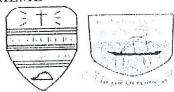
NYAHOKAKIRA JOINT EXAMINATIONS, 2023

Kenya Certificate of Secondary Education (K.C.S.E)

565/1		
BUSINESS	STUDIES	PAPER

1 MARKING SCHEME

JULY / AUGUST 2023





1. Outline four features of labor as a factor of production.

a) It's a basic factor of production — Productivity can be improved

b) Its reward is salaries / wages/commissions — through means such as training

- c) Labour is mobile Voccupationally & geob
- d) Laborers sell their labor and not themselves
- e) Labour cannot be separated from the owner
- 1) It cannot be stored / Highly Perishable /

 $4 \times 1 = 4 Marks$

2. State four types of partnership.

Tradina a) Ordinary partnership.

b) Limited partnership.

c) Temporary partnership.

d) Permanent partnership.

Name the internal environment whose effects are described by the following statements

	Effect	Internal environment
a)	Allows duties to be allocated to the right people thus resulting in higher productivity	Business structure
	Skills and methods used in production	Business resources
b)	Skills and methods used in production	Business culture
c)	to all	
d)	Useful in generating new ideas and new methods of production	Research

 $\times 1 = 4 Marks$

- 4. Outline four ways in which land influences the location of industries.
 - a) Cost of the land.
 - b) Availability of room for expansion.
 - c) Government policy on land utilization.
 - d) The nature of the land in terms of aspects like terrain.
 - e) Proximity to auxiliary services.
 - f) Nearness of the land to raw material source.

 $4 \times 1 = 4 Marks$

- 5. Give four reasons why government levies taxes.
 - a) To generate revenue.
 - b) To ensure equitability in redistribution of wealth.
 - c) To maintain economic stability.
 - d) To regulate imports and exports.
 - e) To protect local industries,
 - f) To discourage consumption of harmful product.
 - g) To control inflation by reducing the disposable income L

