**TERM 2-2022**

**BUSINESS STUDIES 565/2**

**FORM FOUR (4)**

**MARKING SCHEME**

1. **a) Barriers that may hinder mobility of labour.**
   * Ignorance of available opportunities elsewhere
   * Insecurity and political uncertainty e.g. civil wars, tribal crashes
   * Unattractive terms in some jobs e.g. poor /lack of pension schemes, payments.
   * Language barriers does not understand foreign languages
   * Strict immigration rules e.g. lack of visas
   * Travelling/residence/school expenses/costs may be high.
   * Adverse climatic conditions causing discomfort & diseases/discourage
   * Length of service in a particular occupation may make one reluctant to change due to fear of taking risks.
   * Lengthy and expensive training required to change/acquire skills
   * Social ties that bind one to his/her community can discourage one to venture new environs.

2 marks for any well-explained point.

* + - 1. x 5 = 10 marks

**b) Circumstances under which a high population growth may be desirable.**

* + Where there is need to increase market demands
  + Where there is need to increase labour supply/where a country is experiencing low levels of labour supply.
  + When the government requires to boost a large army for defensive/security purposes.
  + Where the country wants to attract more investments both foreign and local through increased consumption by the high population.
  + If the company wants to reap the benefits of specialization and division of labour.
  + When there is need to fully utilize the country resources.

No splitting 2 x 5 = 10 marks

2. **a) Factors that influence the amount of money held by an individual for transactionary motive**

* + The level of households/individuals income - the higher the amount of income the higher the amount of money that an individual would hold for transactions purpose.
  + The price level/cost of living - The higher the cost of living the higher the amount of money an individual would hold.
  + The number of dependants an individual has/family size – individual with large families will keep large amount of money for transactions purpose.
  + The possibility of getting credit –The more difficult it is, the higher the amount an individual would hold for transactions purpose.
  + Lifestyle of an individual – psychosocial environment. An individual with an expensive lifestyle or high income neighbourhood will hold more money for transactions purpose.
  + Pattern of payment/interval between payments- weekly wage earner will need to hold less than a person who receives his salary monthly.

Mention 1mk otherwise 2 marks

**b) Factors to be considered in choosing a particular channel of distribution.**

(i) Numbers of potential customers - Where customers are few the manufacturer may use its own sales force and for large number of customers, the manufacturer would use intermediaries.

(ii) Geographical concentration of the market - Where the market is centralised in a few geographical areas, direct distributions okay. However a seller would use intermediaries in less concentrated markets.

1. Order size - It is economically feasible to sell directly to customers who can buy their goods in large quantities. The producers would use intermediaries to sell to customers who buy in small quantities.
2. Unit value of the product - Products of high unit value can be distributed directly to the customers due to higher risks they are likely to be exposed to if longer channels of distribution were used.

(v) Perishability of the product - The products that are subject to physical/fashion perishability must be sold through short, fast channels hence such goods mostly go directly to customers.

(vi) Technical nature of the product - Goods of highly technical nature are normally sold directly to customers as the seller ought to provide considerable pre-sales and after sale services.

1. Financial resources - A producer who is financially strong can afford to distribute directly to consumers.
2. The intermediaries - Different intermediaries perform different functions, hence a firm should select the channel that would be convenient to it.
3. Competitors - A firm wishing to have its produce compete directly with that of a competitor would select a channel that the competitor uses and vice versa.
4. Environmental factors - Government laws and regulations may prohibit manufacturers or their own outlets from selling directly to consumers i.e. appointment of independent distributors may be called.
5. Availability of a channel - Certain middlemen may not be available making the manufacturer to take self-distribution.

3. a)

b) HAPPY TRADERS THREE COLUMN CASH BOOK

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| DATE | DETAILS | DISC.  ALLWD. | CASH | BANK | DATE | DETAILS | DISC. RECD | CASH | BANK |
| 2008 |  | Shs. | Shs. | Shs. | 2008 |  | Shs. | Shs. | Shs. |
| June 1 | Bal b/d |  | 5,000 | 7,500 | June 2 | Purchases |  | 750 |  |
| 5 | Kamau | 10 |  |  | 4 | Salaries |  | 3750 |  |
| 5 | Jane | 20 |  | 490 | 8 | Otieno | 75 |  | 1425 |
| 25 | Sales |  | 1000 | 980 |  | Wanjiku | 30 |  | 570 |
| 26 | Cash |  |  |  | 12 | Machinery |  |  | 2500 |
| 29 | Wanjohi | 1500 |  | 500 | 20 | Drawings |  | 500 |  |
|  |  |  |  |  | 26 | Bank |  | 500 |  |
|  |  |  |  |  | 30 | Bal c/d |  | 500 | 4975 |
|  |  | **1530** | **6000** | **9470** |  |  | **105** | **6000** | **9470** |
|  |  |  |  |  |  |  |  |  |  |

**b) Why government imposes tax.**

-Raise revenue

-Protect infant industries

-Prevent dumping

-Discourage consumption of harmful products

-Reduce inequality in income distribution

- Control inflation

-Correct balance of payments Any five well explained 5 x 2 = 10mks.

