**GATUNDU SOUTH BUSINESS STUDIES MARKING SCHEME FORM 4**

1. (a))***Types of unemployment***

(i) ***Disguised*** – or hidden – where withdrawal of some workers will not affect output

(ii) ***General or open unemployment*** – arises there many people capable of working have no jobs.

(iii***) Structural*** - arises where the supply of a particular category of workers exceed demand.

(iv) ***Frictional*** – where jobs may be available, but workers are not able to take them.

(v)  ***Seasonal*** – arises as a result of variation in seasons which affect economic activities in sectors such as Agriculture

(vi) T***echnological*** – arises as a result of adoption of new technologies that may replace labour.

(vii) ***Urban*** – where supply of labour in urban areas outstrips available jobs.

(viii*) C****asual*** – affects mainly casual labourers

(ix) ***Target worker*** – where people work to attain a certain level of income then they withdraw their labour.

(x) ***Keynesian unemployment*** – where the level of demand in the economy is not sufficient enough to support production activities

(xi) ***Cyclica***l – as a result of fluctuations in the economic activities over a period of time.

(xii) ***Residual*** – due to the handicaps like mental disorder, blindness (5 x 2 = 10 marks)

1. (b)

|  |  |
| --- | --- |
| **CO-OPERATIVES** | **PUBLIC LIMITED COMPANY** |
| 1. Formed by minimum of 10 members | Minimum of 7 shareholders |
| 1. Formed/regulated under by- laws | Formed/regulated under companies act |
| 1. No member can own more than 5% of the shares. | A shareholder can own as many shares as possible. |
| 1. Managed by a management committee | Managed by a board of directors. |
| 1. Each member has one vote during election | A shareholder has votes proportional to the number of shares. |
| 1. Registered by a commissioner of co-operatives | Registered by the registrar of companies |
| 1. Primary motive is to improve members welfare | Primary motive is to generate profits |
| 1. Main source of capital is the members contribution | Main source of capital is sale of shares |

1. (a) i. Lack of proximate cause - if the cause of accident was not related to the policy insured.

ii. He has no insurable interest in the property – He may have sold the vehicle at the time of accident.

iii. Lack of utmost good faith – the insurance company may have discovered that he failed to disclose the relevant material facts about the vehicle.

iv. If it was proved that he deliberately caused the accident wilfully.

v. If the insurance company is declared insolvent / bankrupt at the time of the accident hence unable to pay its claims.

vi. If the policy has expired – hence not valid.

vii. If he failed to pay regular premiums – hence breach of contract.

viii. Failure to inform the insurance company in good time – hence hindering timely investigations.

2.b Benefits of trade restrictions

1. To prevent the inflow of harmful goods into the country, that would harm the citizens
2. To give a country a chance to exploit its natural resources as limited goods will be entering the country.
3. It minimizes dependency on goods from other countries since the country will be producing more of their goods as they import less.
4. Allows the growth of infant industries since they will not be threatened by the arrival of goods from outside.
5. To prevent dumping of low quality goods / services into the country as they will not be allowed to enter the country.
6. To correct balance of payments deficit by limiting imports as a country exports more.
7. Earn government revenue by imposing tariffs on goods and services.
8. To safeguard cultural values – which may be lost due to interactions with other countries.
9. To control imported inflation – which may arise from imports.
10. To safeguard local employment – which may be lost through entry of goods and services.

3.a. **Principles of taxation**

i. Equity/Fair/Just – taxed according to the level of income.

ii. Economical – Cost effective collection should be relatively lower than the tax revenue.

iii. convenient – to the tax payer

iv. Certainty – taxpayer should know how to pay.

v. Flexibility – adaptable to changing economic circumstances.

vii. Simplicity - easily understood and administered.

viii. Diversity/ wide base – variety/range of taxes targeting many people.

ix. Difficult to evade - should not create a loophole to escape payment.

x. Regulate the economy – by encouraging production/ proper allocation of resources.

xi. Maximum benefit to the tax payer – through provision of quality goods / services.

***3.b. Factors that may cause a producer to reduce his output to the market***

1. ***Price of the commodity*** – Fewer goods are supplied when the price of the commodity falls.
2. ***Cost of production*** – fewer goods are supplied when the cost of producing them is high.
3. ***Changes in technology*** – when a firm does not change with technology- less goods are produced because of inefficiency hence supply will reduce.
4. ***Decision of suppliers*** – the supplier or producer may just make a decision to reduce supply due to his own reasons.
5. ***Price of other commodities*** – producers may choose to shift from supplying product whose prices are low to supplying those whose prices are high.
6. ***Natural factors*** – unfavorable weather conditions, pests and diseases, may lead to a reduction of the goods produced hence there will be less supply.
7. ***Government policy*** – unfavorable government policy may make producers to reduce their goods like increased taxes or reduction of subsidies.
8. ***Expectations of future changes in demand*** – if the producer anticipates that demand will decrease in future, he will decrease his supply
9. ***Anticipation of future changes in prices***. If the supplier anticipates that prices will increase in future, he will reduce the production at the moment. (5 x 2 = 10 marks)

**4.a.Tools used by the government to reduce money supply.**

i. Compulsory deposits – The central bank may require the commercial banks to increase their deposits with the central bank.

ii. selective credit control – the government through the central bank may require commercial banks to lend to only specific sectors of the economy.

iii. Open market operations -The government may sell government securities in an open market.

iv. Raising the bank rate – making loans expensive to discourage borrowing.

v. Raise cash/liquidity ratio – leaving the commercial banks with less money to lend.

vi. Raising interest rates on deposits – to encourage savings.

vii. Raising the margin requirement – to discourage borrowing.

viii. Moral persuasion/directives/instructions – convincing banks to reduce their lending to the public.

ix. Reducing government expenditure – by suspending some projects.(5 x 2 = 10 marks)

**4.b. Sources of oligopoly power.**

i. Where a few may control strategic inputs/raw materials – thus only the few firms have access to the inputs.

ii. Where some few firms may form cartels/collude – to lock other firms out.

iii. Where an industry may have barriers to entry – e.g. huge capital outlay, hence only a few firms can afford.

iv. Where a few firms may hold patent rights – so shutting out the others.

v. Where a few firms may enjoy large economies of scale – enabling them to produce at a lower cost.

vii. Where a few firms possess a secretive production technique – thus other firms may not use the technique.

