**COMMERCE**

**SETION A**

1 .C 11.D

2. C 12.C

3. C 13.B

4. C 14.C

5. A 15.C

6. B 16.C

7. A 17.D

8. A 18.B

9. A 19.B

10. D 20.C

**SECTION B:**

1. Production is the process of transforming inputs (raw materials) into inputs (finished products) so as to satisfy human needs. OR the process of creating utility in goods and service in order to satisfy human wants (2marks)
2. The factors that influence a producer to bring particular goods to the market include;

* The price of the commodity
* Price of related commodities i.e. substitutes and complements
* Prices of factors of production
* Natural factors / weather conditions for agricultural commodities
* Methods of production i.e. modern technology or rudimentary technology
* Gestation period for the commodity
* Government policy in from of taxation or subsidization producer
* The goals or aims(s) of the producer
* The number of suppliers in the industry
* The demand or market size for the commodity
* The means of transport and communication

**(9 x 2 = 18: 1 mk point, 1 mk explanation)**

1. Economies of scale are benefits or advantages that a business firm enjoys as a result of large scale operation (2mks)

**While**

Diseconomies of scale are the disadvantages faced by a firm as it expands its scale of production (2mks)

b) Economies of large scale production include;

* Technical economies; - these are benefits enjoyed by firms due to the use of better machines and modern techniques of production
* Managerial economies; - large firms can afford to employ specialists or managers who can work in different departments
* Marketing economies; large scale firms enjoy marketing befits of buying large quantities and therefore able to get discounts
* Financial diseconomies; - it is easy for large firms to get a loan from financial institutions because of having collateral security
* Research economies; - large scale firms can afford to carry out research at a lower cost so as to increase on its output as well as the quality
* Risk bearing economies;-a large firm can produce a variety of products and sell them in different markets
* Staff welfare economies. Large firms can afford to provide welfare facilities to their workers e.g medical care, transport which makes them contented and hence increase in their productivity
* Transport economies; the more the output transported the less is likely to be the cost per unit
* Storage economies – a large firm with large stores can store its output with large stores can store its output less costly compared to a small firm;

**(8 x 1 = 8 mks)**

**Diseconomies of scale include;-**

* Managerial diseconomies as a result of expansion of the business
* Delay in decision making due to bureaucracy
* Large firms can’t easily change firm one business to another
* There are a number of risks due to the large scale production
* Loss of personal touch with customers as a firm expands its scale of operation
* Marketing diseconomies due to increase in marketing costs due to competition for markets
* Labour diseconomies – a large number of workers result into unavoidable Labour conflicts
* Technical diseconomies- machines wear away and resources have to be put aside for maintenance and this increases cost per unit of output

**(4 x 2 = 8mks)**

1. Features of small scale retailing;

* Little capital invested
* Area of operation is small
* Labour is often obtained from family circles
* Limited access to external sources of capital
* No proper accounting record keeping
* Small market sphere
* Business is flexible **(5 x 1 = 5 mks)**

b) Qualities of a good retailer

* Should be pleasant, polite, kind to his customers
* Should have experience or relevant knowledge about the business
* Should fore tale demands of his customers
* Should maintain cleanliness or proper hygiene of the place
* Should be a good administrator
* Should be honest to his customers
* Should pay his suppliers promptly
* Should practice good salesmanship
* Should keep good financial records to keep track of the progress of his business
* Should know his customers personally  **(5x1 = 5mks)**

c) Factors that influence the distribution of goods and services include;

* Nature of the goods i.e. either perishables or durables
* Distance between the buyers and sellers
* Size and number of producing firms
* Availability and cost transport of goods
* Government policy
* Communication system available
* Climatic factors
* Security of the place
* Prices of the goods
* Geographical factors like hills, mountains
* Marketing system in existence (**10x 1 = 10mks)**

24. Methods used in carrying out restriction in foreign trade include;

* Imposing heavy tariffs (taxes)
* Imposing / fixing import quotas
* Imposing a total ban
* Foreign exchange control method
* Trade agreements
* Import substitution strategy
* Sanitary regulations
* Offering subsidies to local infant industries
* Administrative controls
* Devaluation **(5x2 = 10mks: 1 mk point, 1 mk explanation)**

b)

