

Amukura parish caspa B/ STUDIES f4 MARKING SCHEME P2

1. a) Explain five factors to consider when choosing office equipment. (10mks)
 - i. **Cost;** *this refers the initial, maintenance and running cost of the equipment. Organization will choose an equipment they can afford based on amount of capital available.*
 - ii. **Adaptability;** *this is the ability of the equipment to cope with future changes and development. An organization will choose an equipment that will adjust to any future changes without becoming obsolete.*
 - iii. **Possibility of hiring rather than buying;** *one has to consider the cost and convenience of buying an equipment as opposed to hiring. If hiring is expensive than buying, then the organization will have to buy.*
 - iv. **Durability;** *this refers to the lifespan of equipment. The organization will acquire an equipment that will last long.*
 - v. **Effect on staff morale;** *this refers to staff attitude towards the equipment. The organization will acquire an equipment that will motivate the staff to use. Staff members should be involved in deciding which equipment to acquire.*
 - vi. **Availability of complimentary resources;** *this refers accessories required in order to operate the equipment. i.e the availability of power, spare parts etc.*
 - vii. **Availability of manpower;** *it is personnel required to run and operate an equipment. A business should consider the availability and cost of skills required.*
 - viii. **Availability of room;** *where the equipment will be kept safely.*
 - ix. **Security of the equipment;** *one has to consider whether the available resources are adequate to offer enough security for the equipment*

- b) Explain the causes and remedies of the following types of unemployment. (10 marks)
 - i. **Seasonal unemployment;** *it is experienced whereby products loses demand and responsible labor force is laid off.*
Solution; introduction of variety of economic activities
 - ii. **Structural unemployment;** *it occurs where jobs are available but one does not have the required skills to handle the jobs.*
Solution; provision of relevant education training opportunities to ensure necessary skills required by the labor market.
 - iii. **Disguised unemployment;** *occurs where the number of people employed exceeds those that are required. The workers full capability is not completely utilized.*
Solution; initiating more projects that would create more jobs.
 - iv. **Residual unemployment;** *occurs when the physically or mentally challenged members of population are not offered job opportunities by employers.*

Solution; ensuring the implementation of policy of affirmative action.

- v. **Involuntary unemployment;** *it occurs where people are actively searching for job opportunities at any existing wage rate but couldn't find.*

Solution; initiate economic activities that could spur economic growth to create more job opportunities.

2. a) Importance of insurance to an economy

- i. **Creation of employment.** *Insurance provides employment to individuals as actuaries and sales persons.*
- ii. **Creating confidence in investors.** *Compensation in the event of occurrence of loss encourages investors to invest in risky ventures.*
- iii. **Revenue to the government.** *The government receives revenue from license fee and taxes from the insurance profits.*
- iv. **Continuity of business.** *Business that could close down because of loss due to event of a risk will continue to operate because of compensation from the insurance companies.*
- v. **Spreads risks.** *Pooling of risks ensures that the few who suffer loss are indemnified.*
- vi. **Encourages savings.** *Endowment assurance is a savings plan to the assured.*
- vii. **Investments.** *The excess of the total premiums over claims can be invested by the insurance firms.*

b)

Dr

Three column cash book

Cr

Date	details	foli	D.A	Cash	bank	Date	Details	foli	D.R	cash	bank
2019 1/3	Balance	b/d	Sh.	Sh. 95000	Sh.	2019 1/3	Balance	b/d	Sh.	Sh. 15000	Sh.
3/3	sales				22000	2/3	purchases			68000	
16/3	Sakaya		1800		40200	9/3			1120		12880
20/3	Shamim		5500		49500	11/3	salaries			14000	
24/3	Bank	c		26000		24/3	cash	c			26000
28/3	Cash	c			15600	27/3	Drawings			9000	
						28/3	Bank	c		15600	
						28/3	Bal c/d			14400	73420
			7300	121000	127300				1120	121000	127300
	Bal b/d			14400	73,420						

3. a) Explain five features of oligopoly.

(10 marks)

- i. **Firms are interdependence** in decision making/ firms keenly observe each other's actions/ decisions hence acting in any way triggers (counter) reactions (from other firms)
- ii. **Firms deals with products that are homogeneous / similar / the products are close substitutes** (of each other) but are only differentiated in terms of aspects like colour/packaging/shapes/prices/branding
- iii. **Firms may engage in non-price competition** / the firms under oligopoly may avoid price wars hence only compete via other means like (aggressive) advertise/after sales service/market segmentation / fixing products
- iv. **Unpredictability / uncertainty of behavior** since firms(under oligopoly) keep reacting to market changes differently (depending on actions taken by other firms within the market/firms may be taken by surprise
- v. **The market is made up of a few (large) firms** since firms (operating under oligopoly) tend to have a large capital outlay / make (extensive) use of modern technology (in their production activities) / control substantial share of the market
- vi. **There are limiting factors to entry such as the large capital investment** required to be (to be a player in the market) / the level of technology involved (make keep off entrance in to the market) / intimidation / economies of scale / collusion / cartel / accept examples of limiting factors as mention
- vii. **Firms may engage in price wars / price rivalry / cutthroat competition** which may lead to survival / collapse of (some) firms.
- viii. **It may lead price rigidity / kinked demand** - occasion by fear other firms reaction / if a firm tries to sell a price above the kinked no other firm may follow it but if below all other firms may follow suit.
- ix. **There may be price leadership** – where the dominant firm dictates the market price / rates in the market.

