**BURAMU**

**BUSINESS STUDIES**

**MARKING SCHEME**

1. **a). Explain FIVE benefits of Specialization and Division of labour in an organization.**
2. **marks)**
3. It leads to greater increase in the output per worker, since they only concentrate on a small area of production /what they can do best.
4. It brings less fatigue to the labourer since he/she only concentrate on one task
5. It provides room for innovation and creativity as the worker continues to improve in his/her mastery of the skills
6. It allows for the perfection of the skills due to constant repetition of the same task
7. It allows for the use of machines in the production process which increases the efficiency.
8. It leads to production of quality goods and services due to improved skills being used.
9. It saves the production time, since the workers don’t have to change from one task to the other which may be time consuming
10. As the workers master their routine they begin spending less of their mental effort. This reduces their stress levels.

**(Any 5 × 2 = 10 marks)**

**b). Explain FIVE challenges that may be experienced by a country that is underpopulated.**

1. **marks)**
2. Limited market – a small population may not offer enough market for goods/services/may lead to closure of existing businesses.
3. Limited labour supply to carry out production activities.
4. Underutilization of available resources leading to under exploitation due to lack of people to make use of them.
5. Uneconomical to provide gods/services/the cost of providing essentials/social amenities by the government may be very high to a small population/especially if the population is scattered.
6. Lack of specialization which leads to production of low quality goods/services/citizens have low standards of living.
7. Less creativity/innovation which reduces the pace of economic growth and development.

**(Any 5 × 2 = 10 marks)**

1. **a). Country X is experiencing high National Income. Explain FIVE factors that could have contributed to this. (10 marks)**
2. Adequate capital/manmade resources which makes production easy/increase in production.
3. High levels of technology which helps to produce quality/quantity goods/services/which generates high income.
4. Well trained manpower/human resources/labour which helps to create quality/quantity goods/services/can generate high income.
5. High endowment with natural resources/land/gifts of nature which enables the country to produce more goods/services.
6. Good governance/political stability which creates confidence in investors thus increasing incomes.
7. High foreign investments increasing production of gods/services.
8. Positive culture/entrepreneurship that encourages hard work increasing production of goods/services.

**(Any 5 × 2 = 10 marks)**

**b). Explain FIVE reasons why traders should observe ethical practices in product promotion.**

**(10 marks)**

1. **To avoid misleading the consumers** by not making false claims about their products/making correct claims about their product
2. **To ensure that consumers are not offended** by not making use of appeals that go against their cultural values/ making use of appeals that go in-line with their cultural values
3. **To avoid exploiting certain/vulnerable groups/children** since they lack the knowledge/ experience to understand/ evaluate the purpose of (persuasive) appeals
4. **To avoid negative influence of consumers’ (values and lifestyle)** that may lead to immorality/ill health/glorifying the image of alcohol/cigarettes
5. **To avoid portraying rival business negatively/sabotaging competitors** in an attempt to capture the market/gain undue advantage/ensure healthy competition
6. **To create a positive image/reputation (of the business)** hence maintaining customer loyalty/retain market share.
7. **To abide by the laws of the country/avoid law suits/conflicts/frictions with the law enforcement agency/government**
8. **To avoid environmental pollution/degradation** by not littering/making excessive noise/using environmentally friendly promotion materials

**(Any 5 × 2 = 10 marks)**

1. **a). Outline FIVE services that are offered by the wholesalers to consumers. (10 marks)**
2. Ensure steady supply of goods hence the consumers do not experience shortages.
3. Ensure stability of prices due to stable supply of goods to the market/for consumers to plan their expenditures.
4. Avail a variety of goods for the consumers to choose from
5. Breaks bulk through the retailers hence consumers get goods in required quantities/quantities they can afford.
6. Gives consumers information through the retailers on new products/changes in products/prices

**(Any 5 × 2 = 10 marks)**

b). On 1st Jan 2017, Dona Traders had Shs. 110,000 in hand and Shs 50,000 (Cr) Bank. During the

month, the following transactions took place:

Jan 2: Cash Sales Shs 40,000

3: Paid Postage expenses Shs. 4,100 in cash

5: Received the following cheques from debtors after they had deducted a cash discount of

2% in each case. Kamau Shs 2,450, Laban Shs 9,604, and Tugi Shs 2,774.

