

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

BUSINESS STUDIES PP2 MARKING SCHEME

1. (a) *Demerits of government involvement in business*

- ✓ It may lead to misappropriation and embezzlement of public funds and other resources due to lack of accountability.
- ✓ Some public utilities are operated as monopolies and end up offering poor quality services
- ✓ Losses made by public enterprises may require further refinancing from public funds thus overburdening the tax payers.
- ✓ Some of the laws enacted may be punitive hence may discourage private investment
- ✓ May create unfair competition to private investment since most of the government projects are expensive in terms of personnel training and equipment.
- ✓ Some managerial posts in the businesses are filled by political appointees who are kept in such positions even when they are performing very poorly.
- ✓ Are slow in adapting to market changes due to government bureaucracy

(5 x 2=10 marks)

(b) *Features of co-operatives*

- ✓ Membership is open and voluntary hence nobody should be denied entry if she/he qualifies and nobody should be forced to join.
- ✓ All members are treated equally, so nobody is given preferential treatment because of high capital contribution
- ✓ They enjoy limited liability status so their personal effects of property will be affected in case of dissolution.
- ✓ Managed by a democratically elected management committee hence each member is given a chance of being elected to serve on the management committee.
- ✓ All members must have common interests that pull them together.
- ✓ They have perpetual continuity independent of that of its members
- ✓ Are governed under the co-operative Act and by-laws which are drafted by members
- ✓ Distribution of surplus is given to members in proportion to each member's contribution.
- ✓ Their principals are generally guided by the principle of co-operatives.

(5 X 2 = 10 marks)

2. (a) *Types of unemployment*

- (i) **Disguised** – or hidden – where withdrawal of some workers will not affect output
- (ii) **General or open unemployment** – arises there many people capable of working have no jobs.
- (iii) **Structural** - arises where the supply of a particular category of workers exceed demand.
- (iv) **Frictional** – where jobs may be available, but workers are not able to take them.
- (v) **Seasonal** – arises as a result of variation in seasons which affect economic activities in sectors such as Agriculture
- (vi) **Technological** – arises as a result of adoption of new technologies that may replace labour.
- (vii) **Urban** – where supply of labour in urban areas outstrips available jobs.
- (viii) **Casual** – affects mainly casual labourers
- (ix) **Target worker** – where people work to attain a certain level of income then they withdraw their labour.

- (x) **Keynesian unemployment** – where the level of demand in the economy is not sufficient enough

to support production activities

(xi) **Cyclical** – as a result of fluctuations in the economic activities over a period of time.

(xii) **Residual** – due to the handicaps like mental disorder, blindness (5 x 2 = 10 marks)

(b) **NYATI TRADERS**
CASH BOOK✓

Date	Details	Discount	cash	Bank	Date	Details	Discount	cash	Bank
2013					2013				
Oct 1	Balance b/d		10 000✓	40 000✓	Oct. 2	Purchases			3100✓
6	sales		8 200		3	Motor expenses		6 000✓	
12	commission			580✓	10	creditor	500✓		9 500✓
14	Shelby	750✓		29 250✓	15	Service charge			850✓
23	Mobeke traders	176✓		38 024✓	19	Drawings			1 500✓
24	Bank		15 000✓		24	cash			15 000✓
26	Debtors	300✓		200✓	30				
	cash			25 400✓		bank		25 400✓✓	
						Bal c/d		1 800✓	111 504✓✓✓
		<u>2</u> <u>226.00</u> ✓	<u>33</u> <u>200</u> ✓	<u>141</u> <u>454</u> ✓			<u>500</u> ✓	<u>33 200</u> ✓	<u>141 454</u> ✓

30 x 1/3 = 10 marks

3. (a) **Measures that the government can undertake to promote entrepreneurship in Kenya**

- ✓ Availing credit facilities so that those who would want to do business and lack capital can access it.
- ✓ Availing good infrastructure to facilitate good business by entrepreneurs.
- ✓ Availing market information and market to enable those who lack the two to do well.
- ✓ To provide good pricing policy to enable business to thrive.
- ✓ The taxation policy adapted should provide conducive environment for business.
- ✓ Legal controls/restrictions /requirements applied should enable business to do well.
- ✓ The prevailing political climate should be conducive for business to thrive.
- ✓ Availing of technology to enable business to use modern technologies which are efficient and effective.
- ✓ Availability of training /consultancy services to enable people access all the relevant information required to run business.

(5 x 2 = 10marks)

(b) **Reasons why countries practice restrictions in trade.**

- ✓ To prevent the inflow of harmful goods into the country, that would harm the citizens
- ✓ To give a country a chance to exploit its natural resources as limited goods will be entering the country.
- ✓ It minimizes dependency on goods from other countries since the country will be producing more of their goods as they import less.
- ✓ Allows the growth of infant industries since they will not be threatened by the arrival of goods from outside.
- ✓ To prevent dumping of low quality goods / services into the country as they will not be allowed to enter the country.
- ✓ To correct balance of payments deficit by limiting imports as a country exports more.
- ✓ Earn government revenue by imposing tariffs on goods and services **(5 x 2 = 10 marks)**

