,000

Cash 8,000

The following transactions took place in the course of the month

1. Paid a creditor shs 4,500 in cash
2. Took shs 3,000 from the bank for family use
3. Bought stock shs 18,600 on credit
4. Acquired a 10 year bank loan shs 165,000 which was credited to the business bank account
5. Purchased land worth shs 82,000 paying by cheque
6. Converted a family table worth sh 5,500 to business use
7. Received shs 7,300 in cash from debtors

Required; Prepare KM traders balance sheet as at the end of January 2023**. (10 marks)**

**KM TRADERS**

**BALANCE SHEET**

**AS AT 31ST JAN 2023**

**DR CR**

|  |  |
| --- | --- |
| **ASSETS**  **FIXED ASSETS**  **Furniture 61500**  **Land 82000 143,500**  **CURRENT ASSETS**  **Debtor 17700**  **Cash 10800**  **Bank 91000**  **Stock 18600 128,100**  **281,600** | **CAPITAL AND LIABILITIES**  **Capital 82,500**  **LONG TERM LIABILITY**  **10 year bank loan 165000**  **SHORT TERM LIABILITY**  **Creditors 34,100**  **281,600** |

**6(a) Explain five importance of observing ethical issues in business (10mks).**

Ensures no discrimination in areas such as recruitment, promotion, training by giving everyone an equal opportunity.

Ensures fair play in competition by prohibiting destroying competitors promotional materials

Helps in avoiding environmental degradation by encouraging afforestation, contour ploughing

Ensures the rights of employees are upheld through payment of salaries on time

Eliminates use of unfair means of achieving business objectives by ensuring that business organization carry out operations in a professional manner

Avoids consumer exploitation by charging them fairly, selling right quantity.

(b). the information below relate to the trial balance of Songo Traders as at 30 June 2017.

Songo Traders

Trial balance as at 30 june 2017

|  |  |  |
| --- | --- | --- |
| Particulars | Dr shs. | Cr shs. |
| Stock on 30/6/2016  Capital  Purchases and sales  Drawings  Furniture and fittings  Motor vehicle  Debtors and creditors  Returns  Discounts  Rent  Insurance  Bank  Stock on 30/6/2017 | 4,00  3,500  6,00  2,000  15,000  8,00  150  90  210  5,00 | 13,870  7,000  1,200  2,00  80  1,00  300 |

Required :

(i). Prepare Songo trading, profit and loss account for the year ended 30/6/2017.

(ii). Balance sheet as at 30/6/2017 (12mks).

**SONGO TRADERS**

**TRADING, PROFIT AND LOSS ACCOUNT**

**DR FOR THE PERIOD ENDING 30 TH JUNE 2017 CR**

|  |  |
| --- | --- |
| Opening stock 400  Add purchases 3,500  Less return outwards 200 3,300  G.A.F.S 3,700  Less closing stock 500  C.O.G.S 3,200  Gross Profit c/d 3,650  6,850  **EXPENSES**  Discount Allowed 90  Insurance Allowed 210  Net Profit c/d 3,530  3,830 | Sales 7,000  Less Return Inwards 150  Net sales 6,850  6,850  Gross profit b/d 3650  **REVENUES**  Rent Received 100  Discount Received 80  3,830  Net Profit c/d 3,530 |

**SONGO TRADERS**

**BALANCE SHEET**

**DR AS AT 30TH JUNE 2017**  **CR**

|  |  |
| --- | --- |
| **ASSESTS**  **FIXED ASSESTS**  Furniture 2,000  Motor Vehicle 15,000  **CURRENT ASSESTS**  Stock 500  Debtors 800  18,300 | **CAPITAL AND LIABILITIES**  **Capital** 13,870  Add Net Profit 3,530  Less Drawings 600  16,800  **LONG TERM LIABILITY**  Bank overdraft 300  **SHORT TERM LIABILITY**  Creditors 1,200  18,300 |