**EAGLE II JOINT EXAMINATION**

**BUSINESS PP2 eagle MARKING SCHEME**

1 (a) Five circumstances under which a producer may use a direct channel in distributing her goods

* **If the producer deals with perishable goods which are likely to get bad easily if they follow a long channel**
* **If market is localized /concentrated (in one area) hence not economical to involve intermediaries**
* **If the producer has adequate finance/fund to have their own distribution outlet/facilities**
* **When the volume of goods produced is small and the producer can afford to distribute them to consumers directly**
* **Where goods are technical in nature and hence require after sales services /spare parts/installation / require demonstrate**
* **When the competition in the market is high, hence want to keep a direct link with the consumers/ to competele favourably cope up**
* **Where goods are produced on customer’s specification/ tailed to meet customers specification /hence unnecessary to involve intermediaries**
* **Where the size of market is small /has a few consumers hence no need to engage intermediaries**
* **Where there are no intermediaries has no other option/alternative to use**
* **Where it is a government policy and hence has to adhere/follow it (10 marks**

b) Benefits that a customer may accrue for shopping in a hypermarket (10 marks)

* **Can buy a variety of goods under one roof hence reduce movement from one building to another /hence satisfy different human needs/save on time/incease customers choice**
* **Easily accessible as they are well served by access roads /saves time**
* **Parking space is available which save on the cost if the consumer would have to shop in other retail shop**
* **Availability of auxiliary service e.g. banks and therefore able to access such services without having to move from one building to another**
* **Operate for long hours and therefore convenient to shop in late in the night /after work**
* **Accept credit/debit card which guarantee safety/convenient of customer; finances/easily portable**
* **Security is guaranteed from theft/attacks**
* **Convenient to shop in/they are located away from the city/CBD/town Centre’s/ since there is conjection**
* **Offer after sales services. saves on extra cost of hiring for such services**

2 a) Highlight five factors which an Entrepreneur should consider when evaluating a viable Business opportunity (10mks)

* **Profitability of the business-The amount of profit to be made and extent to which it will satisfy the needs of business owner is important.**
* **The market (Niche)-This is to know the people’s interest, preferences and ability to buy goods and services. One must evaluate the demand for goods and services.**
* **The requisite knowledge and expertise. The ability to manage and operate the business by considering skills, talents, education, training and experience demanded by the business.**
* **Acceptance of the business by the community-The entrepreneur should consider how the local community in which the business will be located would react to the business i.e. Selling pork among the Muslim.**
* **Potential for future growth- The entrepreneur should consider the opportunities for expansion that the business has i.e. possibility of opening new branches regionally or abroad.**
* **Legal framework requirements/gov’t policy – should be in line with gov’t regulate**
* **Break-even period-The entrepreneur should consider the period it will take the business before it can be self-supporting i.e. to generate enough revenue to cover expenses (costs) without relying on the supply of goods to consumers**
* **The level of competition in the market should be low/fair/favorable**

b) **On 1st April 2020:Rolan Co. Ltd. had a balance of shs. 100,000 at the**

**cash and shs. 250,000 at bank. During the month, the following transaction took place;**

April . 1 Cash sales Shs. 25,000, cash purchase Shs. 17,500

April. 3 Paid the following accounts by cheque.

Kiprop Shs. 15,000 less 5% cash discount

Kirui Shs. 20,000 less 5% cash discount

Bett shs. 21,000 less 3 % cash discount

April. 5 Received the following amounts from debtors,

Sang shs. 8,000, Jane shs. 4,500 and Korir by cheque shs. 12,000 after allowing him shs. 300 cash discount.

April. 14 Paid office cash to the bank shs. 2000

April. 17 Cash sales 8500

April . 20 Sold goods on credit worth Shs. 10,000 to Kimani

April. 22 Korir paid his account of shs. 5000 by cheque less 10% cash

Discount

April. 28 Paid salary cash shs. 8000

April. 29 A cheque received from Korir on Nov. 5th was dishonoured.

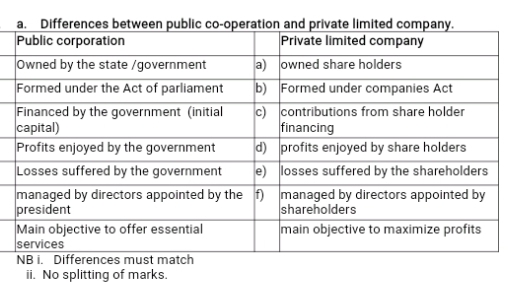
April. 30 Deposited all the money in to the bank except shs. 5,000

Prepare Rolan Co. Ltd. three column cash book. (10Mks)

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Date** | **Details** | **F** | **Discount allowed** | **Cash** | **Bank** | **Date** | **Details** | **F** | **Discount received** | **Cash** | Bank |
| 2020 |  |  |  |  |  | 2020 |  |  |  |  |  |
| April | Balance | b/d |  | 100,000 | 250,000 | April | Purchases |  |  | 17,500 |  |
| 1 | Sales |  |  | 25,000 |  | 3 | Kiprop |  | 750 |  | 14,250 |
| 5 | Sang |  |  | 8,000 |  | 3 | Kirui |  | 1,000 |  | 19,000 |
| 5 | Jane |  |  | 4,500 |  | 3 | Bett |  | 630 |  | 20,370 |
| 5 | Korir |  | 300 |  | 12,000 | 14 | Bank | C |  | 2000 |  |
| 14 | Cash | c |  |  | 2000 |  |  |  |  |  |  |
| 17 | Sales |  |  | 8500 |  | 29 | Salary |  |  | 8000 |  |
| 22 | Korir |  | 500 |  | 4500 | 30 | Korir |  | Dishonoured cheque |  | 12,000 |
| 28 | Cash | c |  |  | 118,500 | 30 | Bank |  |  | 118,500 |  |
| 30 | Bal | c/d |  |  |  |  | Bal | c/d |  | 5,000 | 320,880 |
|  |  |  | 800 | 146,000 | 386,500 |  |  |  | 238 | 32738 | 21600 |
| 30 | Bal | b/d |  | 5,000 | 320,880 |  |  |  |  | 146,000 | 386,500 |