4. (a) **Factors that may cause a producer to reduce his output to the market**

- ✓ **Price of the commodity** – Fewer goods are supplied when the price of the commodity falls.
- ✓ **Cost of production** – fewer goods are supplied when the cost of producing them is high.
- ✓ **Changes in technology** – when a firm does not change with technology- less goods are produced because of inefficiency hence supply will reduce.
- ✓ **Decision of suppliers** – the supplier or producer may just make a decision to reduce supply due to his own reasons.
- ✓ **Price of other commodities** – producers may choose to shift from supplying product whose prices are low to supplying those whose prices are high.
- ✓ **Natural factors** – unfavorable weather conditions, pests and diseases, may lead to a reduction of the goods produced hence there will be less supply.
- ✓ **Government policy** – unfavorable government policy may make producers to reduce their goods like increased taxes or reduction of subsidies..
- ✓ **Expectations of future changes in demand** – if the producer anticipates that demand will decrease in future, he will decrease his supply
- ✓ **Anticipation of future changes in prices.** If the supplier anticipates that prices will increase in future, he will reduce the production at the moment. **(5 x 2 = 10 marks)**

(b) **Circumstances under which a credit note may be used.**

- ✓ Where the buyer has been overcharged due to overpricing or due to calculation errors in the invoice.
- ✓ Where some goods have been returned due to damage.
- ✓ Where the buyer was charged for goods not supplied hence it is to reduce the amount he is to pay.
- ✓ Where goods not ordered for are returned.
- ✓ Where the buyer returns empty packing /containers for which he had paid.**(5 x 2 = 10 marks)**

5. (a) **Insurance policies a business person can take to cover employee related risks**

- ✓ **Theft and Burglary** – covers loss of property arising from stealing or through forceful entry or exit from a premise by violent or forceful means.
- ✓ **Contractor' all risks insurance** – covers all risks in respect of both permanent and temporary works in the course of construction.
- ✓ **Engineering Insurance** – protects engineers against damage or loss of plant through breakdown or by an external cause.
- ✓ **Domestic package insurance** – covers private houses, its contents, domestic servants and the owners.

- ✓ **Public liability insurance** – means to protect third parties against accidental bodily injury damage or loss to property as a result of connection with the insured business.
- ✓ **Personal Accident** – to cover accidental death temporary or permanent disability medical expenses to specified amount due to the insured experiencing an accident.
- ✓ **Workmen’s compensation** – to protect workers and domestic servants against injury, sickness or death arising out of their employments. **(5 x 2 = 10 marks)**

(b) **Essentials of effective communication**

- ✓ Clarity in order to avoid any ambiguity.
- ✓ Preparedness of the sender so that his ideas in form of words, symbols, gestures and signs are well understood.
- ✓ Timely presentation of the message so that the message is sent and received at an appropriate time
- ✓ Use of the appropriate channel to convey the information otherwise a wrong choice of medium will be a barrier to effective communication.
- ✓ Knowledge of the attitude of the receiver by the sender. It is important that there exists a mutual feeling of trust, and respect between the parties concerned in order to avoid bias.
- ✓ Accuracy of the message being sent to avoid ambiguity.
- ✓ Brief but adequate to avoid the listener to be impatient or lose his concentration span. **(5 x 2 = 10 marks)**

6. (a) **Ways that the government as an external environment factor can influence business activities**

- ✓ **Taxation** – influences cost of operation
- ✓ **Provision of subsidies** – motivates business people to engage in business.
- ✓ **Policy making** - policies that determine activity
- ✓ **Enactment of the law** – that govern business operations
- ✓ **Credit control** – Availability of capital.
- ✓ **Provision of utilities** – that boost operation.
- ✓ **Provision of infrastructure** - boosts business activities

(5 x 2 = 10 marks)

(b)

O J ✓

**TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31-DEC.2011**

Opening stock	100 000✓	sales	1 600 00✓
Add: purchases	700 000✓	Less returns inwards	30 00✓
	<u>800 000</u>		<u>1,570,000</u>
Add carriage inwards	28 000✓		
	828 000		
Less returns outwards	40 000✓		
Goods available	788 000		
Less closing stock	94 000✓		
Cost of sales	694 000		
Gross profit	876 000✓		
	<u>1570 000</u>		1 570 000
Discount allowed	50 000✓	Gross profit b/d	876 000✓
Commission paid	39 000✓	Discount received	35 000✓
Carriage outwards	135 000✓	Commission received	25 000✓
Salaries	220,000✓		
Net profit	492 000✓✓		
	936 000		936 000

30 x 1/3 = 10 marks

O.J
BALANCE SHEET ✓
AS AT 31/12/2011

<p>Fixed Assets</p> <p>Building 600 000 ✓</p> <p>Equipment <u>200 000</u> ✓</p> <p style="text-align: right;">800</p> <p style="text-align: right;">000</p> <p><u>Current Assets</u></p> <p>Debtors 400 000 ✓</p> <p>Bank 266 000 ✓</p> <p>Cash 94 000 ✓</p> <p>stock <u>94 000</u> ✓</p> <p style="text-align: right;">854 000</p> <p style="text-align: right;"><u>1,654,000</u></p>	<p>Capital 862 000 ✓</p> <p>Add net profit <u>492 000</u> ✓</p> <p style="text-align: right;">1 354 000</p> <p>Creditors 300 000 ✓</p> <p style="text-align: right;">1,654,000 ✓</p> <p style="text-align: right;">30 x 1/3 = 10 marks</p>
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