JOINT EXAMINATION
FORM THREE BUSINESS STUDIES
PAPER 2
END OF TERM 3 EXAMINATION 2023
MARKING SCHEME.
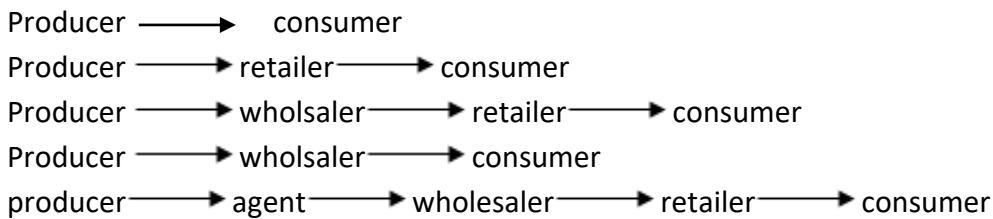
1.

a) Explain five accounting documents used in home trade.   [10 mks]

i.   Invoice which is sent by the seller to the buyer demanding payment for goods.

ii. Debit note sent by the seller to the buyer to correct an undercharge in the invoice.

iii. Credit note sent by the seller to the buyer to correct an overcharge in the invoice.

iv. Receipt issued by the seller to a buyer when payment is made.

v.   Statement of account sent by seller to the buyer showing details of transactions in a month.

vi. Payment voucher used to validate payment for goods /services offered.

vii. Bank deposit slip which shows evidence of payment into the bank account.

b) There has been a decline in demand for wooden furniture. Explain five factors that may have caused this trend.   [10 mks]

i.   Decline in consumers incomes reducing the buying ability hence less demand.

ii. Fall in prices of substitutes [e.g plastic furniture's] making them more affordable

iii. Increase in price of wooden furniture making them unaffordable.

iv. Unfavorable government policies e.g high taxes leading to higher prices hence unaffordable

v.   Low seasons leading to fewer buyers

vi. Unfavorable change in tastes and preferences making them undesirable.

2.

a) Explain five features that differentiate a public limited company from a partnership.

[10 mks]

Public limited company	Partnership
i. Membership is a minimum of seven shareholders	i. Membership is a minimum of two partners
ii. Shareholders have limited liability	ii. Partners have unlimited liability, incase of a limited partnership one partner must have unlimited liability
iii. Managed by people appointed by board of directors	iii. Managed by partners themselves
iv. Regulated by articles/ memorandum of association and companies Act	iv. Regulated by partnership deed, Act / agreement
v. No maximum membership	v. Has a maximum of 20 partners or 50
vi. Raises capital through sale of shares	

vii. Has perpetual continuity	[professional partnerships] vi. Raises capital through partners contribution vii. Death, insanity or bankruptcy of partners may lead to dissolution.

b) Describe five common channels of distribution for locally manufactured goods. [10mks]

Producer ⟶ consumer

Producer ⟶ retailer ⟶ consumer

Producer ⟶ wholsaler ⟶ retailer ⟶ consumer

Producer ⟶ wholsaler ⟶ consumer

producer ⟶ agent ⟶ wholesaler ⟶ retailer ⟶ consumer

3.

a) The following balances were extracted from the books of Mageta traders on 31st Jan 2015.

	(Shs)
Land	82 000
Furniture	61 500
Debtors	17 700
Bank	91 000
Stock	18 600
Cash	10 800
10 yrs Bank loan	165 000
Creditors	34 100

Required: [10mks]

i. Determine the business capital
ii. Prepare a Mageta Traders balance sheet as at 31st Jan 2015.

CAPITAL = ASSETS – LIABILITIES   √   ¼

Total assets = shs. 82000+61500+17700+91000+18600+10800   √   ¼

Total liabilities = shs. 165000+34100   √   ½

Capital = shs. 281600 – 199100 = 82500   √   ¼   [4 x ¼ = 1mk

MAGETA TRADERS

BALANCE SHEET

AS AT 31ST JANUARY 2015

KSHS.		KSHS.	
Land	82 500 √	Capital	82 500 √
Furniture	61 500 √	10 year Bank loan 165 000 √	
Stock	18 600 √		
Debtors	17 700 √	Creditors	34 100 √
Bank	91 000 √		
Cash	10 800 √		
	281 600		281 600

