**MURANG’A COUNTY EXTRA COUNTY SCHOOLS**

**MECS**

**FORM 4**

**565/2**

**BUSINESS STUDIES PAPER TWO**

**MARKING SCHEME**

**TERM TWO**

**YEAR 2022**

**1(a) Explain five factors that one needs to consider when selecting an office layout. (10marks)**

* Work flow – Work should flow smoothly with minimal interruptions.
* Supervision – Easy/ quick monitoring of staff to discourage absenteeism.
* Office appearance – should be attractive and pleasant conducive to boost workers morale/ enhance performance.
* Working space – Workers should have adequate space to work from/ Enhance concentration.
* Cost of construction – Office layout chosen should be relatively cheap/ affordable/cost effective.
* Flow of workers/minimal movement – Should enhance reduce/ no staff movement/distractions (To enhance overall performances).
* Ease of communication – Have easy passage of messages within the organization.
* Legal requirements – Be according/compliance with laws of the land.
* Nature of work – Confidential work require enclosed office layout.
* Proximity to equipment/Accessibility of equipment number of equipment – Shared equipment require open office layout.

**Mention – 1mks**

**Otherwise – 2mks**

**(b) Outline five measures taken to promote Kenyan exports. (10mks)**

* By entering bilateral trade agreements/ joining trading blocs to improve/encourage free flow of goods.
* Organizing trade fairs and exhibition in foreign countries to create awareness.
* Looking/searching for more markets abroad through KETA enabling more exports
* Giving export subsidies making exports cheaper
* Easy export licensing for exporters to encourage exports
* Encouraging production of high quality goods and services to increase competitiveness
* Diversifying her export commodities to cushion slump demand for market security.
* Lowering duties on imported raw materials meant for producing goods for exportation.
* Giving customs drawback to investors to produce goods for export.
* Establishing export processing zones (EPZ) to enhance exports.
* Diversifying markets/widening markets/venturing into hitherto unchartered markets.

**2 x 5= 10mks**

**No splitting**

**2(a) Negative effects of general rise in prices/inflation (10mks)**

* Lower standards of living – As people can only manage to buy fewer goods/services.
* Reduced savings – Much of income is used on goods/services, thus little investments/leading to poverty.
* Reduced real value of money – People lose confidence in money/preference to hold wealth in form of assets other than money form/Banks is negatively affected.
* Losses to creditors – Receive/get paid their debts when money value is eroded.
* Reduced profits – Low sales volumes/products become unaffordable.
* Conflicts between employers and employees – Due to demand for higher wages.
* Emergence of black markets – Sneaking in of illegal/harmful goods.
* Erosion of people’s purchasing power - People become poorer.
* Increase in interest rates/banks rates – Making borrowing/loans expensive.
* Political unrest – People complain of too high cost of living.

**Mention = 1mk**

**Otherwise = 2mks**

**(b) Measures that the government of Kenya has put in place to facilitate efficient road transport. (10mks)**

* Use of speed governors to reduce/moderate speed of vehicles to reduce accidents.
* Introduction of safety belts to minimize injuries as a result of accidents.
* Introduction of dual carriage roads to ease congestion
* Advocacy/publicity campaigns on road safety (through mass media)
* Refresher training to drivers to improve skills/efficiency
* Good road signage to reduce accidents/confusion
* Identification of black spots/accident prone areas and rectification/looking for remedies.
* Use of uniforms/identification badges/photos for drivers and touts for easy identification.
* Revival of railway transport/standard gauge railway to ease congestion.

**3(a) Explain four ways the government may positively influence business activities to an area. (8mks)**

* Improving infrastructure – Thus creating enabling environment by building roads/supplying electricity/water
* Providing/improving security – To safeguard investor’s life/ their properties/create confidence in investors.
* Giving/increasing subsidies – To enable producers to produce goods cheaply/lower cost of production.
* Providing incentives like tax relief/tax holidays/Tax exemptions – To reduce cost of production.
* Providing free land – To reduce cost of doing business.
* Providing loans easily/cheaply/at low interest rates – to encourage entrepreneurship.
* Starting major projects - Attracts other firms to the area.
* Facilitate/provide auxiliary services e.eg Banking, insurance, transport – to attract investors.
* Protect local investors – by establishing restricting imports.
* Establishment of economic zones/export processing zones - To encourage establishment of firms.

