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**BUSINESS STUDIES**

**TRIAL 2, 2019**

**MARKING SCHEME**

**FORM FOUR PAPER 2**

1. a) Differentiate between Private limited company and public limited liability company (10mks)

|  |  |
| --- | --- |
| **Private limited company**  | **Public limited liability company** |
| 1. can be formed by minimum of 2 shareholders
 | a) Can be formed by a minimum of 7 shareholders  |
| 1. Formed by a maximum of 50 shareholders
 | b) Has no set maximum  |
| 1. Does not sell or advertise its shares to the public
 | c) Advertise and sells its shares to the public  |
| 1. Does not allow the transfer of shares without consent from other shareholders
 | d) Shares can be freely transferred from one person to the other in the stock exchange  |
| 1. Can start operating after receiving a certificate of incorporation
 | e) Cannot start operating until it is issued with the license of trading and approval of the prospectus. |
| 1. Audited financial statements need not be published and filed with the registered of companies
 | f) Audited financial statements must be published and filed with register of companies  |

b) – Invoice – Document sent by the seller to the buyer demand payment for goods supplied.

- Debit note – A document sent from the seller to the buyer to correct undercharge in the invoices.

- Credit note – Document sent by the seller to the buyer to correct overcharge.

- Receipt – It is a document issued from the seller to the buyer when payment is made for goods

- Statement of account – Is a document sent from the seller to buyer showing details or balances of tra-sections for the month

- Payment voucher – A document used to validate payment for goods and services rendered

- Consignment note – To support hire of carrier services

1. a)

b) – Used in sourcing for finance /capital/loans/credit – It can be used to convince - financial Institutions and investors to fund the firm’scooperation. (10mks)

* A tool of evaluation / help in avoiding mistakes – can be used to determine whether the firm is achieving its goals.
* A tool of management/help in avoiding mistakes – can be used for structuring /implementation of firm’s activities.
* Give a firm competitive edge – Enable the firm to get better understanding of the market.
* Motivational tools/creates team work – In accomplishing the objectives of the firm.
* Adaptability tool – Creates room to cope with changes

Any other relevant well explained 5 x 2=10mks

1. a) – To avoid misleading consumers – By not making false claim about their products.
* To ensure that consumers are not offended – By not making use of appeal that goes against their cultural values.
* To avoid exploiting certain vulnerable groups since they lack the knowledge.
* To avoid negative influence on consumer (value and lifestyle) – That may lead to immorality /ill health.
* To avoid portraying viral businesses negatively – In an attempt to capture market.
* To create a positive image /reputation of the business hence maintaining customers loyalty / retain market share
* To abide by the law of the country so as to avoid lawsuit/conflict.
* To avoid environmental pollution – By using environmentally friendly promotional materials.

Any other relevant well explained 5 x 2=10mks

b) – Benefits that may be realized by a country as a result of government policy of relocating industries to rural areas.

* Reduced income disparities/inequalities/even distribution income- As more people have access to jobs/income generating activities.
* Availability of auxiliary services / subsidiary/service industry – which lead to (faster) development of rural areas.
* Creates jobs/increased job opportunities / more jobs available/reduce unemployment – In all regions of the country.
* Increased utilization of resources /factors of production – Locally available factors of production (will be used) that would otherwise be idle.
* Balanced economic development – As economic activities/firms are spread throughout the country.
* Minimizes pollution in one area- Thus believing the extreme/severe impact.
* Creation/expansion of market – For goods and services/raw materials produced in rural areas

Any other relevant well explained 5 x 2=10mks

1. a) Factors to consider when locating a warehouse
* Availability of adequate security
* Availability of auxiliary services eg banks
* Enough land for future expansion
* Nearness to the point of production, sale or supply.
* Compliance with the government regulations
* Good means of transport – easily accessible to bring goods in and out of the warehouse
* Good communications network – To easily pass information between the warehouse and the customers/suppliers

Any other relevant well explained 5 x 2=10mks

b) Miriam

3 column cash book

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Date**  | **Details**  | **L.F** | **Discount allowed**  | **Cash** | **Bank** | **Date** | **Details** | **L.F** | **Discount received**  | **Cash**  | **Bank** |
| 2015Sep 1Sept 2Sept 12Sept 25Sept 28Sep 30Sept 30 | Balance Sales WetuBankAnyangoCash Balance  | b/dCb/d  | 12007500 | 5500050000 | 25000035260588006750052800 | 2015Sep 3Sep 8Sep 9Sep 25Sep 30Sep 30 | RibbonsWangilaSalaries CashBankBalance  | Cc/d | 6000 | 4500340005280013700 | 9400050000320360 |
| 8700 | 105000 | 464360 | 6000 | 105000 | 464360 |
|  | 13700 | 320360 |  |  |  |

