CONFIDENTIAL

**BUSINESS STUDIES PAPER 2 MARKING SCHEMES 2022 MOCK**

1. **(a)Ways in which insecurity negatively affects running of business activities**

1. Scare away investors-leading to low/poor investments
2. Fear/mistrust-among communities/people may impede interaction /movement
3. economic losses- due to destruction of property/investments
4. May cause shortages-since goods/services may not flow freely /reach markets
5. Low production/productivity-due to difficulty in accessing inputs/raw materials/destruction of inputs
6. High costs of doing businesses-since investors have to finance their businesses/investments/insure their businesses /workers (5x2=10mks)

**(b) Circumstance under which a firm may locate near the source of raw materials**

1. if they are bulky /heavy-making it costly difficult to transport to the factory.
2. If they are highly perishable to avoid losses /them going bad/being damaged
3. Government policy –where the firm may have no alternative but to comply
4. Stiff competition-so as to access them first/faster before other firms
5. Where the market for its goods is also concentrated near the source so as to serve/access the buyers easily /cheaply
6. If it is a subsidiary company/firm which relies on waste from primary firm as the source of its inputs (5x2=10mks)

**2. (a) Circumstances that make it necessary for companies to re-insure.**

(i) Value of he property: when the value of property is great such as a ship, single insurance company may find

it difficult to bear the loss.

(ii) High risk of loss: when chances of loss through the insured risks are high it becomes necessary to re-insure.

(iii) Number of risks covered: when the insurance company has insured many different risks it would be too costly

to compensate many claims at once hence the need for re-insurance.

(iv) Need to spread the risks: When the insurance company has insured many different risks it would be too costly

to compensate many claims at once hence the need for re-insurance.

(v) Need to spread the risks: when the insurance company wishes to share liability in the event of a major

loss occurring.

(vi) Government policy: the government may make it a legal requirement for an insurance company to re-insure. (**5x2 = 10mks)**

**(b) Explain five causes of inflation an economy (10mks)**

 i) Increase in government expenditure making more money available to people which increase aggregate

 demand leading to an upward pressure on prices.

 ii) Excessive credit creation by commercial banks increase money supply and hence purchasing ability leading

 to inflation.

 iii) Increase in money income which increase purchasing power causing an upward pressure on prices of goods

 and services.

 iv) Storage of goods and services leading to excessive demand hence pulling the prices of commodities upwards.

 v) Call for increase in wages and salaries, which will be reflected in the increased prices of commodities.

 vi) Increase in indirect taxes (e.g VAT,) which makes firms to increase their prices.

 vii) Increase in profit margins by management and shareholders leading to an increase in prices.

 viii) Increase in cost of inputs (e.g raw materials) causes the prices of finished goods to be high.

 ix) Reduction in subsidies leading to an increase in cost of production which will be reflected in an increase in the price of the commodities. ***(Any five well explained points @ 2=10mks)***

**3. (a) Discuss five factors to be considered when choosing a means of reproducing documents in an office.**

i) Number of copies needed.

ii) Quality required.

iii) Availability of personnel.

iv) Cost of production.

v) Availability of other means of reproducing documents.

vi) Nature/ type of document to be produced.

vii) Desired impression. **(5x2=10mks)**

**(b) Ways of improving efficiency of a warehouse.**

i) Ensuring that there is proper handling equipment to handle the goods easily

ii) Ensuring that staffs are well trained hence enhancing their performance.

iii) Provision of sufficient load and of loading area to avoid delays.

iv) Ensure that there are safety facilities in place to take care of pest and fire etc to safe guard goods.

v) Ensuring that the public health requirements are met for smooth operation

vi) Ensure proper use of space to allow easy movement of goods and personnel.

Vii) Ensure adequate security to avoid theft of goods.

viii) Ensure proper system of inventory control to monitor stock movement

ix) Ensure that legal requirement are adhered to for smooth running

x) Ensure adequate transport to move goods and workers in and out of the warehouse

xi) Ensure adequate communication facilities for effective communication within and out of the warehouse.

xii) Ensure that there are adequate storage facilities to cater for different types of goods.

