
FORM 4 ENTRANCE EXAMS 2024

Kenya Certificate of Secondary Education

565/2-BUSINESS STUDIES - Paper 2

February 2024 – 2 hours

Name Adm no.

Candidate's Signature Date

Instructions to Candidates

- a) This paper consists of six questions.
- b) Answer any **five** questions.
- c) Answers should be written in the spaces provided after question six.
- d) All questions carry equal marks.
- e) Students should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.
- f) Students should answer the questions in English.

For Examiner's use only

QUESTION		1	2	3	4	5	6
MARKS	a)						

	b)						
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1 a) Explain **five** benefits of division of labour and specialization to an organization. (10marks)

b) ABC Company wishes to start a manufacturing firm, explain **five** factors that they will consider before deciding where to locate their firm. (10marks)

2. a) Motorcycles (Bodaboda) are gaining popularity as a means of transport especially in the rural areas. Explain **five** reasons for this trend. (10marks)

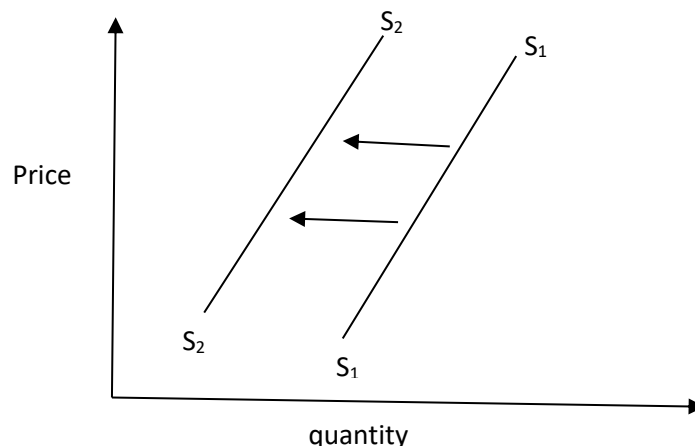
b) On 1st January 2020, Juma traders had shs 50,000 cash and a bank overdraft of shs 30,000.

During the month the following transactions took place;

2 nd January 2020	Made cash sales of shs 400,000
5 th January 2020	Received a cheque of shs 450,000 from Jacob traders in full settlement of their debt after allowing a 10% cash discount.
7 th January 2020	Paid rent in cash shs 20,000
12 th January 2020	Took cash shs 40,000 to settle a personal debt.
14 th January 2020	Deposited shs 20,000 from the cash till in the business bank account.
17 th January 2020	Purchased stock on credit from Bernard distributors worth shs 20,000
20 th January 2020	The cheque received on 5 th January was dishonored.
23 rd January 2020	Cash sales of shs 50,000
25 th January 2020	Settled Charity's account of shs 200,000 by cash less 3% cash discount.
28 th January 2020	Cash sales banked directly shs 39,000
30 th January 2020	Paid Pendo trader's shs 124,000 in cash after deducting a cash discount of shs 6000.
31 st January 2020	Deposited all cash in the bank account except shs 1000.

3 a) Explain **five** reasons for government involvement in business. (10 marks)

b)



Explain **five** reasons that may account for the above trend. (10 marks)

- 4 a) Jamal took an insurance policy and eventually suffered a loss as a result of occurrence of the insured risk. Explain the procedure that he would follow when making a claim from the insurer. (10 marks)
- b) Outline **five** principles of co-operatives. (10 marks)
5. a) Explain **five** factors that may have contributed to high rate of unemployment in a country like Kenya. (10 marks)
- b) Explain **five** types of small scale retailers with shops. (10 marks)
- 6 a) The following balances were extracted from the books of Silker Traders on 1st January, 2022.

	Kshs.
Capital	?
Creditors	680,000
Motor van	1,200,000
Bank	800,000
Stock	600,000
Debtors	820,000
Cash	700,000

The following transactions took place during the first week of January, 2022.

Jan 2: Paid a creditor Ksh.180,000 by cheque.

Jan 3: Sold goods worth Ksh. 160,000 for which Ksh.120,000 cash was received and balance was due at the end of the week.

Jan 4: The owner took goods worth Ksh.5,000 for home use.

Jan 5: Sold goods worth Ksh.200,000 for Ksh.237,000 on credit.

Jan 6: Received Ksh.330,000 from Keiyo distributors a debtor by cheque.

