

SUKELLEMO MOCK EXAMINATION
Kenya Certificate of Secondary education (K.C.S.E)

565/2 - BUSINESS STUDIES – Paper 2
MARKING SCHEME

1 (a)

<i>Public Limited Company</i>	<i>Parastatals</i>
1. Owned by private people who own shares.	1. Fully owned by government.
2. Directors are elected by shareholders.	2. Directors are appointed by government.
3. Main objective is to make profit.	3. Main objective is to offer essential goods and services.
4. Profit realised belongs to shareholders.	4. Profit realised belongs to the state.
5. Initially financed through issue of shares.	5. Initially financed by state or through state guarantee.

5 X 2 = 10 Marks

(b)

Sales Journal

<i>Date</i>	<i>Details</i>	<i>Invoice No.</i>	<i>L.F.</i>	<i>Amount</i>
20-7				Sh
July 1	Mwango			120,000 ✓
„ 4	Nyambura			60,000 ✓
„ 10	Mwango			150,000 ✓
„ 25	Nyambura			80,000 ✓
„ 31	Total posted to sales a/c in G.L. (Cr)			<u>410,000</u> ✓

Purchases Journal

<i>Date</i>	<i>Details</i>	<i>Invoice No.</i>	<i>L.F.</i>	<i>Amount</i>
20-7				Sh
July 1	Ndaru			220,000 ✓
„ 3	Ndaru			90,000 ✓
„ 14	Omari			40,000 ✓
„ 28	Ndaru			110,000 ✓
„ 31	Total posted purchases a/c in G. L. (Dr)			<u>460,000</u> ✓

Returns Inwards Journal

<i>Date</i>	<i>Details</i>	<i>Note No.</i>	<i>L.F.</i>	<i>Amount</i>
20-7				Sh
July 8	Mwango			20,000 ✓
„ 26	Nyambura			16,000 ✓
„ 31	Total posted to Returns inwards a/c in G.L. (Dr)			<u>36,000</u> ✓

Returns Outwards Journal

Date	Details	Note No.	L.F.	Amount
20-7				Sh
July 11	Ndaru			30,000 ✓
„ 27	Ndaru			10,000 ✓
„ 31	Total posted to Returns outwards a/c in G.L (Cr)			40,000 ✓

Postings

Dr	Sales Account		Cr
		20-7	Sh
		July 31 Sundry debtors	410,000 ✓

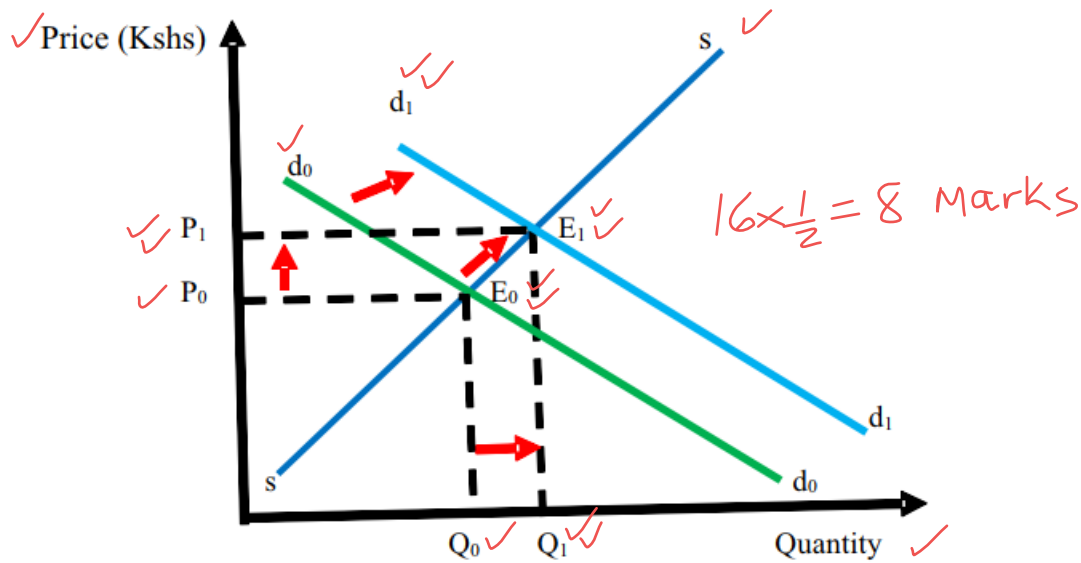
Dr	Purchases Account		Cr
20-7		Sh	
July 31 Sundry creditors	460,000		✓

