565 / 2

Business studies paper two

Time: 2 ½ hours

*Kenya Certificate of Secondary Education*

**2021 SAMIA JOINT EXAMINATION**

**MARKING SCHEME**

1. **(a) Advantages that a partnership has over a sole proprietorship include**:
2. The partnership can raise more capital through contribution unlike the sole trader’s savings.
3. Consultations in a partnership enhance better decision making / management, unlike the sole trader who lacks someone to consult.
4. Responsibilities in a partnership are shared hence minimizing monotony / fatique, unlike a sole trader conducts all activities in the business.
5. Partners can share losses / liabilities which reduces the burden, unlike a sole trader who bares them all.
6. Partners can practice specialization which improves productivity, unlike the sole traders whose quality of service / goods may be compromised.
7. A permanent partnership has a perpetual life, unlike a sole proprietorship which can easily dissolve upon death / insanity / bankruptcy of the sole trader.

**(b) Negative effects of external environment factors**

1. **Demographic**. Decline in population leads to a fall in demand for products / shortage of labour supply.
2. **Economic factors** - Increase in taxation / fall in prices/ high interest rates leads to a decline in profitability /eats into profits.
3. **Socio – cultural factors** - Unfavourable culture / religion / educational levels reduces demand / market for products ( E.g Muslims and Pork. Catholics and condoms)
4. **Technological environment** – Inappropriate / poor technology leads to substandard / low quality goods / inefficiency in production.
5. **Political factor** – Political instability / insecurity leads to theft/ destruction of business properties / stoppage of business operations
6. **Legal environment** – Unfavourable laws / regulations/ complicated procedures lead to delay in starting of business / closure of businesses that are unable to cope.
7. **Customers** - poor customers relations leads to decline in sales / demand for business products.
8. **Competition** – Unhealthy completition reduces the market size of the business
9. **Suppliers** – Lack of steady supply of raw materials leads to shortages / stoppage of work.

1. **(a) Disadvantages of direct tax include:**
2. ***Possible tax evasion***: where the contributor give false or conceals some information concerning his / her income in order to reduce the amount payable.
3. ***Non – consultation of the tax payer*** on the amount to be paid which may over burden the tax payer or motivate evasion.
4. ***The tax payer does not participate in government expenditure:*** hence leading to lack of accountability / poor governance / corruption.
5. ***High taxes encourage capital flight:*** due to decline in profit of investors
6. ***It is paid in advance and in lump sum:*** hence the contributor feels the pinch
7. ***Deterrent / hinder saying:*** because disponsable income is reduced
8. ***Deterrent to work:*** because extra income earned attract more tax
9. ***Deterrent to investment:*** especially corporate tax on profits discourage firms from investing in risky and profitable areas for fear of taxation.
10. ***Not imposed on all citizens :*** Coz people who do not fall within the tax bracket are exempted hence reducing govt. revenue and leaving those within the tax bracket with no choice.
11. ***It reduces the purchasing power*** leading to low living standards
12. ***It is complicated to understand*** because of many formulations to be followed
13. ***It may cause labour unrest / strikes*** in agitation for increased salaries.

 **(b) Channels for distributing imported mobile phones in to Kenya include**

1. Foreign manufacturers – local customers
2. Foreign manufacturer – Foreign manufacturer’s own retail outlet – local consumer
3. Foreign manufacturer – local retailer - local consumer
4. FM – local wholesaler – local retailer – local consumer
5. Foreigner manufacturer – local wholesaler - local consumer
6. Foreign manufacturer – foreign agent – local retailer – local consumer
7. Foreign manufacturer – local agent – local retailer – local consumer
8. Foreign manufacturer – local agent – local wholesaler – local retailer - local consumer ***No splitting ( 2mks or zero)***
9. **(a) Current trends in communication include**
10. Use of mobile phones – for passing information from anywhere anytime.
11. Use of the internet for research / product promotion
12. Use of e – mail for sending and receiving letter/correspondence through computer / mobile phones.
13. Video conferencing – where there are more people can hold a virtual meeting / discussion while each of them is in a different location.
14. Live streaming as opposed to recording an event and then posting on the internet this is a real – time conference / training where many participants can attend without leaving their home. E.g zoom, Microsoft teams.
15. Increased use of social media such as facebooks, whatsap for individuals interaction / group discussions / entertainment. ***(naming 1mk otherwise 2mks*)**

 (b)

**FATUMA ‘S**

**TRADING, PROFIT AND LOSS ACCOUNT √**

**FOR THE YEAR ENDED 31/12/2020**

|  |  |
| --- | --- |
| Dr  | Cr |
|  sh. Sh.  |  Sh. Sh.  |
| Opening stock  | 22,000√ |  |  |  |  |
| +Purchases  | 190,000√ |  | Sales  | 100,000√ |  |
| -Purchases returns  | 2,000√ |  | -Sales returns  | 5,000√ |  |
| **COGAS**  |  | 214,000√ | Net purchase / Turnover |  | 95,000√ |
| -Closing stock  |  | 42,000√ | **Gross loss c/f** |  | 77,000√ |
| **COGAS** |  | 172,000√ |  |  |  |
|  |  |  |  |  |  |
|  |  | **172,000** |  |  | **172,000** |
|  |  |  |  |  |  |
| **Gross loss / c/d**  |  | 77,000√ | Discount received  | 2,800√ |  |
| Carriage outwards  | 2,400√ |  | Net loss  | 94,200√ |  |
| Rent  | 8,000√ |  |  |  |  |
| Insurance  | 6,000√ |  |  |  |  |
| Salaries  | 3,600√ |  |  |  |  |
| Total expenses  |  | 20,000√ |  |  |  |
|  |  | **97,000** |  |  | **97,000√** |