1. a) Uses of National income
* Used to determine the performance of the economy – An increase of the N.1 may mean better performance of the economy and vice versa.
* The country is able to determine the level of economic growth – By comparing the GDP over several years.
* Helps investors to make informed decisions – On which sector to invest and when to invest.
* Used by government as a tool of supporting their request for foreign aid.
* Comparing economic performance of different countries.
* Helps compete the standards of living between two countries.
* Helps government to understand the income distribution in the country.

Any other relevant well explained 5 x 2=10mks

b) **TAI TRADERS**

**TRADING PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31ST DECEMBER 2014**

|  |  |
| --- | --- |
|  Sh sh  |  |
| Opening stock 10000Add purchases 15,000Add carriage inwards 1,200Less returns outwards 1,100Net purchases 15,100CGAFS 25,100Less closing stock 2,500C.G.S 22600Gross profit c/d 4600**27,200****EXPENSES** Carriage outwards 1,200Discount allowed 300Insurance 950Net profit c/d 4,350**6,800** | Sales 28,000Less sales returns 800Net sales 27,200**27,200**Gross profit b/d 4,600Add; Rent received 580Discount received 1,600**6,800** |

NB: Wrong gross profit correctly brought down to the P & L account a word.

Net profit derived from wrong gross profit award , but all other entries must be correct to attract awarding.

1. a) – Road transport is suitable over short distances since it is relatively fast compared to rail transport. (10mks)
* There is flexibility in road transport since collection and delivery can be done at the convenience of the owner of the goods.
* Road transport can provide door to door service. This reduces the amount of handling and increases the safety of the goods.
* Road transport provides for specially designed vehicles to transport specialized goods e.g takers to transport oil etc
* Road transport does not have a fixed schedule hence one can transport his goods at any time.
* One can decide to own the vehicle so as to have more control since it is relatively cheap compared to a train.
* If the quantity to be transported is small then road transport is mot appropriate.
* The road network in this country is better than that of the rail network.

Any other relevant well explained 5 x 2=10mks

b)

**CASH IN HAND A/C**

Dr Cr

|  |  |
| --- | --- |
| **1993**Jan 1 capital 120,000Jan 10 sales 35,000Jan 20 Bank 40,000195,000Jan 20 Balance b/d 87,000 | **1993**Jan 14 purchases 90,000Jan 18 wages 18,000Jan 20 Balance c/d 87,000195,000 |

**CASH AT BANK A/C**

Dr Cr

|  |  |
| --- | --- |
| **1993**Jan 1 capital 20,000200,000Jan 20 Balance b/d 100,000 | **1993**Jan 5 purchases 60,000Jan 120cash 40,000Jan 20 Balance c/d 100,000200,000 |
|  |  |

**CAPITAL A/C**

Dr Cr

|  |  |
| --- | --- |
| **1993**Jan 20 Balance c/d320,000 | **1993**Jan 1 cash 120,000Jan 1 Bank200,000320,000Jan 20 Balance b/d 320,000 |

**PURCHASES A/C**

Dr Cr

|  |  |
| --- | --- |
| **1993**Jan 5 Bank 60,000Jan 14 Cash 90,000150,000Jan 20 Balance b/d 150,000 | **1993**Jan 20 Balance c/d 150,000150,000 |

**SALES A/C**

Dr Cr

|  |  |
| --- | --- |
| **1993**Jan 20 Balance c/d35,000 | **1993**Jan 10 Cash 35,000Jan 20 Balance b/d 35,000 |

**WAGES A/C**

Dr Cr

|  |  |
| --- | --- |
| **1993**Jan 18 Cash 18,000Jan 20 Balance b/d 18,000  | **1993**Jan 20Balance c/d 18,000 |

 Each entry 1 tick

**MAKENA**

**TRIAL BALANCE**

**AS AT 20TH JANUARY 1983**

|  |  |  |
| --- | --- | --- |
| **Details**  | **Dr** | **Cr** |
| Cash Bank Capital Purchases SalesWages  | 87,000100,000150,00018,000 | 320,00035,000 |
| **355,000** | **355,000** |

Total ticks = 30

Total marks 30 x 1/3 = 10mks