**5.a. Benefits of standard gauge railway**

i. Effective transport of heavy goods – hence reducing the cost of transport.

ii. Effective transportation of bulky goods – large carrying capacity.

iii. Enjoy less cost of transport – cheaper to transport goods to the market/ raw materials to the firms.

iv. Availability of labour – enhance mobility of labour to/from firms.

v. Attract auxiliary industries – e.g. banks/insurance

vi. Easy deliver of raw materials – cheaper to transport raw materials to the firms.

vii. Create a wider market – more peoplewill be attracted in the region in search of jobs hence create a wider market.

viii. Reduce the cost of vehicle maintenance – as the rail will provide an alternative cheap means.

5.b.

**GREENLAND TRADERS**

**THREE COLUMN CASH BOOK✔**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Details | Discount  allowed | cash | Bank | Date | Details | Discount  received | cash | Bank |
| 2013 |  |  |  |  | 2013 |  |  |  |  |
| Oct 1 | Balance b/d |  | 10 000✔ | 40 000✔ | Oct.2 | Purchases |  |  | 3100✔ |
| 6 | Sales |  | 8 200 |  | 3 | Motor expenses |  | 6 000✔ |  |
| 12 | commission |  |  | 580✔ | 10 | creditor | 500✔ |  | 9 500✔ |
| 14 | Shelby | 750✔ |  | 29 250✔ | 15 | Service charge |  |  | 850✔ |
| 23 | Mobeke traders | 1 176✔ |  | 38 024✔ | 19 | Drawings |  |  | 1 500✔ |
| 24 | Bank |  | 15 000✔ |  | 24 | cash |  |  | 15 000✔ |
| 26 | Debtors | 300✔ |  | 8 200✔ | 30 |  |  |  |  |
|  | Cash |  |  | 25 400✔ |  | bank |  | 25 400✔✔ |  |
|  |  |  |  |  |  | Bal c/d |  | 1 800✔ | 111 504✔✔✔ |
|  |  | **2 226.00**✔ | **33 200**✔ | **141 454**✔ |  |  | **500**✔ | **33 200**✔ | **141 454**✔ |

30 x ⅓ = 10 marks

6. a.

i. Output per worker is greatly increased – due to experience/a worker engages in the trade he best suited and vice versa.

ii. Increased use of machines – leading to high quality/quantity and vice versa/making production faster/more efficient.

iii. A worker acquires skills in a particular field – routine working schedule.

iv. Introduction of standardised goods – due to use of machine in production

v. Encourages invention/innovation – when one gets used to one routine job new ideas are generated.

vi. Saves time – that would have been wasted moving from one job to another.

vii. Less mental and physical effort is spent – as a worker gets used to the routine job.

viii. High quality goods –due to use of machines/special skills.

6.b.

**SECRET GARDEN**

**TRADING AND PROFIT AND LOSS ACCOUNT**

***FOR THE PERIOD ENDED 31-DEC.2011***



|  |  |  |  |
| --- | --- | --- | --- |
| Opening stock | 100 000✔ | sales | 1 600 00✔ |
| Add: purchases | 700 000✔ | Less returns inwards | 30 00✔ |
|  | 800 000 |  | 1,570,000 |
| Add carriage inwards | 28 000✔ |  |  |
|  | 828 000 |  |  |
| Less returns outwards | 40 000✔ |  |  |
| Goods available | 788 000 |  |  |
| Less closing stock | 94 000✔ |  |  |
| Cost of sales | 694 000 |  |  |
| Gross profit | 876 000✔ |  |  |
|  | 1570 000 |  | 1 570 000 |
|  |  |  |  |
| Discount allowed | 50 000✔ | Gross profit b/d | 876 000✔ |
| Commission paid | 39 000✔ | Discount received | 35 000✔ |
| Carriage outwards | 135 000✔ | Commission received | 25 000✔ |
| Salaries | 220,000✔ |  |  |
| Net profit | 492 000✔✔ |  |  |
|  | 936 000 |  | 936 000 |



**SECRET GARDEN**

**BALANCE SHEET✔**

**AS AT 31/12/2011**

|  |  |  |  |
| --- | --- | --- | --- |
| **Fixed Assets** |  | **Capital** | 862 000✔ |
| Building | 600 000✔ | Add net profit | 492 000✔ |
| Equipment | 200 000✔ |  | 1 354 000 |
|  | 800 000 |  |  |
| **Current Assets** |  |  |  |
| Debtors | 400 000✔ | Creditors | 300 000✔ |
| Bank | 266 000✔ |  |  |
| Cash | 94 000✔ |  |  |
| stock | 94 000✔ |  |  |
|  | 854 000 |  |  |
|  | 1,654,000 |  | 1,654,000✔ |  |

30 x ⅓ = 10 marks