**50 🞩1 = 10 marks**

3. a)



(b) Describe five factors, which may encourage localization of firms (10mks)

* **A well-developed infrastructure in an area e.g. good roads and communication network may attract firms**
* **Availability of large population, which may provide the market/labour**
* **Interdependence among firms creating backward and forward linkages. This tends to provide markets/inputs to other firms and hence lower the firm’s costs.**
* **Government policy requiring firms to be located in a certain area/centralization policy may confine firms in one location**
* **Availability of a pool of (trained) labour, which meets the firms, labour requirements.**
* **Availability of raw materials, which lower the cost of looking for the inputs. These materials may be concentrated in an area.**

4 a) Explain five benefits of adopting the use of an open office layout. (10mks)

* **Enhance sharing equipment’s/facilities/machines this saves on costs/ of purchasing many equipment’s.**
* **Easy supervision/control/management of workers as they can all be seen /are all-visible /in a common room.**
* **Cheap to decorate maintain /less costly /not expensive since less floor space is used /sharing of equipment/furniture.**
* **Easy location /identification of workers as all found in same room.**
* **Discourages absconding duties /absenteeism due to close supervision/enhanced supervision by management.**
* **Floor space is saved, as no many offices need to be constructed.**
* **Easy to consult colleagues, as they are next/in a common room improving working efficiency/preciseness.**
* **Saves on time since there is less staff movements/ minimal movements.**
* **Prevents misuse of office equipment/machinery due to the close supervision of workers.**
* **Boosts/promote/enhance teamwork among employees through consultations and sharing of office equipment.**

b.With the aid of a well-labelled diagram, explain the effects on the equilibrium of an increase in the supply of carrots while the demand remains constant (10 marks)



When supply increases more than before, there is a shift to the right ü from S0S0 to ü S1S1. This lowers the price from P0 to P1 and quantity increases üfrom q0 to q1. ü

5 a) Explain five negative effects of rapid population growth. (10mks)

* **High-level of unemployment because the number of people in the labour force may exceed the number of jobs available.**
* **High dependency ratio- since many people are unemployed they will be dependent on the few people who are employed.**
* **Decrease in per capita income- due to decrease in income and population increasing leading to low standards of living.**
* **Reduction in savings investments- this is because a large proportion of an individual income is consumed leaving very little or no savings hence no investment.**
* **Strain on social amenities – As results of growing population the government may find it difficult to provide adequate social services e.g. health, education and housing.**
* **Uneven/ unequal distribution of income- Majority of the people are very poor and few people are very rich.**
* **Environmental degradation. - Over population leads to an environmental degradation e.g. extensive cutting of trees to get building materials or expands their farm land.**
* **Increased poverty /poor standards of living circle of poverty because most of incomes generated so into consumption hence low saving and investment.**
* **High rates of rural –urban migration to seek for employment/leading to congestion**
* **Increase in the rates of inflation. - Avery high population leads to increase in the demand for goods and services, which does not match with supply. Due to high demand for goods/service.**

b)

* + **residence.**
  + **Frequency of occurrence of the risks.**
  + **Extent of previous losses.**
  + **Period to be covered by the policy.**
  + **Age of the property in question**

6.(a) External factors that would contribute to the success of a business enterprise

* **High population –provide consumer for goods/services/provide market**
* **Stable/good economic environment, which increases the buying**
* **Abilities/purchasing power of the consumer**
* **Positive socio cultural factors/beliefs/lifestyles which in influence**
* **Consumption/buying behavior**
* **Favorable political factors/political stability provides/creates a conducive**
* **Environment for business activities**
* **Favorable Government policies/legal factors/laws encourage expansion/growth**
* **Of business**
* **Reliable suppliers ensure timely production /quality goods/services**
* **Loyal Customers guarantee market for goods/services produced by businesses**
* **Availability of intermediaries/middlemen Ensures goods/services are**
* **Distributed to final consumer.**
* **Appropriate /adequate/good/advanced technology lead to high quality/quantity goods/services**
* **Fair competition which business can cope with/survive**
* **Good Infrastructure which facilitate transport /movement of goods/services /access to market**  (10 mark

b)

Bondeni Traders

Trading, profit and loss account

Opening stock 60,000 Sales 720,000

Add purchases 340,000 Less returns inwards (20,000)

Less Returns out (18,000)

Available for sale 382,000

Less closing stock (28,000)

Cost of goods sold 330,000

Gross profit c/d 370,000

Rent 16,000 Gross profit b/d 370,000

Salaries 15,000

Commission received 9,000

 Advertising 24,000

Insurance 30,000

Net profit c/d 288,000

**379,000** **379,000**

Net profit b/d 288,000

Bondeni Traders

Balance Sheet

As at 31st Dec, 2020

Premises 400,000 Capital 279,000

Furniture & fittings 100,000 Add net profit 288,000

Stock 28,000 Less drawings (40,000)

Debtors 54,000 Creditors 64,000

Cash in hand 15,000

**597,000 597,000**