

**TERM 2 2022 OPENER EXAM FORM 4**  
**FORM FOUR BUSINESS PAPER 2 MARKING SCHEME**

1 (a) Factors promoting entrepreneurship in Kenya

- Favorable government policies
- The strength of financial institutions in Kenya
- Infrastructure
- Availability of market for goods and services
- The level and type of education and training
- Presence of role models
- Security and political stability in the country
- The social-cultural practices of the people
- Legal provision or laws that may not enhance entrepreneurship (5x2=10mks)

(b) Explain five advantages of using office machine. (10mks)

- Labor saving reducing wages bill
- Reduce the firms labour- related problems e.g “unrest”
- Work produced is of high quality and more presentable
- Output is standardized
- Speeds up the rate of production
- Helps to improve the level of accuracy
- Enhance s the image of the company
- Lowers the cost of production

2(a) Give **five** difference between Public Company and public corporation

public company	Public Corporation
(i) - They are formed by the Company Act parliament.	(i) - They are formed by the Act of parliament.
(ii) – It is owned by shareholders i.e. ordinary shareholders	(ii) – Owned by the government
(iii) – Able to raise capital through sale of government. shares to the public.	(iii) – Capital is provided by the government.
(iv) – Board of directors are elected by appointed by the shareholders from among themselves.	(iv) - Board of directors are appointed by the Government.
(v) – The profit generated are distributed to services to the shareholders as dividends.	(v) – It is formed to improve the services between a public limited company and a public corporation. (10mks)

(b) The following trial balance has extracted from the books of Bishar Retailers on 30<sup>th</sup> April, 2006.

	Dr shs	Cr shs
Sales		186,000
Purchases	115,560	
Stock 1.5.2005	37,760	
Carriage outwards	3,260	
Carriage inwards	2,340	
Returns	4,400	3,550
Motor expenses	6,640	
Rent	4,560	
Salaries and wages	24,490	
General expenses	12,000	
Rates	1,200	
Equipment	60,000	
Machinery	31,960	
Trade debtors	45,770	
Trade creditors		30,450
Bank	38,760	
Cash	12,000	
Drawings	20,500	
Capital	_____	<u>128,440</u>
	<u>348,440</u>	<u>348,440</u>

Stock at 30<sup>th</sup> April, 2006 was shs 49,980.

Required; i) Prepare Trading, profit and loss Account for the year ended 30<sup>th</sup> April 2006. (7marks)

ii) Balance as at 30<sup>th</sup> April 2006. (5marks)

BISHAR RETAIL BUSINESS

TRADING PROFIT AND LOSS A/C  
FOR THE PERIOD ENDING 30TH APRIL 2006

Dr				Cr
	Ksh	Ksh		Ksh
Opening stock		37760	Sales	186000
Add purchases	115560		Less return inwards	<u>4400</u>
Add carriage inward	2340		Net sales	181600
	117900			
Less return outwards	3550	<u>114350</u>		
COGAS		152110		
Less closing stock		<u>49980</u>		
Cost of goods sold		102130		
Gross profit c/d		<u>79470</u>		
		<u>181600</u>		
			Gross profit b/d	<u>181600</u>
				79470
Carriage outwards		3260		
Motor expenses		6640		
Rent		4560		
Salary & wages		24470		
General expenses		12000		
Rates		1200		
Net profit c/s		<u>27320</u>		
		<u>79470</u>		
			Net profit b/d	<u>79470</u>
				27320

@entry=½mark,total =7mks

- (ii) Balance sheet as at the date. (5mks)

BISHAR RETAIL BUSINESS  
BALANCE SHEET  
AS AT 30TH APRIL 2006

	Ksh	Ksh		Ksh
<u>Fixed Assets</u>			Capital + Liabilities	
Equipment	6000		Capital	128440
Machinery	24000	30000	Add net profit	27320
<u>Current Assets</u>			Less drawings	<u>20500</u>
Stock	49980			135260
trade debtors	45770		Current Liabilities	
Bank	38760		Trade creditors	<u>30450</u>
Cash	1200	<u>135710</u>		
<u>165,710</u>	<u>165,710</u>			

- 3a). Discuss five reasons why a manufacturer may sell directly to consumers.**  
(10marks)