 $4 \times 1 = 4 Marks$

	1		
17		Outline four factors that may make a producer to bypass the wholesaler when distribution makes a producer to bypass the wholesaler when distribution makes a producer to bypass the wholesaler when distribution makes a producer to bypass the wholesaler when distribution makes a producer to bypass the wholesaler when distribution makes a producer to bypass the wholesaler when distribution makes a producer to bypass the wholesaler when distribution makes a producer to bypass the wholesaler when distribution makes a producer to bypass the wholesaler when distribution makes a producer to bypass the wholesaler when distribution makes a producer to bypass the wholesaler when distribution makes a producer to bypass the wholesaler when distribution makes a producer to bypass the wholesaler when distribution makes a producer to bypass the wholesaler when distribution makes a producer to bypass the producer when distributin	uting good
·		bear to bynass the wholesaler when distrib	u9 5
		Outline four factors that may make a producer to by pass a) When goods are highly perishable hence need to deliver fast a) When goods are highly perishable hence need to deliver fast a) when goods are highly perishable hence need to deliver fast a) when goods are highly perishable hence need to deliver fast a) when goods are highly perishable hence need to deliver fast a) when goods are highly perishable hence need to deliver fast a) when goods are highly perishable hence need to deliver fast a) when goods are highly perishable hence need to deliver fast a) when goods are highly perishable hence need to deliver fast a) when goods are highly perishable hence need to deliver fast a) when goods are highly perishable hence need to deliver fast b) when goods are highly perishable hence need to deliver fast a) when goods are highly perishable hence need to deliver fast b) when goods are highly perishable hence need to deliver fast b) when goods are highly perishable hence need to deliver fast b) when goods are highly perishable hence need to deliver fast b) when goods are highly perishable hence need to deliver fast c) when goods are highly perishable hence need to deliver fast c) when goods are highly perishable hence need to deliver fast c) when goods are highly perishable hence need to deliver fast and the fast are highly perishable hence need to deliver fast are highly	
	6.	Outline four factors highly perishable hence need to don't	
		a) When goods are highly perishable hence need to b) Where the manufacturer has his own retail outlets b) Where the manufacturer wishes to have direct contact with the consumers	
		b) Where the manufacturer wishes to have direct contact with the	
		 a) When goods are highly perton b) Where the manufacturer has his own retail outlets c) Where the manufacturer wishes to have direct contact with the consumers d) Where the market for the product is limited d) Where the market for the product is limited 	
		d) Where the market for are expensive, causing high risk levels	
		d) Where the market for the product is filmted e) Where goods are expensive, causing high risk levels where goods are expensive, causing high risk levels e) Where goods are expensive, causing high risk levels c) appetition of the product is filmted e) Where the market for the product is filmted e) Where the market for the product is filmted e) Where the market for the product is filmted e) Where the market for the product is filmted e) Where goods are expensive, causing high risk levels e) Where goods are expensive, causing high risk levels e) Where goods are expensive, causing high risk levels e) Where goods are expensive, causing high risk levels e) Where goods are expensive, causing high risk levels e) Where goods are expensive, causing high risk levels e) Where goods are expensive, causing high risk levels e) Where goods are expensive, causing high risk levels e) Where goods are expensive, causing high risk levels e) Where goods are expensive, causing high risk levels e) Where goods are expensive, causing high risk levels e) Where goods are expensive and the product is film to the product in the product is fill to the product in the product in the product is fill to the product in th	
		h Where the market is contained according to consumers specificant	
		g) Where the goods are produced according to the prices low where the producer wants to keep the prices low where the producer wants to keep the prices low to do not require bulk breaking	. ar males
			$4 \times 1 = 4 Marks$
		h) Where the producer wants to keep the producer	ting machine with a
		Where the commodity is a serious office manager think of replacements	[4]
		i) Where the goods do not require bulk breaking i) Where the goods do not require bulk breaking j) Where the commodity is a service. j) Where the commodity is a service. 7. Under what four circumstances would an office manager think of replacing an exis	nave changed
		modern one what your modern one i) Where training skills I	ble of reducing fraud
		modern one a) When it has outlived its usefulness j) If the machine is capal where training is the machine is capal ii) where training is the machine is capal iii) where training is the machine is the machine is capal iii) where training is the machine is	
		a) When it has outlived its userumess b) Where a faster machine is required b) Where a faster machine is required	$4 \times 1 = 4 Marks$
		b) Where a faster machine is required c) Where high quality work is required c) Where high quality work is required	
		d) Where he wants to save on labor Where he wants to save on labor	
		d) Where he wants to save on where maintenance cost is high e) Where maintenance cost is high where maintenance cost is high the wants to save on which is here to improve image of	
		f) Where there is not a simple of the control of th	n = n = 1
		g) Where there is need for increased production g) where there is need for increased production.	
			3.5
		h) If the new one is capacity 8. What each insurance term stands for: Insured/ Policy holder	u s s off
		8. What each insurance to Insured/ Policy holder	
		8. What each insurance term stands for, a) Kazi moto	4 Marks
		1) Fino	$4 \times 1 = 4 Marks$
		c) Kshs. 300,000	ler developed.
		d) MOIO Hoto cont	rels. High temple
		d) Moto moto company Insurer / Insurance Company d) Moto moto company Insurer / Insurance Company 9. Write down four circumstances under which a country may be classified as under a) When there is high population growth. b) When high proportion of labor engages in agriculture. Subastence Sector b) When high proportion of labor engages in agriculture.	Marge mentil
		a) When there is in 8 1 1 an angages in agriculture	a dictionally
		a) When there is high proportion of labor engages in agriculture. Subdefine the second of the second	c in vestments
			AX1 = 4 Marks
		d) When there is low levels of When they are foreign trade oriented. The property level.	
		e) Where there is high poverty level. Where there is high poverty level. Which a gap may exist in a market and the level of the level	
		d) When they are loteign date e) Where there is high poverty level. 10. Highlight any four circumstances under which a gap may exist in a market	
		a) Where some products are unavailable a) Where some products are unavailable a) Where some products are of poor quality	
		a) Where some products are under the whole some products are under the who	
		b) Where goods offered are of pool quantities of goods c) Where there are insufficient quantities of goods c) Where there are insufficient quantities of goods	$4 \times 1 = 4 Mark$
		d) Where the prices of good where the producers e) Where poor services are offered 11. Highlight four roles of shows, trade fairs and exhibitions to the producers are compared before making any decision and this may increase the compared before making any decision and exhibitions to the producers.	rates volume for the produce
		Wheth four roles of shows, trade tairs and extraction and this may increase	sales volunto for products to
		11. Highinghi Tour has compared before making any decision and explain various	teatures of their pro-

a) Products can be compared before making any decision and this may increase sales volume for the product b) Salespeople/Producers get an opportunity to demonstrate and explain various features of their products to

d) General attendance in a stall would enable an organization to assess the market potential for its products c) Immediate feedback is available to the producer.