Dr	Returns Outwards Account		Cr
		20-7	Sh
		July 31 Sundry creditors	40,000 ✓

Dr	Returns Inwards Account		Cr
20-7		Sh	
July 31 Sundry debtors	36,000		✓

20 ticks $\times \frac{1}{2} = 10$ marks

2a)



Equilibrium point moves upwards from E₀ to E₁. Demand increases from Q₀ to Q₁. Since supply is constant, this creates excess demand in the market. This pushes prices upwards from P₀ to P₁.
4 × 1/2 = 2 Marks

2b)

- (a)
- (i) Filing of documents in an office makes it tidy, otherwise it would make an office disorganised if documents are thrown all over the place without any order.
 - (ii) It makes it possible for an organisation to make references where necessary. In case the documents are not kept, it may be difficult for information to be accessed when needed at some future date.
 - (iii) Documents can easily get lost or stolen if not filed. Filing ensures that documents are kept in secure places which minimises loss, theft or misplacement.
 - (iv) It takes a shorter time to access documents than when they are not filed which would waste a lot of time trying to look for them.
 - (v) It saves space otherwise documents that are not filed and kept end up taking a lot of space.

5 × 2 = 10 Marks

- 3 (a) (i) *Inequality in income distribution*: Per capita income in one country may be high but in the hands of very few people yet another country may have a low per capita income, which is evenly distributed.
- (ii) *Inappropriate application of national income*: Per capita income in one country may be high but used in a way that does not benefit citizens while in the other country it may be used to finance projects that directly benefit the masses.
- (iii) *Effect on people's health*: High per capita income in one country could be achieved at the expense of the people's health.
- (iv) *Different interpretations of national income*: One country may interpret her national income as gross domestic product at market price while another may interpret hers as net national product at factor cost.
- (v) *Non-marketed output*: A country heavily relying on subsistence sector may appear to have low per capita income because of un-marketed output compared with another where such a sector is insignificant.
- (vi) *Price structure*: Price structure may be different in different countries, e.g., food stuffs may be cheaper in one country compared to another.

5 x 2 = 10 Marks

- (a) (i) Loss of government revenue as no duty is imposed on goods to and from member countries.
- (ii) Closing down of local industries due to unhealthy competition with goods from more established industries from member countries.
- (iii) Unemployment of locals as they are not able to compete with more qualified people from member countries.
- (iv) Limits consumer choice : Citizens may have limited choice as they may get goods produced within the trading block due to barriers placed to non-member countries.
- (v) Compromising a country's political ideology as the country adjusts itself to fit in the trading block.

5 x 2 = 10 Marks

4. (a) (i) Allocation of available resources enables the government to allocate the available resources in the best way possible. This would ensure that there are neither idle resources nor some being used in the wrong manner.
- (ii) *Project evaluation*: Plans act as a standard in which projects can be evaluated. Where there are deviations, they may be analysed and corrective measures taken before it is too late.
- (iii) *Equitable distribution of income*: Development plans enables government to distribute equitably income through fair allocation of resources regionally.
- (iv) *Negotiation with donors*: The government may use a development plan to convince donors that funds being sought would be put into proper use.
- (v) *Stimulating effort*: A well-drawn and explained development plan may make the masses exert more effort in national development.
- (vi) *Avoiding duplication*: Through proper planning, different industries are set in different parts of the country thereby ensuring balanced development in the country.

5 x 2 = 10 Marks

- (b) (i) To provide goods and services that are too sensitive to be left in the hands of the private sector.
- (ii) To attract foreign investment by initiating major development projects.
- (iii) To prevent exploitation of consumers by private business people especially in provision of essential goods and services.
- (iv) To provide essential goods and services which private individuals are not able to due to large amount of capital required.
- (v) To stimulate economic development in the country.
- (vi) To ensure equitable distribution of essential goods and services.
- (vii) To provide unprofitable but essential goods and services.