- i) Where the customers are concentrated in one place
- ii) Customers are close by/Near the market
- iii) Requirement by government policy as the government may force a particular manufacturer to sell their products direct to consumers.
- iv) If products are produced only on order hence no need for intermediaries
- v) Where Production follows customer specification
- vi) Manufacturer has adequate financial resources to fund the process of distribution
- vi) If the product is perishable/Fragile thus need for less handling

- (b) Explain five advantages of using office machine.** (10mks)

Advantages of using office machine

- Labor saving reducing wages bill
- Reduce the firms labour- related problems e.g “unrest”
- Work produced is of high quality and more presentable

- Output is standardized
- Speeds up the rate of production
- Helps to improve the level of accuracy
- Enhances the image of the company

Lowers the cost of production

**4. a) Explain five factors which may influence choice of a distribution channel. (10 marks) .**

i) Number of potential customers

Where customers are few, the manufacturer may use its own sales force/large number of customers may use intermediaries.

ii) Geographical concentration of the market, where the market is centralized in a few geographical areas,

direct distribution is okay/less concentrated market may use intermediaries.

iii) Order size

Economical to sell directly for customers who buy in large quantities.

Use intermediaries for customers who buy in small quantities.

iv) Unit value of the product.

Products of high value can be distributed directly due to high risks.

Low value can use intermediaries.

v) Perishability of the product.

Perishable goods distributed through short fast channel to avoid spoilage.

vi) Technical nature of the product.

Good of highly technical nature sold to customers in order to give pre-sale and after sales service.

vii) Financial resources

A producer who is financially strong can afford to distribute directly to consumers

viii) The intermediaries/availability

Different intermediaries perform different functions, hence a firm should select the channel convenient to it to ensure smooth operations.

ix) Competitors

A firm wishing to have its product compete directly with that of a competitor would select a channel that the competitor uses and vice versa.

x) Government policy

Where the government requires a particular channel to be used, the producer will have no choice.

xi) Cost- The distribution channel to be used must be affordable/should allow the manufactures to maximize profits.

**b) State and explain five macro environments and the positive effect of each on the performance of a business (10 marks)**

i) Economic environment (favourable): Economic situations that increase consumers' purchasing power eg low price levels, high consumers income, low interest rates, low levels of inflation and taxes.

- ii) Demographic environment: A high population creates a wider market and hence more sales & profits.
- iii) Advancement in technology: High levels of know-how and efficient use of tools/equipment lead to better quality goods/services and reduced cost of production.
- iv) Legal environment (favourable): Laws and policies made by the government should be favourable eg. Taxation, legislation, ease in licensing etc.
- v) Favourable political environment: Political stability leads to peace there by creating a conducive environment for business to thrive.
- vi) Favourable cultural environment where customs values and beliefs of the society are for the product, this boosts sales and the business thrive.
- vii) Fair competition: This will enable the business cope with the competitors and remain in operation.
- (vii) Physical environment (ideal or favourable): Relief, climate, infrastructure, electricity etc when ideal enables the business operate efficiently.

**5a) Describe five features of good money. (10 marks)**

Five characteristics of good money

- i) Acceptability: Must be acceptable to everyone for it to be used as a medium of exchange.
  - ii) Divisibility: Should be divisible into smaller units without loss of value.
  - iii) Scarcity: Should be relatively limited in supply so as to maintain value.
  - iv) Cognizability: Should be easy to recognize genuine from fake money.
  - v) Malleability: Should be easy to print or mint but difficult to forge.
  - vi) Homogeneity: Money of the same denomination should be uniform in quality and identical.
  - vii) Stability in value: Should be able to last for a long time without changing in value so that it maintains credibility and acceptability. If it fluctuates in value, people prefer holding wealth in form of goods.
  - viii) Portability: Should be easy and convenient to carry around.
  - ix) Durability: Should be able to last for along time without getting torn, defaced or losing shape and texture.
- b) On 1<sup>st</sup> June 2009, MULI ENTERPRISES had cash in hand sh. 87,000 and cash at bank sh. 250,000. During the month, the following transactions took place.
- June 2, Sales (cash) sh. 50,000
- 3, Paid salaries sh.101, 500 by cheque.
- 6, Received a cheque for sh. 76,800 from Mwelu after allowing her a cash discount of 4%.
- 12, Bought office furniture by cheque sh. 85,000
- 16, Settled Musau's account of sh. 40,000 in cash, having deducted shs 800 cash discount.
- 18, Received a cheque for shs 150,000 in respect of cash sales.
- 21, Paid wages shs 24,000 in cash.
- 22, Withdrew shs 30,000 from bank for office use.
- 25, Withdrew shs 5000 cash for private use.
- 28, Received shs 16500 cash from Kasiva in settlement of her account less shs 660 cash discount.
- June 30, Deposited all the money into bank except shs 25,000