b) Difference between partnerships and cooperative societies

Partnerships	Cooperative societies
i) Formed by a minimum of 2 partners	Formed by a minimum of 10 members
ii) The maximum number of partners is 20 but can be 50 for professional partnerships	The is no set maximum for the number of members to form the society
iii) Some partners have unlimited liabilities	All members have limited liabilities
iv) The day-to-day management of the partnership is left to the active partners assisted by employed professionals	The management of the society is an elected committee of 9 members who are assisted by employed professionals
v) It can be dissolved due to retirement or exit of a general partner	The retirement or exit of a member cannot lead to the dissolution of the society

vi) Formed through drafting of a partnership deed	Formed through drafting of by-laws that are submitted to the commissioner of cooperatives for consideration
vii) they are partners	Members are cooperative members

4. a) Reasons for continued existence of small firms in an economy.
- i. **Need for personalized services** such as hair cutting makes them to thrive.
 - ii. **Flexibility.** Small scale firms can be changed when need arises.
 - iii. **Less capital requirement.** They require relatively less capital to start and operate unlike large firms.
 - iv. **Ease management.** Small firms are easy to manage and control compared to large firms.
 - v. **To keep away from rigorous legal process** associated with starting of large firms. (any 5 point x2 = 10mks)
- b) Channels for distributing exported tea from Kenya to France. (10marks)
- i. Local producer foreign Agent Wholesaler Retailer foreign consumer
 - ii. Local producer foreign Wholesaler foreign Retailer foreign consumer
 - iii. Local producer foreign Manufacturer's representative foreign wholesaler
 → foreign Retailer foreign consumer
 - iv. Local producer foreign Wholesaler foreign consumer
 - v. Local producer foreign retailer Foreign consumer
 - vi. Local producer Foreign consumer (any 5 point x2 = 10mks)
5. a) **Explain five reasons for government involvement in business.**
- i. To attract foreign investment by initiating major business projects
 - ii. To prevent foreign dominance of the economy by investing in areas where the locals are not able to.
 - iii. To provide goods and services which are too sensitive to be left in the hands of the private sector e g fire arms.
 - iv. To provide essential goods and services in areas where private individuals and organizations are unwilling to venture due low profits or/and high risks.
 - v. To provide essential goods and services which private organizations are unable to provide due high initial capital required.
 - vi. To prevent exploitation of the public by private business persons especially in provision of goods and services like sugar, transport and communication
- b) Documents sent by the buyer to the seller in home trade.

- i. **Letter of inquiry.** A request by a prospective buyer for information about the goods dealt in by a seller.
 - ii. **Order.** List of goods a potential seller is required to supply the buyer with.
 - iii. **Goods received note.** Sent to inform the seller that goods sent have been received.
 - iv. **Goods returned note.** Sent to the seller to inform him/her that goods have been returned
 - v. **I owe you.** Is a written acknowledgement of debt.
6. a) Unethical practices in Product promotion
- i) **Give false information about a product;** misleading consumers/making wrong claims about their products
 - ii) **Not disclosing side effects of a product;** so as to increase sales
 - iii) **Overpricing of goods;**
 - iv) **Cheating on ingredients of goods;**
 - v) **Advertising with negative effects on the environment;**by littering the /making excessive noise/using environmentally unfriendly promotional materials.
 - vi) **Promoting genuine products but sell counterfeits;**
 - vii) **Potraying rival business negatively;** in attempt to capture the market/gain undue advantage
 - viii) **Exploiting vulnerable groups;** such as children since they lack knowledge/experience to understand the purpose of appeals

b)

OMASAJA TRADERS

TRADING, PROFIT & LOSS ACCOUNT

Cost of sales:	Ksh.	Ksh.
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Opening stock	200,000	Sales	4,000,000
Add purchases	2,400,000	Less returns inwards	<u>40,000</u>
Add carriage in.	<u>28,000</u>		3,960,000
C.O.G.A.S	2,628,000		
Less closing stock	<u>100,000</u>		
	2,528,000		
Gross profit c/f	<u>1,432,000</u>		
	<u>3,860,000</u>		<u>3,860,000</u>
General expenses	120,000	Gross profit b/f	1,432,000
Rent	46,000	Discounts received	36,000
Telephone	20,000		
Salaries	360,000		
Net profit	<u>922,000</u>		
	<u>1,468,000</u>		<u>1,468,000</u>

Dr.

FOR THE PERIOD ENDED 31ST MARCH 2019

Cr.

OMASAJA TRADERS
BALANCE SHEET
AS AT 31ST MARCH 2019

	Ksh.		Ksh.
<u>Fixed Assets:</u>		Capital	1,850,000
Land & Buildings	2,000,000	Add Net profit	922,000
Motor vehicles	<u>400,000</u>	Less Drawings	<u>80,000</u>
	2,400,000		2,692,000
<u>Current Assets:</u>		<u>Short term Liabilities:</u>	
Stock	100,000	Creditors	240,000
Debtors	300,000		
Bank	120,000		
Cash	12,000		
	<u>532,000</u>		
	<u>2,932,000</u>		<u>2,932,000</u>