4. **(a) Differences between a parastatal and a co-operative society**

|  |  |
| --- | --- |
| A Parastatal | A Co-operative |
| (i) Formed under an act of parliament | (i) Formed under co-operative society act. |
| (ii) Managed by a board of directors appointed by the state | (ii) Managed by a management committee elected by members. |
| (iii) Formed to offer essential services to the public | (iii) Formed to offer services to the members |
| (iv) Owned by the government | (iv) Owned by the members |
| (v) Initial capital comes from government | (v) Initial capital comes from members |
| (vi) Profits realized go the government | (vi) There is sharing of profits among members |
| (vii) Regulated by acts of parliament articles of association and memorandum of association | (vii) Regulated by the by-laws of the society and co-operative society act. |
| (viii) Books of accounts are audited by auditor of state corporations. | (viii) Books of accounts audited by external auditors |
| (ix) Published financial statements are presented to parliament | (ix) Published financial statements are presented to members during annual AGM |

Any 5 well matched differences @ 2 = 10mks

**(b) Negative implications of this age distribution to a country are:**

1. About 45% of the total population consist of those below 15 years. This implies that more expenditure has to be directed towards provision of the basic needs of this age group e.g. education, health, housing at the expense of other age groups.
2. There is a high dependence ratio which might adversely affect savings and investments of the working population. This will lead to low savings and investments in the economy and the country may look for foreign aid in crease investments in the economy.
3. There is need to plan for creation of employment opportunities to cater for the expected increase in labour force
4. Industrial development is likely to be imbalanced towards production of goods used by the young population at the expense of the needs of adult population.
5. The country may be forced to import goods such as food, medicine and capital which will increase the import bill leading to balance of payment problems
6. The high percentage of young people will lead to most domestic products being used locally and hence little is exported. This will worsen balance of payment problem.

5.(a) **Procedure followed when taking an insurance policy are:**

1. The person intending to take the policy applies by filling a proposal form
2. The insurance company studies the details of the proposal to confirm whether the details given are correct/confirm the risk insured involved is insurable
3. The insurance company asks the propser to pay/proposer pays’
4. The insurance company issues a cover note to show that the risk insured while waiting insurance policy
5. Insurance policy is issued outlining details of the agreement between the parties and the conditions that a company has agreed

5@ 2 = 10mks

(b) Sales Journal

|  |  |  |
| --- | --- | --- |
| Date | Details | Amount |
|  |  | Sh |
| 3/5/2010  22/5/2010 | Anyimba  Mafala retailers  Total posted to sale a/c | 60,000√  150,00√  210,000√ |

Purchases Journal

|  |  |  |
| --- | --- | --- |
| Date | Details | Amount |
|  |  | Sh |
| 8/5/2010  16/5/2010 | Mjuaji stores  Mjuaji stores  Total posted to purchases a/c | 120,000√  160,000√  280,000√ |

Purchases returns Journal

|  |  |  |
| --- | --- | --- |
| Date | Details | Amount |
|  |  | Sh |
| 12/5/2010 | Mjuaji stores  Total posted to purchases returns a/c | 6,000  6,000√ |

Sales returns Journal

|  |  |  |
| --- | --- | --- |
| Date | Details | Amount |
|  |  | Sh |
| 24/5/2010 | Anyimba  Total posted to sales returns a/c | 10,000  10,000√ |

General Journal

|  |  |  |  |
| --- | --- | --- | --- |
| Date | Details | DR | Cr |
|  |  | Sh | Sh |
| 25/5/2010  29/5/2010 | Motor vehicle a/c  Mashiriki motor a/c  To record purchase of motor vehicle on credit.√  Chap chap limited a/c  Equipment a/c  To record sale of √equipment on credit | 3,200,000√√  840,000√ | 3,200,00√√  840,000√√ |

20 @ ½ = 10mks

6. **a) Reasons for rapid growth in motorcycle transport**

* + Cheap to buy since less capital is required compared to vehicles/ prices are low
  + Flexible on roads since they can offer down to less services/ change routes according to demand
  + Convenient for carrying goods/ passengers for short distances
  + Costs of operations are very low since they consume little food/ costs of maintenance/ spare parts is low
  + Cheap to hire since they charge low price/ fares
  + Fill up faster/ carry only one or two passengers and therefore save time at terminals/ bus stops
  + Reach in the interior of rural areas where vehicles may not reach/ other means are not available
  + Their fares are flexible/can be negotiated with customers
  + Easier to hire since they are more readily available than vehicles
  + Faster compared to bicycles and therefore suitable for urgent services/perishable goods
  + Do not need special terminals therefore one can board and alight at convenience/anywhere
  + Can carry heavier loads than bicycle since they do not rely on human power/ rely on engine/fuel power

1 mk – mention 2 mks – otherwise x 5 = 10 mks

b) - Lack of enough money for expansion

- Little/ small markets

- Need for personalized services

- Fear of incurring increased costs

- To avoid risks that are associated with large – scale business

- Nature of goods

- For ease of management

- Flexibility

- Need to maintain close control (owner wants to control)

- To avoid the many legal procedures.