

Kenya Certificate of Secondary Education
2021 SAMIA JOINT EXAMINATION
MARKING SCHEME

1. (a) **Advantages that a partnership has over a sole proprietorship include:**

- (i) The partnership can raise more capital through contribution unlike the sole trader's savings.
- (ii) Consultations in a partnership enhance better decision making / management, unlike the sole trader who lacks someone to consult.
- (iii) Responsibilities in a partnership are shared hence minimizing monotony / fatigue, unlike a sole trader conducts all activities in the business.
- (iv) Partners can share losses / liabilities which reduces the burden, unlike a sole trader who bares them all.
- (v) Partners can practice specialization which improves productivity, unlike the sole traders whose quality of service / goods may be compromised.
- (vi) 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**

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

2. (a) **Disadvantages of direct tax include:**

- (i) **Possible tax evasion:** where the contributor give false or conceals some information concerning his / her income in order to reduce the amount payable.
- (ii) **Non – consultation of the tax payer** on the amount to be paid which may over burden the tax payer or motivate evasion.
- (iii) **The tax payer does not participate in government expenditure:** hence leading to lack of

accountability / poor governance / corruption.

- (iv) **High taxes encourage capital flight:** due to decline in profit of investors
- (v) **It is paid in advance and in lump sum:** hence the contributor feels the pinch
- (vi) **Deterrent / hinder saying:** because disposable income is reduced
- (vii) **Deterrent to work:** because extra income earned attract more tax
- (viii) **Deterrent to investment:** especially corporate tax on profits discourage firms from investing in risky and profitable areas for fear of taxation.
- (ix) **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.
- (x) **It reduces the purchasing power** leading to low living standards
- (xi) **It is complicated to understand** because of many formulations to be followed
- (xii) **It may cause labour unrest / strikes** in agitation for increased salaries.

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

- (i) Foreign manufacturers – local customers
- (ii) Foreign manufacturer – Foreign manufacturer’s own retail outlet – local consumer
- (iii) Foreign manufacturer – local retailer - local consumer
- (iv) FM – local wholesaler – local retailer – local consumer
- (v) Foreigner manufacturer – local wholesaler - local consumer
- (vi) Foreign manufacturer – foreign agent – local retailer – local consumer
- (vii) Foreign manufacturer – local agent – local retailer – local consumer
- (viii) Foreign manufacturer – local agent – local wholesaler – local retailer - local consumer

No splitting (2mks or zero)

3. (a) Current trends in communication include

- (i) Use of mobile phones – for passing information from anywhere anytime.
- (ii) Use of the internet for research / product promotion
- (iii) Use of e – mail for sending and receiving letter/correspondence through computer / mobile phones.
- (iv) Video conferencing – where there are more people can hold a virtual meeting / discussion while each of them is in a different location.
- (v) 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.
- (vi) Increased use of social media such as facebook, whatsapp for individuals interaction / group discussions / entertainment. ***(naming 1mk otherwise 2mks)***

(b)

FATUMA ‘S

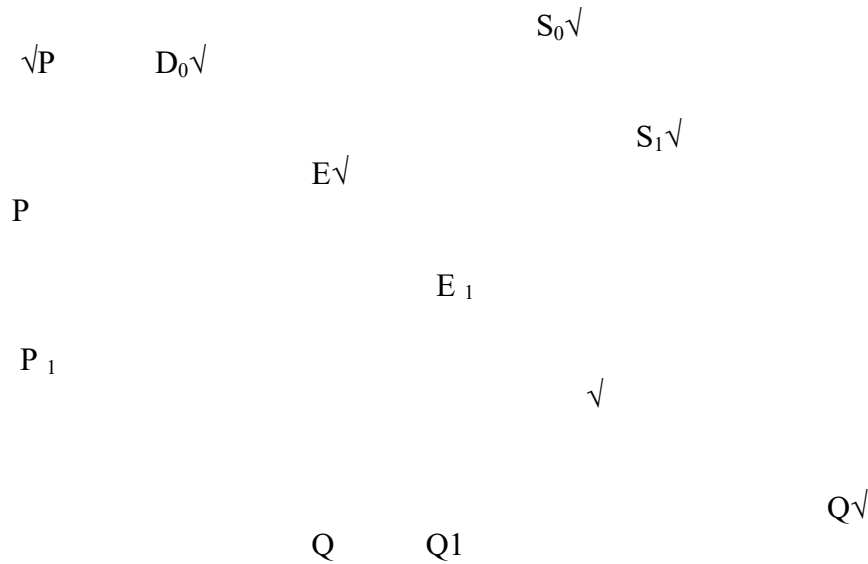
**TRADING, PROFIT AND LOSS ACCOUNT ✓
FOR THE YEAR ENDED 31/12/2020**

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✓		
		<u>172,000</u>		<u>172,000</u>
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✓		
		<u>97,000</u>		<u>97,000✓</u>

4. (a) International trade restriction methods include;

- (i) Tarrifs; The government levy heavy taxes to discourage imports / exports
- (ii) Subsidies; by meeting part of the production cost, local products become cheaper and attractive than imports
- (iii) Quotas; where a specific quantity / value of imports is allowed , hence minimizing competition
- (iv) Total ban; Where a certain commodity is prohibited from being imported in the country
- (v) Foreign exchange controls; where the government restrict exchanging of the foreign currency with the local currency so as to control international trade.
- (vi) Administrative bottlenecks ; by lengthening the import registration procedure so as to discourage trade
- (vii) Moral persuasion; The government implores business men not to 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



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)

5. (a) Factors influencing level of national income include:

- (i) Natural resources - A country endowed with resources can produce more goods and services to increase income and vice versa.
- (ii) Labour / human resource – A country with large skilled labour force can utilize it to increase the income and vice versa.
- (iii) Capital – a country with adequate capital can invest to generate more income and vice versa
- (iv) Level of technology – a country that uses modern technology in production increases output and vice versa.
- (v) Political stability / good governance - create confidence in investors for increased production while poor governance / corruption leads to damage / reduced investment / less production
- (vi) Entrepreneurial culture - a culture that encourages hard work leads to production of goods and services hence increased income and vice versa .
- (vii) 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
			<u>2,600</u>	<u>72,000</u>	<u>86,000</u>				<u>200</u>	<u>72,000</u>	<u>86,000</u>
	Balance	b/d		1,600	57,400						

6. (a) Meaning and circumstances for the use of the means of payment :

- (i) **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.
- (ii) **Credit transfer** – payment of various people at ago by using one cheque. Used when paying salaries of employees in a particular organization.
- (iii) **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
- (iv) **Standing order** – order by account holder to his / her bank to be making regular payment / insurance premium / hire purchase investments.
- (v) **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
(i)	Require little capital to start	Require a large capital outlay
(ii)	Few legal formalities to register	Long legal registration procedure
(iii)	Easy decision making	Lengthy decision making process due to consultations
(iv)	Are flexible in terms of place / objectives	Are rigid to change place / objectives

(v)	Require few workers / labourers / work force	Require many workers
(vi)	Occupies a small floor space	Occupies a large floor space
(vii)	Command / serves a small market	Command / serves a larger market
(viii)	Easy / simple to manage	Require a complex management system / skills
(ix)	May not enjoy economics of scale	Enjoy economics of scale