9x1 = 9 mks

b) Highlight five factors that may promote entrepreneurship in Kenyan.   [10mks]
i.   Government policies e.g low taxes which encourage the emergence and expansion of businesses
ii. Training where the trainees are equipped with skills to start and run a business.
iii. Presence of role models who act as an eye opener to the potential entrprenuers
iv. Availability of capital for starting and running a business
v.   Political stability that creates a suitable environment for a business.
vi. Healthy competition that business owners can withstand.
vii. High technology that leads to production of high quality and quantity of goods and services.
viii. Availability of markets where the entrepreneurs can sell goods and services.
4.
a)   Explain five ways in which a warehouse may promote trade.   [10mks]

i. Promote mass production since there's a space for storage of raw materials and finished goods.

ii. Stabilize prices by ensuring continuous supply of goods.

iii. It enables preparation of goods through branding ,packing, sorting e.t.c

iv. Creates time utility by ensuring that consumers Get goods when required.

v. Enables traders look for market while still in the warehouse.

vi. Ensures security for goods since they are protected from theft.

b) Explain five problems that may be faced when measuring national income using the output approach.   [10mks]

i. Inaccurate data: difficulties may be experienced due to poor record keeping.

ii. Dertemination of goods and services to be included since some output may be as a result of illegal activities.

iii. Price fluctuations since prices may vary from time to time.

iv. Double counting where it may be difficult to differentiate intermediate and final output

v. Lack of qualified personnel to be used to collect and compile data.

5.

a) Outline five differences between open office layouts and enclosed office layouts. [10mks]

Open office	Enclosed office
i. All staff work in one large room	i. Each staff is allocated a room from where they work
ii. Cheap to construct	ii. Costly to construct
iii. Discourages absenteeism	iii. Encourages absenteeism
iv. Easy location of staff	iv. Hard to locate staff
v. Promote sharing of machine	v. Discourages sharing of machines
vi. Senior sit together with juniors hence no status conferred	vi. Confer status of top level staff as they are allocated own offices

b) Explain five reasons for consumer protection.   [10mks]

i. Unfair pricing by traders who may overcharge the consumers

ii. Low quality goods that do not meet set standards

iii. Protection from unsafe structures that endanger consumers life

iv. Harmful products that are unfit for use by consumers

v. Underweight goods where the traders sell goods below the right weight.

6.

a) Outline four circumstances under which a trader may offer after sales service to the buyer.

   [10mks]

i.   Where goods sold are of technical nature requiring demonstration on use.

ii. Where expertise is required in installation and the trader has technical knowledge

iii. Where the product is new in the market and the trader requires feedback on products performance

iv. Where competition is stiff hence the trader uses after sale services to win more customers.

v.   When providing personalized services requiring direct contact customers.

b) The following information was extracted from books of Mamboleo Traders in the month of September, 2014.

September 1	Had cash in hand shs. 15 500 and a bank overdraft of shs. 9 700.
September 3	Bought goods for sale shs. 12 300
September 5	Sold goods in cash shs. 8 500
September 9	Sold goods on credit shs. 10 000
September 12	Receive a cheque of shs. 9 000
September 15	Paid a creditor shs. 10 000
September 17	Paid wages shs. 2 600 in cash
September 19	Received a cheque shs. 23 400 from Samson for goods sold in January
September 23	Withdrew shs. 7 700 from the bank for office use.
September 24	Paid electricity bills by cheque of shs. 1 200
September 25	Received a cheque of shs. 11 500
September 26	Made cash sales of shs. 12 800
September 27	Purchased goods worth shs. 8 950 in cash
September 28	Paid water bills by cheque shs. 2 800

Required: Prepare a two column cash book.   [10mks]

MAMBO LEO TRADERS

TWO COLUMN CASH BOOK
FOR THE MONTH OF SEPT. 2014 √

DR.   CR.

Date	Details	Folio	Cash	Bank		Date	Details	Folio	Cash	Bank
2014 SEPT						2014 SEPT				
1 √	Bal √	b/d	15 500 √			1 √	Bal √	b/d		97 00√
5 √	Sales √		8 500 √			3 √	Purchases √		12300 √	
12√	Debtors √			9000 √		15 √	Creditors √		10 000 √	
19 √	Samson √			23400 √		17√	Wages √		2600 √	
23 √	Bank √	c	7700 √			23 √	Cash √	c		7700 √
						24	electricity			1200
						27√	Purchases √		8950√	
25√	Debtor √			11500√		28 √	Water bill√			2800√
26 √	Sales √		12800√							
						30th √	Bal √	c/d	10650 √	22500 √
			44500	**43900**					**44500**	**43900**

NB: 50 ticks x $^1/_5$ = 10 mks