9: Paid the following creditors in cash and in each case deducted 2% cash discount, Willy

Shs 2,000 and Yala Shs 6,000

13: Cash Sales directly banked Shs 10,000

16: Took Shs 11,000 from the office and deposited in the business bank account.

19: Sold goods worth Shs 18,000 on credit to Kiyoma

21: Received Shs 18,000 cash from Oman in settlement of Shs 20,000

26: Banked all cash leaving Shs 4,000 only.

***Required:*** Prepare a dully balanced three column cash book. (10 marks)

Dona Traders

Dr 3 Column Cash Book Cr

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Date** | **Details** | **F** | **Disc All** | **Cash** | **Bank** | **Date** | **Details** | **F** | **Disc Rec** | **Cash** | **Bank** |
| 2017  Jan 1  2  5  5  5  13  16  21  26 | Balance  Sales  Kamau  Laban  Tugi  Sales  Cash  Oman  Cash | b/d  C  C | 50  196  56  2000  2302 | 110,00  40000  18001  680000 | 2450  9604  2774  10000  10000  141060  176828 | 2017  Jan 1  3  9  9  16  26  31 | Balance  Postage  Willy  Yala  Bank  Bank  Balance | cd  cd | 40  120  160 | 4100  1960  5880  11000  141060  4000  168000 | 50000  126828  176828 |

1. **a). Explain FIVE ways through which the Central Bank of Kenya may increase the supply of money in an economy. (10 marks)**
2. By reducing *the bank rates* to make loans cheap for the customers/encourage the borrowers.
3. By *buying the government securities in an open market operation (OMO)* so as to increase the money reaching the economy.
4. By *reducing the cash/liquidity ratio* to increase the amount of cash that can be held by the commercial banks/increase their ability to offer loans /money available for lending.
5. By *reducing the compulsory deposit to be maintained by the banks*, hence increasing the amount that they can offer to the customers/cash in the banks.
6. By *withdrawing selective credit control measures* to allow all the sectors of the economy receive loans.
7. By *directing the commercial banks to increase their lending rates* to the public/increase the amount of money reaching the public.
8. By *putting a request to the commercial banks to lend more money to the customers /increase the amount of money* they are giving the borrowers/lending rates to the public.

**(Any 5 × 2 = 10 marks)**

**b). Explain FIVE ways in which the emergence of COVID – 19 negatively affected business operations in Kenya. (10 marks)**

1. Lead to closure of businesses such as entertainment points to avoid large gatherings.
2. Restricted movement of people/goods which reduced sales.
3. Loss of jobs as firms/companies scaled down their operations.
4. Caused panic buying which lead to shortages of some commodities.
5. Policy of social distancing affected businesses.
6. Loss of foreign market especially on exports due to restricted movements.
7. General uncertainties due to lock-downs of different trading counties.