 (***5 x 2 = 10 Marks )***

**4 (a) Measures that may be taken by the government to promote the volume of exports.**

(i) Providing export subsidy thus making it cheaper for exporter.

 (ii) Looking for more markets abroad through Kenya external trade authority(KETA)

 enabling more to be exported.

 (iii) Organizing fairs and exhibitions in foreign countries to create awareness.

 (iv) Export compensation schemes.

 (v) Export credit guarantee schemes to compensate exporters against the risks that may

 arise from selling goods abroad.

 (vi) By establishing processing zones, (EPZs which enhance more exports.

 (vii) By entering into bilateral trade agreement with other partners to improve their terms

 of trade.

 (viii) Diversifying her exports commodities for market security / cushions slump in

 demand.

 (ix) Control drawback – reinforcing customs duty on imported raw materials used in the production of goods meant for export.

**(b) Services which facilitate communication**

Courier services: Delivery of parcels and letters physically to local and international destinations

Mass media: means of communication including radio, television, newspapers e.t.c that reaches a large number of people spread over different areas.

Postal services; Services of sending lettera and parcels through the post office e.g Ordinary mail, registered mail, speed post e.t.c

Telecommunication services: Communication over long distances using telephones and telegraph through cable or wireless network.

Internet:

 **(5x2=8mks)**

**5 (a) With an aid of a diagram illustrate a change in equilibrium points following a decrease in demand and state three factors that may cause such change.**

 

 DD - Original demand curve

 D1D1 - New demand curve

 SS - Supply curve

 Eq1 - Equilibrium quantity 1.

 Eq2 - Equilibrium quantity 2.

 Ep1 ­- Equilibrium price 1.

 Ep2 - Equilibrium price 2.

 E1 - Original equilibrium point.

 E2 - Equilibrium point 2

Factors

1. Low income
2. Low population
3. Taste not in favour of the product
4. Income being in hands of few
5. Unfavourable government policy e.g high taxation.
6. Future expectation of decrease in price.

Increase in price of a complementary product. **(5x2=10mks)**

(**b) Explain FIVE principle of public expenditure.**

- Maximum social benefit

- Elasticity

- Economy

- Simplicity

- Productivity

- Equity

- Surplus

**6 (a) Explain five measures that the government can take so as to improve the efficiency of the road transport system in the country.**

 -Improving the road network system by tarmacking more roads particularly in

 rural areas.

- Ensuring that vehicles do not exceed their load capacities as this causes damage to roads.

- Educating the providers and the consumers of roads transport services of their moral obligation to observe the taraffic code.

- Improving rail transport so as to ease congestion on roads.

- Undertaking regular maintenance of roads to ensure that they are in good condition at all time.

- Ensuring that there is strict adherence to traffic laws.

- Ensuring that only trained and licenced people are allowed to drive vehicles on the roads.

- Ensuring that corruption is eradicated on the roads, by imposing heavy panalties on those who practice it.

- Establishment of by- pass road systems in the outstirts of urban centres does not have to pass through it. **(5x2=10mks)**

**(b) (i)Profit and loss account for the year ending 31/12/2021** 5½mks

**Maasai Traders**

**Profit and loss account**

 **for the year ending 31/12/2021**

 **Expenses: SHS SHS**

 Rent 48,000✓ Gross Profit b/d 320,000✓

 Lighting 7,200✓ Commission received 12,370✓

Water 9,220✓ Discount received 8,500✓

Salaries 75,000✓

Discount allowed 4,600✓

General expenses 98,000✓

Net profit 98,850✓

 340,870 340,870✓

 (***11 ticks @ ½ =5 ½ mks)***

**(ii) Balance sheet as at 31/12/2021 4½mks**

**Maasai Traders**

**Balance sheet**

**as at 31/12/2021**

Fixed assets Kshs Kshs

Furniture 650,000✓ Capital 3,000,000✓

Motor vehicle 2,300,000✓ add:Net profit 98,850✓

 3,098,850

Current assets Current liabilities

Stock 25,250✓ Creditors 396,400✓

Debtors 270,000✓

Bank 200,000✓

Cash 50,000✓

 3,495,250 3,495,250

 *9 ticks @ ½ =4 ½ mks*