

FORM FOUR BUSINESS STUDIES PP2

MARKING SCHEME

1a. Causes of decline in demand for new clothes.

- Decline in consumers income- this may reduce their purchasing power hence less able to afford the new clothes.
- Fall in the price of substitutes and second hand clothes may be cheaper.
- Increase in the price of new clothes which makes new clothes to be out of reach for most consumers.
- Government policy: The government may have increased the rate of tax on new clothes making them more expensive/may have withdrawn subsidies.
- Unfavourable change in tastes and preferences: consumers may be purchasing more second hand clothes as they may have positive tastes towards them as they could be seen as being fashionable.
- Decline in population: a decrease in population will lead to reduced numbers of potential and actual customers.
- Expectations of a future fall in price: consumers may be anticipating a fall in price in the future hence currently suspended buying new clothes.

b) Explain the procedure for obtaining an insurance policy

- Filling in the proposal form-the prospective insured should fill and give the details of his property to be insured.
- Determine the premium to be paid-the insurance company calculates the amount that is expected to be paid by the insured.
- Payment of the first premium-the insured pays the first premium.
- Issue of a cover note/binder-the insured is issued with the cover note for a whole month as an indication that the first premium has been paid.
- Issue of the policy- insured is issued with insurance policy which shows the terms and conditions of the agreement and that the agreement is valid.

2a). Measures that would be taken to ensure smooth functioning of a warehouse.

- Ensure that the warehouse is located in a convenient/accessible place to the users.
- Ensure that the warehouse is provided with adequate handling equipment/machine/working materials/tools for ease of operation.
- Ensure that the warehouse is spacious enough to allow easy movement/accommodation of goods/personnel.
- Ensure that the warehouse has storage facilities for holding different types of good.
- Ensure that the warehouse is filled with safety equipment for the building/personnel/goods.
- Ensure that the warehouse has qualified personnel who are conversant with the operation of the warehouse.
- Ensure that the laid down legal procedures are complied with to avoid conflict with the law/government.
- Ensure the building/structures are appropriate for the types of goods to be stored.
- Ensures the warehouse is linked with a good/appropriate transport network to facilitate easy movement of goods in/out of the warehouse.
- Ensure the warehouse have a good communication network/system for easy content with its clients/suppliers.
- Ensure proper recording systems in a warehouse to ensure that all movement of goods is properly monitored.

2b) Balance sheetAs at 7th June 2017 ✓

<u>Fixed assets</u>		shs.	shs.	<u>Capital + liabilities</u>	
Motor vehicle	400,000 ✓			Capital	Shs. 620,000 ✓
Equipments	<u>420,000</u> ✓				
			820,000		
<u>Current assets</u>				<u>Long term liabilities</u>	
Stock	130,000 ✓			CMC motors	400,000 ✓
Debtor	50,000 ✓			<u>Short term liabilities</u>	
Bank	80,000 ✓			Creditors	68,000 ✓
Cash	<u>8,000</u> ✓				
			<u>268,000</u>		
			<u>1,088,000</u>		<u>1,088,000</u>

3a) Highlight five reasons why the government may find it necessary to participate in business activities.

- To provide goods and services that are too sensitive to be left in the hands of the private sector
- To attract foreign investment by initiating major development project.
- To prevent exploitation of consumers by private business people especially in the provision of essential goods and services which private individuals are not able to do due to large amount of capital required.
- To stimulate economic development in the country.
- To ensure equitable distribution of essential goods and services.

b) Explain five reasons why it is hard to fully satisfy human wants

- Recurrent/Repetitive--needs keeps on occurring even after they are once met.
- Resources to use are scarce-one has to make a choice to meet most urgent needs others postponed.
- Some needs are habitual—some forms a habit requiring to meet them now and then.
- Some are complimentary-meeting one forces a person to buy another good i.e. some are jointly met.
- They are competitive—wants compete for attention to be met first, when one decides to meet a particular need others arise making it hard to meet them all.
- They are insatiable/unlimited/endless—wants are many/uncountable hence hard to meet them all.
- Wants keep on changing—with once age/gender and time.

4.a) Reasons for preparing a business plan.

- It may be a requirement by financiers.
- It assists in allocating resources.
- Assist in determining the financial requirements.
- Acts as a tool of control
- Acts as a motivating factor to the workers in that each one knows what is expected of him
- Assists in identifying the strengths and weaknesses of the business
- Assists in adapting to possible changes that are likely to occur during the implementation period.
- Assists in avoiding mistakes in that such mistakes can be detected and rectified before implementation.

b) Role of stock exchange market.

- It facilitates buying and selling of shares in that it acts as a link between the sellers and the investing public.
- Acts as an indicator of the level of economic activities in a country by looking at the number of shares being transacted.
- Assists in safeguarding investor's interest in that only those financially sound companies have their shares traded in the market.
- Creates a culture of saving in that those with surplus money can invest in shares.
- Provide useful information that assist in making investment decision in that people know where to invest.
- It creates employment for people in trading of shares
- Acts as a source of government revenue through taxes
- Assist companies to raise revenue
- Assist in determining the prices of shares.

5a) Despite the economies of scale enjoyed by large firms, some firms continue to operate on small scale basis. Explain five reasons. (10mks)

- Limited access to sources of finance.
- Limited size of the market
- Limited access to modern technology
- One's decision due to fear of taking risk
- Government policy where the government encourages the setting up of small scale businesses in order to create self-employment.
- Small firms are easy to manage.

b) Factors to considered before giving credit.

- Credit worthiness of the buyer
- Repayment period
- The amount of goods that the customer wants
- Availability of adequate stock
- Honesty on the trustworthiness of the customer
- Frequency at which the customer buys
- Seller's intensions such as retaining customers.

6a) Benefits Kenya will get through exploitation of oil.

- Creation of employment to Kenyans.
- Earning revenue through sale of oil thus boosting the economy.
- Opening up Turkana region which is a remote place.
- Growth of Turkana town and other surrounding towns which improves the standards of living of locals.

b) Three column cash book

Date	Details	Disc All Sh	Cash Sh	Bank Sh	Date	Details	Disc Rec	Cash Sh	Bank Sh
2016 March 1	Bal B/D		7800		2016 March 1	Bal B/D			23,400
3	Sales			6500	2	Purchases			15,000
6	Sales		50,000		13	Insurance		16,000	
9	Amolo			76,500	14	Kamotho	300		9,700
17	Sales			150,000	21	Cash			30,000
21	Bank		30,000		25	Wages		20,000	
23	Rotich	1250		23,150	26	Amolo			18,000
30	Cash			48,800	30	Bank		48,800	
					31	Bal C/D		3,000	209,450
		1250	81800	305,550			300	87,800	305,550

(24 Ticks @ ½ Mark Total 12 Marks)