5x2 = 10 Marks

5. (a)
Dr

Two-Column Cash Book

Cr

Dr				Cr			
Date	Particulars	Cash	Bank	Date	Particulars	Cash	Bank
20-8		Sh	Sh	20-8		Sh	Sh
Jan 1	Bal b/d ✓	35,000 ✓		Jan 1	Bal b/d ✓		12,000 ✓
„ 2	Sales ✓	18,000 ✓		„ 8	Bundi ✓	6,000 ✓	
„ 5	Mwirigi Entr ✓		40,000 ✓	„ 10	Bank ✓	13,000 ✓	
„ 10	Cash ✓		13,000 ✓	„ 14	Drawings ✓		5,000 ✓
„ 18	Kazure ✓	25,000 ✓		„ 15	Wages ✓	4,000 ✓	
„ 24	Sales ✓		45,000 ✓	„ 26	Wages ✓	2,400 ✓	
„ 27	Bank ✓	21,000 ✓		„ 27	Cash ✓		21,000 ✓
„ 29	Cash ✓		51,600 ✓	„ 28	Furniture ✓	19,000 ✓	
				„ 29	Insurance ✓		17,000 ✓
				„ 30	Bank ✓	51,600 ✓	
				„ 31	Bal c/d ✓	3,000 ✓	94,600 ✓
		99,000	149,600			99,000 ✓	149,600

40 x 1/4 = 10 Marks

(b)

- (i) Where there is need to own the goods as under hire purchase ownership remain with the seller until the last instalment is paid.
- (ii) Where there is need to sell the goods as goods under hire purchase cannot be sold before all instalments are paid.
- (iii) Where there is need to benefit from lower prices as hire purchase price term is higher.
- (iv) Where there is need to avoid goods being repossessed as it is the case under hire purchase terms.
- (v) Where buyer is buying non durable goods which cannot be sold under hire purchase terms.
- (vi) Where buyer is intending to pay in one instalment and avoid periodic instalments which are required under hire purchase terms.

$5 \times 2 = 10$ Marks

6

- (a)
 - (i) Provides the capital required in the production process.
 - (ii) He assembles other factors of production.
 - (iii) He makes decisions on how the business should run.
 - (iv) Pays for other factors of production.
 - (v) Bears risk.
 - (vi) Identifies the viable business opportunity.

$4 \times 2 = 8$ Marks

(b)

Baite Traders
Trading, Profit & Loss A/C ✓
For the period ended 31st August 20-5

	Sh	Sh		Sh	Sh
Opening stock		35,000 ✓	Sales	350,000 ✓	
Add: Purchases	160,000 ✓		Less: Return in	<u>5,000</u> ✓	345,000 ✓
Carriage in	<u>20,000</u> ✓	180,000 ✓			
COGAFs.		215,000 ✓			
Less: Closing stock		50,000 ✓			
Cos		165,000 ✓			
G.P. c/d		180,000 ✓			
		<u>345,000</u> ✓			<u>345,000</u> ✓
Carriages out		14,000 ✓	GP b/d		180,000 ✓
Sal/wages		10,000 ✓	Rent		25,000 ✓
Light & heat		12,000 ✓	Disc. Rec.		18,000 ✓
Advert		13,000 ✓			
NP c/d		174,000 ✓			
		<u>223,000</u> ✓			<u>223,000</u> ✓

$24 \times \frac{1}{3} = 8$ Marks

Baite
Balance Sheet ✓
As at 31st August 20-5

Assets	Sh	Capital + Liabilities	Sh	Sh
Machinery	265,000 ✓	Capital	667,000 ✓	
Buildings	240,000 ✓	Less: Drawings	<u>30,000</u> ✓	
			637,000 ✓	
Stock	50,000 ✓	Add: N.P.	<u>174,000</u> ✓	811,000 ✓
Bank	290,000 ✓			
Debtors	56,000 ✓	Creditors		90,000 ✓
	<u>901,000</u>			<u>901,000</u>

$12 \times \frac{1}{3} = 4$ Marks