Required:

- i) Ascertain Silkertraders capital as at 1st January, 2022. (2 marks)
- ii) Draw Silker Trader's balance sheet as at 7th January, 2022 showing the items in their relevant classes. (10 marks)
- b) Explain **four** personal considerations to be put into account when evaluating a business opportunity. (8 marks)

FORM 4 ENTRANCE EXAMS 2024

PAPER TWO MARKING SCHEME

1 a) Explain **five** benefits of division of labor and specialization to an organization. (10marks)

- a. Workers skills are enhanced because of performing repetitive tasks, resulting in creation of experts leading to increased productivity.
- b. Workers suffer less fatigue as they concentrate on doing one task in one place hence improving efficiency.
- c. New talents and inventions are developed as workers perform repetitive tasks hence one can detect and correct weaknesses in the techniques used
- d. Work is done at a faster rate due to repetitive nature of tasks and reduced movement of workers from one station to another
- e. Goods and services produced are usually of high quality since skills of workers are matched with tasks
- f. Use of machines is made possible leading to standardization of products and lower production cost, which in turn leads to higher profits
- g. Overall output increases because work is done at faster rate
- h. Planning and management of workers becomes easy which increases efficiency in organization

1b) ABC Company wishes to start a manufacturing firm, explain **FIVE** factors that they will consider before deciding where to locate their firm. (10marks)

a. Availability of Raw materials

Firms should be located near the source of raw materials needed by the business/Appropriate raw materials needed by the firm.

b. Availability of Labour (Human Resources)

-Labour intensive firms must be located in areas where there is both abundant labour force and appropriate labour force need which can be either skilled,semi skilled or unskilled

-Firms requiring labour of any kind maybe located in the urban centres because in such areas labour is in plentiful supply

-Location of the firms near the source of labour reduces the cost of transporting labour force to factories and also reduces time wasting in transporting labour from far.

c. Availability of Market

A firm may be located near the market for its products to cut down on production costs .i.e to avoid the costs involved in transportation of the finished products./locating near the population that they can sell their products to.

d. Appropriate Transport and Communication network

Firms will choose those locations that have well-developed transport facilities that will facilitate easy movement of goods and easy communication.

e. Adequate Power and Water Supply

firms that require a lot of power and water need to be located where there is adequate supply of these factors to facilitate ease in the production,

f. Government policy

The government may formulate policies that may have implications on the location of the firms, especially with regard to physical planning. Such planning may be aimed at checking rural-urban migration, environmental degradation or for strategic concerns. A firm should consider policies regarding the business.

g. **Proximity to auxiliary services:** a firm should consider availability of institutions such as existence of banks and insurance companies where they easily access their services.

h. **Availability of security services:** Firms will tend to avoid locations that do not have adequate security for the safety of the firm's property.

i. **Social amenities:** Some firms take into account various activities and institutions that will benefit their employees. Such will include hospitals, schools, social halls or studios.

j. **Availability for ample room for expansion:** Businesses will tend to prefer locations that can provide ample space to grow in future. This will eliminate the need for relocation when the firm experiences expansion

k. **Climate:** This is an important factor for agro-based businesses (such as floriculture, horticulture, dairy farming e.t.c) which have to seek locations with suitable climatic conditions depending with the nature of the business.

2 a) Motorcycles (Bodaboda) are gaining popularity as a means of transport especially in the rural areas. Explain five reasons for this trend. (10marks)

- a. Cheap to buy and maintain hence most riders can afford
- b. It is faster than human portage
- c. Can be used in areas which other means cannot access.
- d. Can carry fairly heavy load compared to human portage.
- e. It is flexible since it can change routes depending with the need.
- f. It is a source of employment to the youth
- g. Availability of better/fair terms of sale of bodaboda

2b)

JUMA TRADERS
THREE COLUMN CASH BOOK
FOR THE MONTH OF JANUARY 2020

DR					CR				
Date	particular	Discount a	Cash	Bank	Date	Particulars	Discount r	Cash	Bank
1/1/2020	Bal b/d		50,000		1/1/2020	Bal b/d			30,000
2/1/2020	Sales		400,000						
5/1/2020	Jacob	50,000		450,000	7/1/2020	Rent		20,000	
					12/1/2020	Drawings		40,000	
14/2/2020	Cash (c)			20,000	14/1/2020	Bank (c)		20,000	
					20/1/2020	Jacob			450,000
23/1/2020	Pendo		50,000		25/1/2020	Charity	6,000	194,000	
28/1/2020	Sales			39,000	30/1/2020	Wetu	6,000	114,000	
31/1/2020	Cash			112,000	31/1/2020	bank		112,000	
					31/1/2020	bal c/d		1,000	141,000
		<u>50,000</u>	<u>500,000</u>	<u>621,000</u>			<u>1,200</u>	<u>500,000</u>	<u>621,000</u>

3a) Explain five reasons for government involvement in business. (10 marks)

- To prevent exploitation of the public by the private sector-especially in the provision of essential goods and services by regulating the quality of goods consumed
- To provide essential goods and services in areas where private individuals and organizations are unwilling to venture because of low profit or high risks
- To provide essential goods and services which private organizations are unable to provide due to the large amount of initial capital required
- To attract foreign investment by initiating major business projects
- To stimulate economic development in the country e.g by improving infrastructure and enhancing security
- To provide goods and services which are too sensitive to be left in the hands of the private sector e.g fire arms
- To create employment opportunities by initiating major projects that will create job opportunities e.g kazi kwa vijana.
- To prevent foreign dominance of the economy by investing in areas where the locals are not able to

3 b) Explain five reasons that may account for the above trend . (10 marks)