.

α.

S. Carrier

a many

= ,

2

3 _

12. The table below shows descriptions relating to some documents used in international trade

	Description	Document
a)	Shows from which the county the goods come from.	Certificate of origin
b)	Written by exporter authorizing the bank to sell goods on his behalf.	Letter of hypothecation
c)	Allow importer to get goods on credit and cannot be changed by the importer without exporters permission.	Letter of Credit
d)	Helps in quicker clearance and it is issued by the country's official abroad.	Consular invoice

 $4 \times 1 = 4 Marks$

- 13. Based on recent accidents on Kenyan roads, state four measures which state may put in place to bring sanity to the transport sector.
 - a) Fixing of safety belts.
 - b) Fixing of speed governors to monitor recommended speed.
 - c) Setting capacity of passengers in a matatus.
 - d) Use of alco blow to detect drunk motorists
 - e) Dual -carriage roads are being developed in various parts to ease congestion and minimize accidents
 - f) Enforcing registration of Matatus to form saccos for ease of monitoring the fleets
 - g) Construction of road by-passes / fly-over's to reduce congestion in town centers

 $4 \times 1 = 4 Marks$

- 14. Identify four factors that may be contributing to income disparity between the rich and poor citizens in Kenya.
 - a) Individual talents and personal endowment.
 - b) Inheritance from parents.
 - c) Difference in natural resource endowment.
 - d) Difference in stock capital equipment.
 - e) Differences in entrepreneurial cultures in the two countries.
 - f) Differences in stock of manpower.
 - g) Differences in general attitude of people towards work.
 - h) Availability and states of technology.

 $4 \times 1 = 4 Marks$

15. Enter the following transactions in the relevant books of prime entry of Kaplong traders:

Sales return Journal

Details	Credit note	Folio	Amount
Mutahi trader	104		1500
Otieno	106		500
	Mutahi trader	Mutahi trader 104	Mutahi trader 104

Purchases Journal

Date	Details	Invoice no.	Folio	Amount.
7/6/2023	Saleem trader	216		550
25/6/2023	Makori trader	300		900

16. Factors that determine the size of a population in a country:

- a) Birth rate
- b) Death rate
- c) Emigration rate
- d) Immigration rate

 $4 \times 1 = 4 Marks$

17. Differences between Perfect Competition and monopoly market structures:

Perfect	Competition	Monopoly
a)	Has many buyers and sellers	Single seller with many buyers
.b) -	Price discrimination is not possible Verget	Price discrimination is possible Lack of know
c)	Price is set by forces of demand and supply	Monopolist sets prices
d)	Firms are price takers	Firm is the price maker
e)	Free entry and exit into the industry	Entry into the firm is restricted
f)	No single firm has control over the factors of production	A single firm controls the factors of production

Products are homogèneous - Products have no close at $4 \times 1 = 4 Marks$

18.

Rapogi Traders Profit and Loss account

		For the year	rending 31" I	Dec 2022	
		Ksh.			Ksh.
Expenses		1 1 dt 18	¹ Incomes		the Act
Discount allowed		2,000	Gross Profit	to the state of	122,400
Salaries and wages		30,000	Commission	Received	7,000
Premiums		2,300	Rent income		10,000
Lighting		8,000	1 1		
Carriage outwards		4,000		st 2	
Net Profit c/d	-10	93,100			. /
		<u>139,400</u>		15 E1	139,400

 $\times 1 = 4 Marks$

19. Highlight four circumstances under which a proforma invoice may be used.

- When the seller wishes to request for payment before the goods are delivered to the buyer.
- when the seller does not want to give credit to the buyer b)