Prepare a three column cash book and balance it off.  
(10marks)

**MULI ENTERPRISES  
THREE COLUMN CASH BOOK**

Date	Details	Disc. Allowed	Cash	Bank	Date	Details	Disc. Received	Cash	Bank
2009 1/6	Bal b/d		87,000√	250,000√	2009 2/6	Salaries			101,500√
2/6	Sales		50,000√		12/6	Furniture			
6/6	Mwelu	3,200√		76,800	16/6	Musau	800	39,200√	
18/6	Sales			150,000	21/6	Wages		2,400√	
22/6	Bank		30,000√		22/6	Cash			30,000√
28/6	Kasiva	660√	16,500√		25/6	Drawings		5000√	
30/6	Cash	c		90300√	30/6	Bank	c	90,300√	
					30/6	Bal c/d		25,000√	350,600√
		<u>3,860</u>	<u>183,500</u>	<u>567,100</u>			<u>800</u>	<u>183,500√</u>	<u>567,100√</u>

*20 x 1/2 =*

**10marks**

**6a) Explain five uses of national income statistics to an economy.**

(10 marks)

**Five uses of National income statistics**

- They are used to measure the overall economic growth of a country.
- They can be used to compare the standard of living between countries and also compare standards of living of citizens in a country at different times.
- They can be used for planning purposes by the government to ensure proper allocation of resources.
- Entrepreneurs may use the national income statistics to make investment decisions by observing consumption patterns.
- Statistics show the contribution of various sectors and regions to the national income.

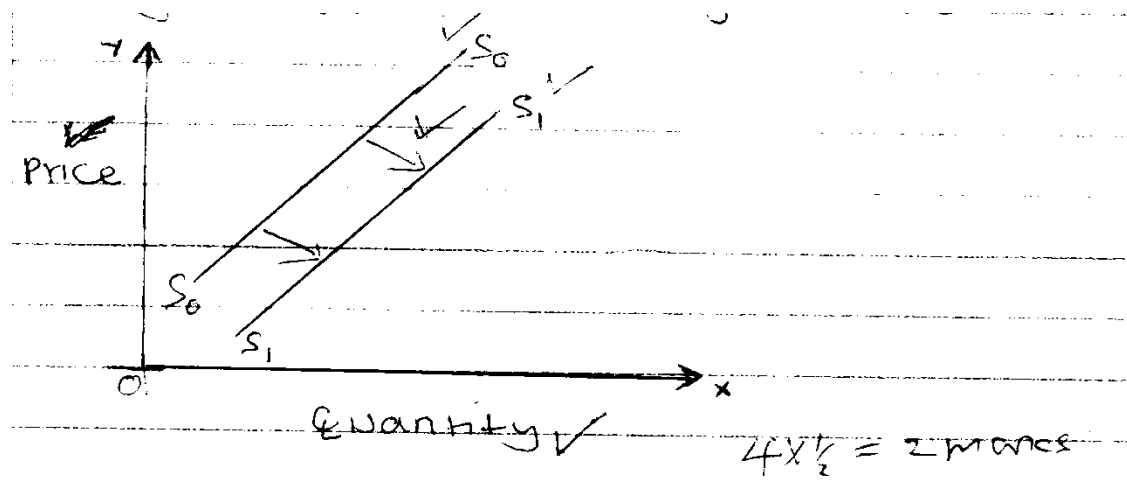
*(Any 5 well explained @ 2marks = 10marks)*

**b) With the aid of an appropriate labelled diagram, explain four circumstances under which**

**supply curve may shift to the right hand side.**

(10 marks)

**b) Circumstances under which supply curve may shift to the right hand side.**



- Improved technology
- Increased supply of inputs
- Decreased cost of production
- Entry of new firms to industry
- Increased government subsidy's
- Decreased taxation of input

(Any 4 well explained @ 2marks = 8marks)