3b(i) Daisy Traders

Trading profit and Loss Account

For the year ending 31st December 2021

Dr Cr

|  |  |
| --- | --- |
| Opening Stock 30,000√√Purchases 275,000√Add: Carriage in 16,000√ 291,000Less :Return out 6,000 285,000 √G.A.F.S 315,000√Less: Closing Stock 50,000√C.O.G.S 265,000√Gross profit C/D 115,000 380,000√Carriage outwards 8,000√Bad debts 3,000√Wages 20,000√Rates 12,000√Insurance 19,000√Disc Allowed 5,000√Net profit C/D 91,000 **158,000** | Sales 390,000√√Less: Return inwards 10,000√Net sales 380,000 380,000√Gross profit C/D 115,000√Commission received 36,000√Discount received 7,000 **158,000**Net profit B/D 91,000 |
|  |  |

**DAISY TRADERS**

BALANCE SHEET

AS AT 31ST DECEMBER 2021√

|  |  |
| --- | --- |
| **FIXED ASSETS** Buildings 450,000√Furniture 180,000√ 630,000√**CURRENT ASSETS** Stock 50,000√Debtors 47,000√C.A.B 250,000√C.I.H 40,000√ 387,000√ **1,017,000** | CAPITAL 689, 000√Add: Net profit 91,000√ 780,000Less: Drawings 25,000√New capital 755,000√S.T.LCreditors 52,000√Bank order draft 210,000√ **1,017,000** |

**15x 1/3 = 5mks**

**4(a) Using a diagram, show effect of increase in consumers’ level of income on the equilibrium price and quantity.**

1. The demand curve shifts to the right from DoDo to D1D1.
2. Equilibrium point shifts eo to e1
3. Equilibrium price increases from Pe0 to Pe1
4. Equilibrium quantity increases from Eq0 to Eq1

**4(b) Discuss 5 features of a co-operative society. (10mks)**

* Democratic administration/management – Decisions are made as a one man vote basis/management committee elected on one man one vote basis.
* Open and voluntary membership – Membership is free for those who qualify /above 18 years/ No forcing to join.
* Promotion of education to members- Obliged/have duty to educate members/staff/management on co-operative activities/through seminars/workshops.
* Political/religious neutrality- Not supposed to favour/identify with any political/religious group.
* Co-operation with other co-operative- To share ideas/experiences/at regional/national/international level.
* Payment of dividends – Based on contribution/on pro-rata basis.
* Limited interest on share capital- Capital paid is meant for running the business not for generating interest.
* Limit number of shares one can buy – to avoid control by one/a few members.
* Non-profit motivated – Main aim is to assist members.
* Individuals constitute members- No corporate membership.
* Mention- 1 Mk
* Otherwise – 2mks

**5(a) Circumstances under which a country may experience low level of national income. (10mks)**

* Poor/inadequate/low human resource/labour/work force- a country with poorly skilled/untrained manpower will generate low income/produce low quality/quantity goods or services thus low income.
* Poor natural resource endowment- Limiting the ability to create wealth /low quantity of low materials.
* Low/poor technology- Leading to low quality/quantity goods and services.
* Political instability/Insecurity- Leading to closure of firms/low productivity.
* Inadequate capital/ Man-made resources- Making production difficult/low quantities produced.
* Inadequate entrepreneurs/poor entrepreneurial cultures- Reducing levels of production.
* Poor infrastructure eg. Road networks – making movement of factor services/finished goods/raw materials impossible/difficult.
* NB THE CIRCUMSTANCE TO BE BROUGHT OUT

**b) Explain five ways in which insurance industry contributes to the development of Kenya’s economy**

* Creation of employment- For those who work in the insurance industry eg. Actuaries, brokers, underwriters, salespersons etc.
* Continuity of business- By providing compensation in the event of loss.
* Creating confidence in investors- Encouraging investment in risky areas.
* Source of revenue to government- through taxes
* Encourages saving- Life policies(endowment policies) enables people to save, which can be used for investment.
* Life policies can be used as securities for borrowing loans- which can be used to expand businesses.
* Employees feel secure/confident/comfortable when they have statutory schemes like NSSF/NHIF.
* Money collected by insurance companies is invested in other ventures thus expanding economy.

**6 a) Five measures which may be taken to reduce the level of unemployment (10mks)**

* Diversification of economy – Encouraging/establishing different industries to create employment.
* Transforming/improving education system- to improve on skills/produce employable graduates.
* Encouraging informal sector/Jua Kali sector- To promote self-employment.
* Population control- To have labour force that the economy can absorb.
* Exporting labour/Assisting people to acquire jobs abroad/to countries which labour force differences.
* Reviving collapsed industries/projects- By injecting funds/selling them/privatizing them.
* Improve infrastructure- To stimulate economic activities that create jobs.
* Leading/setting up funds- to spur economic activities.

NB: Accept examples of funds as a mention.

* Increase government expenditure- To expand the size of the economy/By financing development projects.
* Establishment of employment policy- To make is easy for people to get jobs.
* NB: Accept viable government policies as a mention.
* Delocalization/Decentralization policy- For balanced regional development/ To curb rural –urban migration.