**(Any 5 × 2 = 10 marks)**

1. **a). Explain FIVE circumstances under which a partnership may be dissolved. (10 marks)**
2. **Where partnership was temporary** – hence expiry of time/accomplishment of purpose/where the partnership was formed for a definite time/a particular purpose, the expiry of time/accomplishment of purpose terminates the partnership
3. **Mutual agreement partners/where the partners agree/decide among themselves** (to terminate the partnership) – they may have no alternative/or whatever reason
4. **Bankruptcy/insanity of (a general partner)** – where the court declares the value of one of (the general partner’s property) insufficient to settle his/her debts/loss of contractual capacity
5. **Changes in law/government policy/where the law changes** – hence making the operations of the partnership illegal/unlawful
6. **Permanent inability** – of (a general) partner to perform/fulfill his point of the partnership agreement either as a result of disease/ill health/incapacitation
7. **Internal disagreement/dissension/among partners/where partners disagree continuously** – (then the partnership may be terminated) hence they cannot reconcile. ***NB: Accept negative consequences of disagreement as expansion.***
8. **Persistent losses in operation/where the business has continued to operate at a loss** – hence unable to meet its financial obligation/eating into their capital (then it is terminated)
9. **Court order** – where the partnership was formed under fraud,/mistake/breach of law/breach of partnership agreement/misrepresentation/under duress/court of law may order its dissolution
10. **Request by one/some partners to dissolve(the partnership)** – hence having to abide by their wishes/grant their wish
11. **Withdrawal/admission of a partner** – which changes the status of partnership
12. **Death of a partner** – which alters the composition of the partnership/may necessitate new agreement

**(Any 5 × 2 = 10 marks)**

b). The following Trial Balance was extracted from the books of Murabu Traders Enterprises on 30th June, 2014. Prepare Murabu Traders Trading Profit and Loss Account for the period ended 30th June, 2014. (10 marks)

Murabu Traders

Trial Balance

As at 30th June, 2014

**Details Dr (Kshs) Cr (Kshs)**

Capital 2,164,400

Stock 150,000

General expenses 45,000

Power 30,000

Discounts 16,000 25,000

Machinery 1,200,000

Debtors/Creditors 280,000 340,000

Wages 360, 00

Returns 8,000 3,600

Carriage Inwards 24,000

Purchases/Sales 400,000 705,000

Cash 120,000

Bank 605,000

3,238,000 3,238,000

**Murabu Enterprises**

**Trading Profit and Loss Account**

**Dr For the period ended 30th June 2014√ Cr**

**Sh Sh Sh Sh**

Opening Stock 150,000**√** Sales 905,000**√**

Purchases 400,000**√** Less Return In 8,000**√**

Add Carriage Inwards 24,000 **√** 697,000**√**

Less Returns Outwards 3,600 **√** 420,400**√**

G.A.S 570,400**√**

Less Closing Stock (10,000)**√**

Cost of Goods Sold 570,400**√**

Gross Profit c/d 146,000**√**

697,000 697,000

General Expenses 45,000**√** Gross Profit 146,000**√**

Power 30.000**√** Discount Received 25,000**√**

Discount Allowed 16,000**√** Net Loss c/d 299,400**√**

Wages 360,000**√** 451,000

451,000 451,000

1. **a). Explain FIVE reasons for continued increase in the use of mobile phone in communication in Kenyan today. (10 marks)**
2. They are readily available in the market hence can easily be accessed by the organization or employees.
3. They allow for communication at any time anywhere so long as the network is available.
4. They are easy to carry around and are therefore always with the employees.
5. The cost of calling using them is relatively cheaper /affordable to many people.
6. It allows for the short messages services which can be used as evidence of communication.
7. They are relatively cheap to acquire making majority of the citizens to possess them.
8. Some mobile phones can record conversations /calls which can be used as evidence when needed.
9. They have the ability to access the internet making them more admirable.

**(Any 5 × 2 = 10 marks)**

b). With the aid of a well labeled diagram, explain the effect of an increase in price of tea on the

quantity demanded of coffee. (10 marks)

**D √ S√√**

**√Price**

**√√ P1 √ Do e1√√**

**√ P0**

**e√**

**S1**

**D**

**D0**

**√Q0 √√Q1 √ Quantity**

**(14 × ½ = 7 marks)**

1. The equilibrium point changes from e to e1**√**
2. The equilibrium quantity changes from Q to Q1**√**
3. The equilibrium prices changes from P0 to P1**√ Any (3 × 1 = 3 marks)**