- If the exporter wants to issue to an agent who sells goods on behalf of the seller c)
- When the importers want to get customs clearance before the goods are sent d)
- When it can serve the same purpose as the quotation. e)

 $4 \times 1 = 4 Marks$

	20 E	Errors that may not be detected by a trial balance:	
3	0	a) Figure of emissions Novecord/ entry of transaction is made in the ledger accounts	
	la,	b) Error of commission. A transaction is recorded in the wrong account but of the same class w	ith the correct
	U	account in which the entry should have been made	
		c) Error of principle A transaction is recorded in the wrong account and also of the wrong class	from that in
	C	L'al the entire should boy a been made	
	-	which the entry should have been made d) Error of compensation The effect of the error in the different accounts is such that it cancels	out the other.
	d	d) Error of compensation the effect of the effort in the different accounts is such that is defined and the one	e to be
	е	e) Error of complete reversal of entries Where an account to be debited is credited and the one	
		credited is debited	and credit
	f	f) Error of original entry Where transposed figures of the correct amount are entered as debit a	and ordare
		entries in the correct accounts e.g. 79 instead of 97	= 4 Marks
		8	=4Murks
	21. N	. Meanings of transactions from the cash book:	6:
	а	a) 1/6/2022(Cr) - Opening bank balance/bank balance brought forward/ bank overdraft of K	shs. 2000
		b) 2/6/2022 – Debtors paid using a cheque of Kshs. 80000	
		c) 1/6/2022 (Dr) - Cash balance brought forward/ Opening balance of Kshs. 6000	8
		d) 8/6/2022 – Contra entry of Kshs. 16000 / Withdrew Kshs. 16000 from the bank for office	use
			1 = 4 Marks
		4 ^ 3	L - Thurk
)
	22. (2. Causes of the trend in the table of demand above	n ng y kan
	6	a) Decrease in the price of the substitute product.	
	I	b) Increase in price.	
	,	c) Decrease in income	
		d) Future expectations of price decrease.	B
		e) Decrease in population. f) Decrease in consumers taste & Preferences. 4 × 9) Unfavorable terms of sale.	1 = 4 Mark
		as Unfavourable, terms of sale.	
		MI CASE OF THE O	

23. Outline Your causes of dein and pull inflation.

-Increase in Population. a) Increase in total expenditure.

b) A fall in the level of savings -

c) Increase in money supply.

d) Expectations of price increases.

- Increase in Money incomes. L - General shortages of good & Se

 $4 \times 1 = 4 Marks$

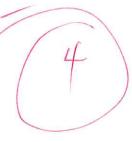
24. Calculation of closing Capital:

$$C.C = O.C + I - L - D$$

= 100000 + 35000 - 40000 - 15000

= 135000 - 55000

Kshs. 80000



 $\times 1 = 4 Marks$

a a

25. Features of economic resources:

- a) Scarce/limited in supply-not available in sufficient quantities.
- b) Have money value-they have a price which has to be paid for their use or transfer or for recording.
- c) They are unevenly distributed-available in varying quantities at different places.
- d) They have utility i.e. ability to satisfy a human want.
- e) Have alternative uses i.e. may be put into different uses.
- f) They can change ownership through sale, donation or as a gift.
- g) They can be combined-to produce other goods and services.
- h) They can be complimentary-they can be consumed together.
- i) Some can be moved from one region to another
- j) Some are exhaustible while others are renewable

 $4 \times 1 = 4 Marks$

HB
$$0200 = 4.12$$

KS $03172 = 4.12$

KP $0104 = 2.1$

RAP $0233 = 5.12$

NY $0106 = 2.1$

17 1-3 - Winnie 4-6- Dominic. 7-9-Nadanda 10-12-Ngelich 13-15 - Ouno. 16-18-Remi [a-21 - Oyandi 22-25 - Rono.

the Ward Jen,

NYAHOKAKIRA JOINT EXAMINATIONS, 2023

Kenya Certificate of Secondary Education (K.C.S.E)

565/2

BUSINESS STUDIES PAPER 2 MARKING SCHEME

JULY / AUGUST 2023





1. (a) Explain five characteristics of services.