- Low levels of technology leading to reduced volumes of production.
- Increased cost of production- increased production costs might force some producers out of business resulting in lower total supply of the commodity
- In availability of the factors of production- inadequate raw materials or shortage will lead to a decline in the supply of the affected product
- Decrease in prices of goods produced jointly- e.g commodities such as kerosene and diesel are produced jointly such that a decline in prices of diesel will tend to reduce on the supply of kerosene
- Increased taxes on factors of production-these would lead to increased cost of production which would later discourage production
- Future expectation of an increase in prices may make the producers to hoard what they have with the aim of selling it when the price increase

- Withdrawal of subsidies by the government
- Unfavorable seasonal changes
- Withdrawal of firms from the industry

4. a) Notifying the insurer- Immediately the risk insured against occurs, the insured should inform the insurer
 - Filling a claim form- After notification the insurer completes the official claim giving all the details relating to the occurrence of the risks
 - Investigation of the claim – once the claim form is filled the insurer launches an investigation concerning the cause of the occurrence of the risk
 - Preparation of the assessment report- after establishment that the claim is valid, the insurance company uses experts called assessors to prepare a report concerning the extent of the loss suffered
 - Payment of the claim- On receiving the assessors report, the insurance company makes arrangements to pay the insured.
- 4 b) *Open and voluntary membership* - Any member of the society is free to join or leave /withdraw from the society at will without any restriction so long as they common interest.
- *Democratic administration* - Voting for committee members is usually based on one – vote, one – man.
- *Co-operation with other Co-operatives* - Societies should co-operate with other societies in order to share ideas that can improve their operations
- *Promotion of Education to Members* - Societies are supposed to educate their members on their activities so that they can actively be involved in all their programs or activities
- *Provision of dividends to members* - Any profit realized by the society is shared among members based on their shares contributions.
- *Limited interest on share capital* - Interest is paid to members based on their capital
- 5a) *High/rapid population growth rate* which will increase the demand for few jobs available as the labour force is large
- *Use of capital intensive methods of production(high levels of technology)* which tend to replace existing labour/workers and its unable to create more jobs e.g. use of many machines
- *Inappropriate education system* which does not provide learners with skills required by employers /give skills to seek for white collar jobs
- *Lack of product market* due to demand deficiency.
- *Inadequate co-operant factor inputs/finance/capital* hence many people are unable to engage in production /economic activities that will make them be self employed
- *Increase in rural - urban migration* which leads to high demand for few jobs in urban areas due to a large labour force
- *Seasonality in production* such that during the peak seasons, employment is high and during the off peak season, employment is low as it is in agricultural sector, tourism and travel business.

5b) a). Kiosks

These are small shops or simple semi- permanent structures found mostly in residential areas, busy streets, highly populated areas or inside building where people pass by or work

b). Market stalls

Are permanent stands found in market places, they are open daily and are constructed and owned by local County Government.

c). Single shops (unit shops)

Single shops are mostly located in the trading or market centres in rural areas or in the residential areas of towns/They are operated from fixed premises

d). Tied shops

These are shops that mainly sell the products of one particular manufacture or are owned by a specific supplier of certain goods.

e). Canteens

These are retail shops found in institutions such as schools, colleges, hospitals and army barracks/they stock a variety of consumable goods such as sodas, bread, tea, groceries and other things used by the people in that institution.

f). Mobile shops

Mobile shops, like itinerant traders move from town to town or village to village selling their goods/they have vehicles that they have converted into a shop from which customers can buy their goods

6a)

$$\begin{aligned} \text{a) } C &= A-L \\ &= (1,200,000+600,000+820,000+800,000+700,000) - (680,000) \\ &= 3,440,000 \end{aligned}$$

b) Workings:

Capital	3,440,000	3,440,000
Creditors	680,000 – 180,000	500,000
Motor van	1,200,000	1,200,000
Bank	800,000-180,000+330,000	950,000
Stock	600,000 -160,000-5,000 -200,000	235,000
Debtors	820,000+40,000+237,000	1,097,000
Cash	700,000+120,000-330,000	490,000
Drawings	5,000	5,000
Profit	37,000	37,000

<p style="text-align: center;">Silker Traders Balance Sheet As at 7th January, 2022V</p>			
F.Assets	Sh.		Sh
Motor van	1,200,000V	Capital	3,440,000V
		Add N. profit	37,000V
C. Assets		Less Drawings	<u>5,000V</u>
Stock 235,000V			3,472,000
Debtors 1,097,000V		C. Liabilities	
Bank 950,000V		Creditors	500,000V
Cash <u>490,000V</u>	<u>2,772,000</u>		
	<u>3,972,000</u>		<u>3,972,000</u>

10 v*½= 10 marks

6b)

- Objectives – The entrepreneur should evaluate the business idea to find out whether it is in line with his/her objectives.
- Skills – Where a business requires certain specialized skills and those skills are lacking the idea may be dropped.
- Commitments – Where the business is likely to interfere with the entrepreneurs other commitments it may fail/Entrepreneurs time for the business.
- Interests – It is necessary to check whether the intended business will interest the entrepreneur or not. If the entrepreneur will not enjoy running the business, the idea should be dropped./ Passion of the entrepreneur towards the business