* To protect her infant domestic industries against competition with foreign goods
* To control imported inflation
* To discourage dumping of goods
* To reduce dependency on other countries
* To discourage importation of dangerous goods
* To encourage employment opportunities in home industries
* To improve the balance of payment position of a country
* To encourage domestic industrial investment and production
* To get revenue for the government
* To reduce out flow of essential or strategic goods to the country
* To encourage use of local resources **( 10 x1)**

1. Sources of capital to business units include

* Owners personal savings
* Borrowing from financial institutions/ friends
* Retained profits of the business
* Trade / supplier credit
* Family contribution
* Advance from customers
* Selling shares
* Merging
* Inheritance
* Sale of personal property

**(Any 5 x 2, 10 = 1 mk point, 1 mk explanation)**

b) Contents of the partnership Act include

* Every partner has a right to take part in the conduct of the business
* In case of any disagreement a decision may be taken by majority of the partner
* All profits and losses are shared equally
* No interest is to be allowed on capital and drawings
* No salary is allowed to any partner
* A 5% interest is to be paid on any loans advanced to the business by a partner
* Every partner will have a right to inspect the firms books or accounts ( 5 x1= 5 mks)

c). Under what circumstances may a partnership business be terminated?

* Voluntary dissolution i.e. by consent of all partners
* By notice i.e. if a partner in writing expresses his intention to others to dissolve the partnership
* If a partner becomes insane, bankrupt or dies
* If a law is introduced banning the activities of the business being carried out
* Expiry of the agreed period i.e. when it was a temporary partnership
* Dissolution y courts of law due to persistent losses, misconduct and violation of partnership deed by a partner(s) **( 5 x1 = 5 mks)**

26. Elements of transport include

* The way – this is a surface on which goods or people move
* Unit carriage- instrument for carrying both people and goods
* Methods of propulsion- refers to the force or power which drives the unit of carriage
* Terminal- this is a point where goods are loaded or off loaded **( 4 x1=4 mks)**

b) Factors considered before choosing a means of transport include

* Flexibility of the means of transport
* Existence of terminal points
* Nature/ kind of the goods
* Bulkiness of the goods
* Weight of the goods
* Speed and urgency of the goods
* Cost of transport
* Risks involved in using means of transport
* Distance o be covered

c) Advantages of containerization

* Minimizes the cost of constructing ware houses
* Minimizes damage to goods
* Enables use of modern cargo handling machines
* Eases movement of goods because of use of containers
* Takes up small space because goods are packed in containers
* Special type of containers may be built to handle special type of goods
* Enables accommodation of large quantities of goods with in the container
* It is safe and lower insurance premium is paid **( 6 x 1 = 6 mks)**

1. Communication is the process of exchanging information between the sender and the receiver or it is the transmission of information from one place to another **( 2 mks)**

**While**

Communication process in the systematic way /steps followed to convey a message between different parties **(2 mks)**

b) Factors considered when choosing a communication media include

* Need for feed back
* Cost involved
* Need for accuracy
* Need for reference
* Urgency of message
* Confidentiality
* Details involved in message
* Distance involved

**(6 x 1 = 6 mks)**

c) Factors that enable effective communication

* Message being clear
* Message being concise
* Message being precise
* Message put into consideration the receiver
* Message being correct
* Message being timely
* Good environment with out interference
* Trust in the person communicating the message
* Message being interesting
* Good personality of the sender
* Good listening skills of the receiver
* Good retention capacity of the receiver
* Proper planning for the massage

**(10 x1= 10 mks)**

1. ,i) working capital= current asset – current liabilities ( 1 mk)

=475000+360,000+46,300+ 103700 -200,000+285,000+ 100,000 **(1 mk)**

=985000- 585000= sh400, 000 (2 mks)

ii) Capital employed=

=fixed assets + working capital (2 mks)

=850,000+ 230,000+ 120,000+ 400,000 **(1 mk)**

= sh1, 6000,000

iii) Capital owned = total assets – total liabilities **(2 mks)**

=2,185,000 -1,085,000 **(1 mk)**

= sh1, 100,000 **(1 mk)**

iv) Fixed capital

=total of fixed assets **(2 mk)**

=850,000 +230,000+ 120,000 **(1 mk)**

=sh1, 200,000

v) Current ratio

=

= **(1 mk)**

= **(1 mk)**

=1.6 **(1 mk)**

**END**