(10 Marks)

- i. <u>Difficult to standardize/heterogeneous</u>: Due to varying quality over time/the quality cannot be uniform from time to time/may be offered by different people
- ii. <u>Services cannot be stored for future use /services</u> is only consumed at the time it is being offered/any unused capacity cannot be stored
- iii. Services cannot be touched/it is intangible /invisible: it can only be felt/experienced
- iv. Services cannot be separated from the provider: The provider must directly offer the services to the user
- v. <u>Services are perishable :services</u> can only be enjoyed at the time the provider is available/it is expired soon after it is provided
- vi. <u>Services cannot be owned by the owner/ownership</u> cannot be transferred from the provider to the buyer as the buyer only pays for experience
- vii. Services have utility to satisfy human wants
- viii. Services are mobile since they can be received/provided at different places/locations
- (b) Describe five channels of distribution that a Kenyan manufacturer would use to ensure his goods reach consumers in another country.

 (10 Marks)
 - a) Local manufacturer to foreign wholesaler to foreign retailer to foreign consumer
 - b) Local manufacturer to foreign import agent to foreign retailer to foreign consumer
 - c) Local manufacturer to foreign retailer to foreign consumer
 - d) Local manufacturer to foreign consumer
 - e) Local manufacturer to manufacturer's agent in foreign country to foreign consumer
 - f) Local manufacturer to manufacturer's representative abroad to foreign retailer to foreign consumer
 - g) Local manufacturer to foreign retailer to foreign consumer
 - h) Local manufacturer to foreign agent to foreign wholesaler to foreign consumer
 - i) Local manufacturer to foreign agent to foreign wholesaler to foreign retailer to foreign consumer
 - j) Local manufacturer to manufacturer's retail outlet abroad to foreign consumer
 - k) Local manufacturer to local export agent to foreign retailer to foreign consumer
 - I) Local manufacturer to local export agent to foreign wholesaler to foreign retailer to foreign consumer
 - m) Local manufacturer to local exporter's agent to foreign retailer to foreign consumer
 - n) Local manufacturer to local export agent to foreign consumer
 - Local manufacturer to manufacturer's local agent to foreign importer's agent to foreign wholesaler to foreign retailer to foreign consumer

- p) Local manufacturer to manufacturer's local agent to foreign importer's agent to foreign wholesaler to foreign consumer
- q) Local manufacturer to local agent to foreign agent to foreign consumer
- r) Local manufacturer to local retailer to foreign consumer
- s) Local manufacturer to manufacturer's local agent to foreign manufacturer's agent to foreign retailer to foreign consumer
- 2. (a) Over the years KUKU YETU has grown into a large business enterprise. Explain five diseconomies of scale which it may experience as a result of this expansion. (10 Marks)
 - i. <u>Complex management function/complexity of management</u>-Due to expanded operations(firm may suffer from inherent problems)
 - ii. Delay /slow in decision making -due to increased bureaucracy/red tape
 - iii. <u>High cost per unit/average cost</u>- after the optimal size has been reached the firm continuous to expand /grow-leads to high overhead costs
 - iv. <u>Strained /poor labour relations /alienation of employees</u>. Bad labour relations due to the impersonal nature of management/due to work of direct contact with management
 - v. <u>Inflexibility due to shifting costs to</u> others profitable lines/over investment in the existing enterprise
 - vi. High cost of input-due to the exhaustion of the existing resources
 - vii. Marketing diseconomies -due to limited size of the market

(b)

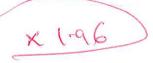
viii. Excess capacity /idle/under-utilized /under used due to changes /fall in demand for its products /shortage in supply of raw materials

(b) Outline five differences between a sole proprietorship and a public limited company. (10 Marks)

	Sole proprietorship	Public Limited Company
i.	Formed by one person frader	Formed by a minimum of 7 promoters/shareholders
	Has unlimited liability	Has limited liability
iii.	Lacks perpetual life/succession/continuous existence	Has perpetual life
iv.	Main source of capital is personal savings	Main source of capital is sale of shares.
٧.	Managed by sole trader with family assistance	Managed by board of directors
vi.	Simple legal procedures in formation	Long/Complex/difficult legal procedure in formation
vii.	Quicker decision making process compared to public limited companies	Slow decision making compared to sole proprietorship
viii.	Lack separate legal entity	Has separate legal entity
ix.	Are mainly small business in size	Are large businesses compared to sole proprietorship