1. **(a) International trade restriction methods include;**
2. Tarrifs; The government levy heavy taxes to discourage imports / exports
3. Subsidies; by meeting part of the production cost, local products become cheaper and attractive than imports
4. Quotas; where a specific quantity / value of imports is allowed , hence minimizing competition
5. Total ban; Where a certain commodity is prohibited from being imported in the country
6. Foreign exchange controls; where the government restrict exchanging of the foreign currency with the local currency so as to control international trade.
7. Administrative bottlenecks ; by lengthening the import registration procedure so as to discourage trade
8. Moral persuasion; The government implores business men not ot trade in a certain commodity / reduce the quantity.

(b) With the help of a well labeled diagram, state the effect of the shift of the supply curve to the

 left when demand constant

 S0√

 √P D0√

 S1√

 E√

 P

 E 1

 P 1

 √

 Q√

 Q Q1

The equilibrium point shift from E to E1√

The equilibrium price fall from P to P1√

Equilibrium quantity increase from Q to Q1√

**NB:** ***If the student has not stated, then the three arrows in the diagram can be scored to earn one 1 mark each (therefore each tick = 1mk)***

1. **(a) Factors influencing level of national income include:**
2. Natural resources - A country endowed with resources can produce more goods and services to increase income and vice versa.
3. Labour / human resource – A country with large skilled labour force can utilize it to increase the income and vice versa.
4. Capital – a country with adequate capital can invest to generate more income and vice versa
5. Level of technology – a country that uses modern technology in production increases output and vice versa.
6. Political stability / good governance - create confidence in investors for increased production while poor governance / corruption leads to damage / reduced investment / less production
7. Entrepreneurial culture - a culture that encourages hard work leads to production of goods and services hence increased income and vice versa .
8. Foreign investment service hence increased income and vice versa.

**Dr ANG’ECH THREE COLUMN CASH BOOK FOR THE MONTH OF JUNE 2019 Cr**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date  | Details  | F  | Disc. All.(sh) | Cash Sh  | Bank Sh  | Date  | Details  | F  | Disc.All.  | Cash  | Bank Sh  |
| 1/6/19 | Balance  | b/d |  | 20,000 |  | 1/6/19 | Balance  | b/d |  |  | 8,600 |
| 3/6/19 | Nafula  |  | 1,000 |  | 15,000 | 6/6/19 | Rent  |  |  | 8,000 |  |
| 10/6/19 | Cash  | C  |  | 6,000 |  | 10/6/19 | Bank  | C  |  | 6,000 |  |
| 18/6/19 | Capital  |  |  |  | 28,000 | 15/6/19 | Wanjala  |  | 200 | 19,800 |  |
| 21/6/19 | Sales  |  |  | 10,000 |  | 20/6/19 | Furniture  |  |  |  | 5,000 |
| 24/6/19 | Ojugu |  | 1,600 |  | 6,400 | 29/6/19 | Nafula  |  |  |  | 15,000 |
| 28/6/19 | Nabwire  |  |  | 36,000 |  | 30/6/19 | Bank  | C  |  | 36,600 |  |
| 30/6/19 | Cash  | C  |  |  | 36,000 | 30/6/19 | Balance  | c/f |  | 1,600 | 57,400 |
|  |  |  | **2,600** | **72,000** | **86,000** |  |  |  | **200** | **72,000** | **86,000** |
|  | Balance  | b/d |  | 1,600 | 57,400 |  |  |  |  |  |  |

1. **(a) Meaning and circumstances for the use of the means of payment :**
2. **Cash** – payments using notes and coins. Used when the amount of money involved is small / the seller does not have a bank account or mpesa line.
3. **Credit transfer** – payment of various people at ago by using one cheque. Used when paying salaries of employees in a particular organization.
4. **Bak – draft** – cheque drawn by a bank on itself upon receiving money from a customer who wants to use the facility. Used where the payee wants quaranteed payment / doesn’t accept personal cheque
5. **Standing order** – order by account holder to his / her bank to be making regular payment / insurance premium / hire purchase investments.
6. **Postage stamps –** payment by use of postage stamp which the payee can sell or use for posting letter / paying somebody else. Used when payment required is a small amount of money.

***(Definition 1 mk circumstance 1 = 10mks)***

 **(b) Differences between small scale retailers and large scale retailers include:**

|  |  |  |
| --- | --- | --- |
|  | **Small scale retailers**  | **Large scale retailers**  |
|  | Require little capital to start  | Require a large capital outlay |
|  | Few legal formalities to register  | Long legal registration procedure  |
|  | Easy decision making  | Lengthy decision making process due to consultations  |
|  | Are flexible in terms of place / objectives  | Are rigid to change place / objectives  |
|  | Require few workers / labourers / work force | Require many workers  |
|  | Occupies a small flow space  | Occupies a large floor space  |
|  | Command / serves a small market | Command / serves a larger market |
|  | Easy / simple to manage  | Require a complex management system / skills  |
|  | May not enjoy economics of scale  | Enjoy economics of scale  |