**Business Paper 2 Marking scheme**

**1a) The economic importance of natural resources.**

* Oil provides raw materials for industries.
* Oil bring foreign exchange to the country when exported.
* They are a source of energy.
* The exploitation of oil will create job opportunities for the unemployed
* Development of auxiliary industries
* Open up the area for infrastructural development
* Source of revenue to the Government (5 x 2 = 10marks)

**b)** Monetary Tools the government can use to control inflation

(i) Open market operation, this is through sell of securities

(ii) Margin requirement; varying of margin requirement e.g lowered margin requirement leads

to reduced credit advance to borrowers.

(iii) Cash ration. Increased cash ratio reduces the amount that the commercial banks are left to lend.

(iv) Selective credit contro

(v) Compulsory deposits to the central bank by commercial banks

(vi) Liquidity ration. Commercial banks may be required to increase proportion of liquid assets.

(vii) Bank rate. Central bank increases the rate at which it lends to commercial bank;

(viii) Moral suasion. Urging commercial to restrain lending

1 mk mention, 1 mk explanation(Any 5 x 2 = 10mks)

**2a) Reasons for motor cycles popularity.**

* Cheap to buy, hence affordable to many low income earners.
* Maintenance costs are low.
* Flexible means of transport which can offer door to door services.
* Cheap to hire as compared to other means e.g. motor vehicles.
* Convenient to the users, since they are readily available.
* fast /saves time. ( 4 x =8mark

**b)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Shs | Shs |  | Sh | shs |
| Opening stock  Add: purchases  Less: Returns outwards  Add : carriage inwards  C.O.g.a.f.s  Less: closing stock  C.o.g.s  Gross profit c/d  **Expenses**  Carriage outwards  Rent  Wages and salaries  General expenses  Net profit c/d | 325000✓  15000✓  310,000  4,000✓  5000✓  18000✓  40000✓  14500✓ | 40,000✓  314000  354000✓  35000✓  319000  241000✓  560,000  77500  172500✓  250,000 | Sales  Less : Returns inwards  Net sales  Gross profit b/d  Discount received | 570,000✓  10,000✓ | 560,000✓  560,000  241000✓  9000✓  250,000 |

**HM Traders**

**Trading, Profit and Loss Account**✓

**For the year ended 31st December 2011**

( 16 x ½ = 8 marks)

HM Traders

Balance sheet

As at 31st December 2011

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | shs | shs |  | shs | shs |
| Fixed Assets  Machinery  Current Assets  Stock  Debtors  Bank | 35000✓  42700✓  30000✓ | 360,000✓  107 700  467 700 | Capital  Add: Net profit  Less Drawings  S.T.L  creditors | 283200✓  172500✓  455700  8000✓ | 447700  20000✓  467700 |

( 8 x ½ =4 marks)

**3(a) Explain five principles of public expenditure. (10 marks)**

1. Sanctions

Public expenditure must be approved by the relevant authority.

1. Maximum social benefit

Should be incurred in a way that majority of the people are able to reap maximum benefit out of it.

1. Adaptability

Should be flexible enough to meet the prevailing economic situation

1. Economy

Should be incurred in the most economical way by avoiding any possible waste.

1. Proper financial management

Maintenance of proper records which should also be audited. The government should be accountable and transparent.

(b) **Factors that may cause a shift of supply curve S1S1 to S2S2**.

1. An increase in either costs of production or inputs such as raw material and labour

will make producers to reduce production/force some producers out of market.

1. In availability/inadequate factors of production.
2. Decrease in price of a good produced jointly with commodity X.
3. Increase in price of a commodity that may be produced in place of commodity X.
4. Low levels of technology applied in production of the commodity.
5. Increase in tax charged on commodity.
6. Decrease in subsidies offered by government in production of the commodity.
7. Future expectation that the price of the commodity will increase.
8. Unfavorable climatic condition such was drought and floods especially if

commodity is an agricultural commodity.

**Question 4**

1. **Benefits of joining a producer co-operative society**

* She will be able to obtain better prices for her coffee
* Farm inputs on credit
* Cheap loans
* Better storage facilities
* Education on better methods of production
* Better and reliable transport means – feeder roads.

***Any five relevant points with explanation 2 x5 = 10mks***

***b)***

Mau ENTERPRISES

THREE CASH BOOK √

AS AT 30TH SEPTEMBER 2006

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date 2006 |  | DETAILS |  | D.A | CASH | BANK |  | Date  2006 |  | Details |  | D.A | CASH | BANK |
| SEP | 1 | Balance b/d |  |  | 55,000 |  |  | sep | 1 | Bal b/d |  |  |  | 250,000√ |
|  | 2 | Sales |  |  |  | 53526 |  |  | 3 | Ribbon |  |  | 4,500√ |  |
|  | 12 | Wetu |  | 1,200√ |  | 58800√ |  |  | 8 | wangila |  | 6000√ |  | 94000√ |
|  | 25 | Banks | c |  | 50,000√ |  |  |  | 15 | salaries |  |  | 34,000√ |  |
|  | 28 | Anyango |  | 7500√ |  | 67500√ |  |  | 25 | cash | C |  |  | 50,000√ |
|  | 30 | Cash | c |  |  | 52800√ |  |  | 30 | Bank | C |  | 52800√ |  |
|  |  |  |  |  |  |  |  |  | 30 | Bal. b/ d |  |  | 13700√ | 320,360√ |
|  |  |  |  | 8,700 | 105,000 | 714360 |  |  |  |  |  | 6,000 | 105,000 | 714360 |
| Oct | 1 | Balance b/d |  |  | 13,700 | 320,360 |  |  |  |  |  |  |  |  |

1. ICKS X ½ = 10MKS

***Any relevant points with explanation 2 x 5 = 10mks***

5 (a) - Rural development - To reduce the rural - urban migration.

- Adopting relevant education system - that equips school leavers with relevant skills

and attitudes for the existing job opportunities.

- Encouraging job creation through investment by encouraging job creation through

investment by encouraging private investors.

- Diversifying economic activities - In order to take care of structural and seasonal

unemployment.

- Population control - To reduce the rate of population growth.

- Encouraging foreign investment.

- Increasing government expenditure on investment projects.

( 8 x ½ =4 marks)

**b) Challenges in realization of vision 2030**

* + Lack of basic resources
  + Lack of political good will
  + Failure to involve the local people in plan formulation stage
  + Natural calamities
  + Over reliance on donor funding
  + Lack of co-operation and co-ordination between the executing parties and formulators.

6 (a)

|  |  |
| --- | --- |
| Monopolistic | Perfect compensation |
| (i) Firms produce / cell similar but differentiated products.  (ii) Have their own price and out put policy  (iii) Faced with normal demand curve  (iv) Spend a lot of money in advertising  (v) Firms operate at excess capacity | (i) Firms produce / sell homogeneous products  (ii) They are price takers & output adjustors  (iii) Perfectly elastic demand curve  (iv) Firms do incur cost of advertising  (v) No excess capacity |

(Matching differences Any 5x2=10mks)

(b**)** Implication of production activities on the environment

(i) Air pollution because toxic omissions

(ii) Water pollution due to refuse from production units

(iii) Noise pollution from production firms

(iv) Destruction of the landscape

(v) Creation of green house effect because of too much smoke

(vi) Solid waste pollution which leave bid sites to watch

(vii) Social evils and crimes which come as a result of bring people together.