- 3. (a) Every institution has office staff that should have certain prescribed code of behavior. Explain five of such codes.
 - Physical appearance such as respectable style of dressing, moderate haircut styles and use of makei.
 - Hygiene The office worker must maintain a high level of hygiene. For example, in general and ii.
 - Posture An office worker must adopt a good posture, that is, the way one carries him/herself iii. around, way of walking, talking and sitting.
 - Moral behaviour An office worker should display high standards of moral behaviour.
 - Good health Good health and physical fitness will enable an office worker to perform his/her work iv. ٧.
 - Respect: This involves showing regard to other people according to their rank in the organisation, age vi. and social status.
 - <u>Punctuality:</u> This refers to the ability to keep time in attending duties and appointments.
 - Courtesy: Involves handling people politely, pleasantly and with consideration. For example, other vii. people should be listened to with patience and their problems solved in the best way possible. viii.
 - Loyalty: This refers to the commitment an employee has to the organisation he/ she works for. For example, by maintaining the good name of the organsation and keeping its secrets. ix.
 - Honesty: This is the ability to tell the truth and being sincere.
 - Co-operation: Refers to the ability of workers to work comfortably as a team without malice, bias, Χ. xi. hatred or selfishness.
 - Diplomacy: This is the ability to convince others tactfully.
 - Judgment: This is the ability to make a ruling or a decision after considering all possibilities or likely xii. xiii.
 - Accuracy: It involves performing duties with excellence, precision and correctness. For example, xiv. typing a document quickly and neatly without errors.
 - Initiative: This is the ability to create and implement ideas.
 - Knowledge: This refers to relevant academic and professional qualifications and experience that XV. xvi.
 - enables the worker to perform effectively. Skills: Refers to the capability usually acquired through training and practice, that enables an office xvii. borton his guille Efferented 65mm

my max



(3 b) The following information relates to RIZIKI TRADERS.

Turn over i.

(1 mark)

 $sales - return\ inwards = 1,155,000 - 30,000 = 1,125,000$

Rate of Stock Turnover = $\frac{coos}{Average Stock}$ ii.

(3 Marks)

 $opening\ stock + purchases + cariage\ inwards - return\ outwards - closing\ stock$

03) = 1-944 times 0000 $opening\ stock + closing\ stock$

(430,000+930,000+10,000-25,000-470,000) (430,000+470,000)

= 1.96 times.

(2 Marks)

Mark-up iii.

 $Mark - up = \frac{Gross \ profit}{Cost \ of \ aoods \ sold} \times 100$

 $\frac{Netsales - cost\ of\ goods\ sold}{880,000} \times 100 = 27.8\%$ 1/25,000 -825,000 250,000 x100 28.573/0 247

(2 Marks)

Margin iv.

 $\frac{Gross\ profit}{Sales} \times 100 = \frac{245,000}{1.125,000} \times 100 = 21.78\%$

Net profit ٧.

 $= Gross\ profit - expenses = 245,000 - (25,000 + 100,000 + 25,000) = 95,000$

= 50000 - (2200, 400,000 450,000) = 180, 100,000 (2)

4. (a) Explain five benefits that Kenya may get by trading with china.

(10 Marks)

- Kenya may be able to get goods and services that they do not produce/are expensive to produce in
- Kenya from china. Kenyan citizens would get a variety of goods to choose due to imports from china.
- The Kenyan government would raise more taxes due to customs duty charged on the goods ii. iii. imported/exported from/to china.
- The locally available resources in Kenya would be optimally be exploited due to increased markets iv. for goods in china.
- The qualities of goods produced by firms in Kenya are likely to improve in an attempt to counter ٧. competition from goods made in china
- Kenya would be able to dispose its surplus production to china hence minimizing wastage. vi.

NYAHOKAKIRA JOINT EXAMINATIONS, 2023, Business Studies Marking Scheme Paper 1 Term 2

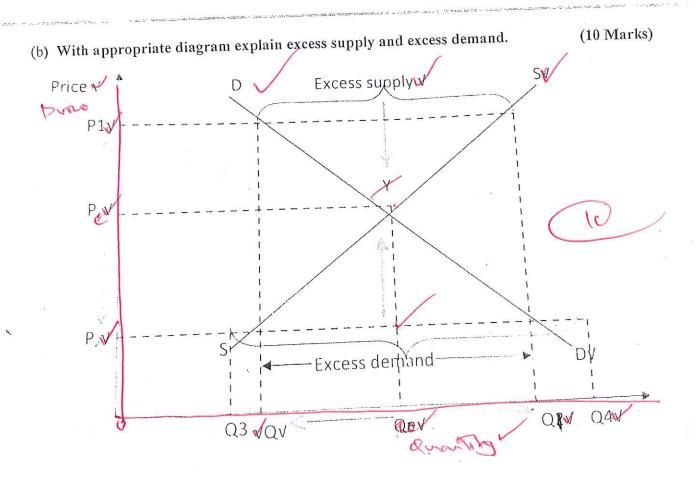
· Barda and there colomisas gos kuping co-aspena.
· Deparces fraise exquals and compute.

4

.

A CONTRACTOR OF THE CONTRACTOR

,



5. (A) Proper Communication is vital for an organization to operate efficiently. Explain five current (10 Marks). trends in communication used by various organizations.

Emergency of communication bureaus: these are privately owned kiosks where telephone services are offered

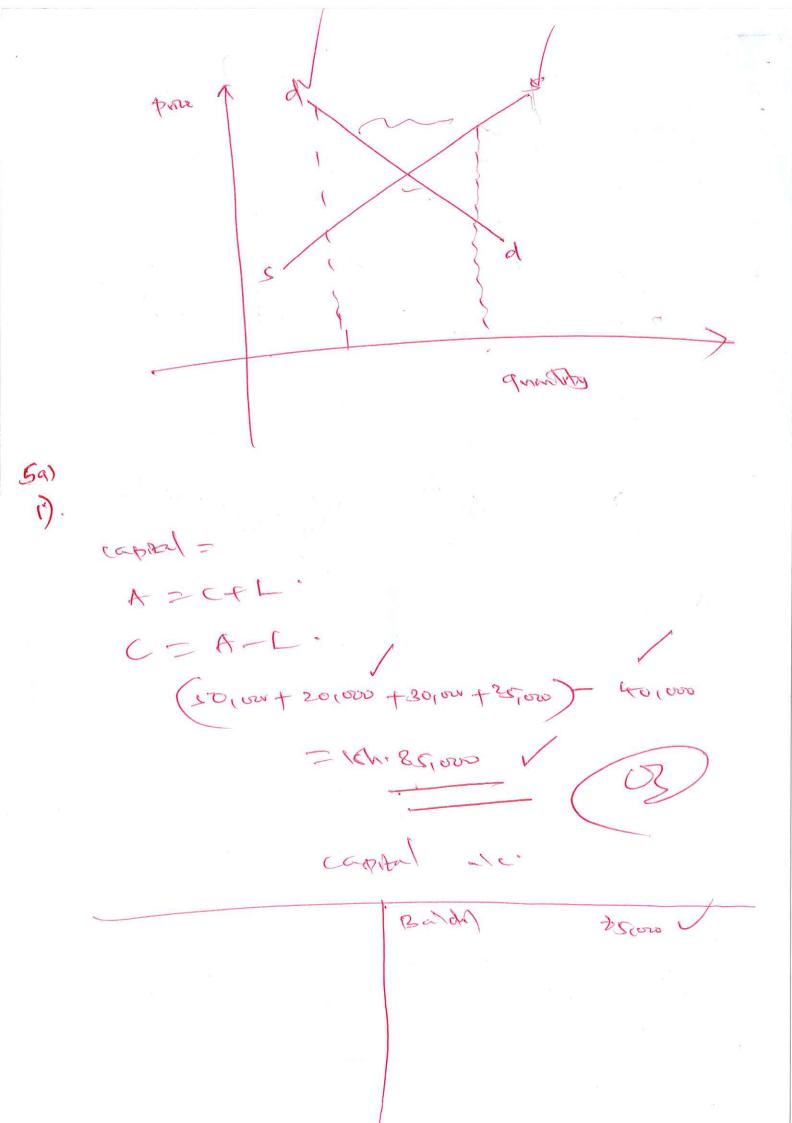
Introduction of mobile phones that are easily portable and are used in most offices by employees ii.

Introduction of E-mail services that are used by various organizations in reaching their clients and iii. employees

Introduction of internet for communication services including social media platform. iv.

The growing use of short message services (SMS) provided by mobile phones for faster

1). Surdence Doursed un offerne server of Monde of Chart.



a) NYAHO possessed the following assets and liabilities on 1st July 2022.

1). - t251000 = C+401001

			bank account				801 85 100
Date	details	f	amount	date	details	f	Amount
1 st July 2022.	balance b/d	210	50000	15-Jul-22	creditors		12000
13-Jul-22	furniture		4000				
26-Jul-22	cash	C	6000				

			furniture	e account			
Date	details	f	amount	date	details	f	Amount
1 st July 2022.	balance b/d		30000	13th july 2022	bank	j 19., 11	4000

	2. 61			debtors account		1, 1	181	-
Date		details	f	amount	date	details	ľ	Amount
1 st 2022.	July	balance b/d		20000	9-Jul-22	cash		9000

			creditors	account			
Date	details	f	amount	date	details	f	Amount
15-Jul-22	bank		12000	1 st July 2022.	balance b/d		40000
				2-Jul-22	purchases		18990

¥

6. (a) Describe the following documents as used in trade.

(10 Marks)

- i. <u>Letter of credit</u> is a document written by the importer's bank to the exporter as an assurance/guarantee that the goods delivered on credit will be paid for
- ii. <u>Pro forma invoice</u> is a document written by the seller to the buyer as a polite request for payment before the goods are dispatched especially when he doesn't want to sell on credit.
- iii. <u>Bill of lading</u> is a document of title prepared by the shipping company to enable the importer to claim the goods at the port of destination. it also acts as evidence of contract between the ship owner and the shipper.
- iv. Acknowledgement note is a document sent by the seller to the buyer to inform him that the order has been received and is being processed.
- v. Advice note is a document sent by the seller to the buyer to inform him that the goods have been dispatched and that he should make arrangements to receive or make payments when they arrive.
- (b) Explain five monetary tools used to control inflation in Kenya.

(10 Marks)

- i. <u>Foreign exchange market operations</u> a sale of foreign exchange to the commercial banks by the central bank withdraws liquidity from the commercial banks hence reducing supply of money to the economy and therefore reducing demand pull inflation.
- ii. This is a deliberate move by the govt. through the central bank to regulate and control the money supply in the economy which may lead to demand pull inflation. The policies include;
- Increase rate of interest of lending to the commercial banks. This forces them to increase the rate at which they are lending to their customers, to reduce the number of customers borrowing money, reducing the amount of money being added to the economy
 - iv. <u>Selling of govt. securities in an open mar let operation (O.M.O)</u>. the selling of securities such as Bonds and Treasury bills mops money from the economy, reducing the amount of money being held by individuals
 - v. <u>Increasing the commercial banks cash/liquidity ratio</u>. This reduces their ability to lend and release more money into the economy, reducing their customer's purchasing power.
 - vi. <u>Increasing the compulsory deposits by the commercial banks with the central banks.</u> This reduces their lending power to their customers, which makes their customers to receive only little amount from them, reducing the amount of money in the economy
 - vii. Putting in place the selective credit control measures. The central bank may instruct the commercial bank to only lend money to a given sector of the economy which needs it most, to reduce the amount of money reaching the economy
 - viii. <u>Directives from the central banks to the commercial banks</u> to increase their interest on the money being borrowed, to reduce their lending rates
 - ix. Request by the central bank to the commercial banks (the moral persuasion) to exercise control on their lending rates to help them curb inflation.

- Huma -20 - lap- 240° - dip baidige 2" 0 9 - 3 Whsi - todine wouldone sincture - spirit - snote buttlen -coffin wood balls-grall (2) a - } Justiplint - Stapping 2111 Gaure off - Stapping 2111 - Gloves - V - Parn Willer-Buffey (3 -a - 3 b210 can - Salfy nater-NS @ q - 3 panal of 6 - untai/2/24. C do S was wood fang