**MINCKS GROUP OF SCHOOL**

**FORM FOUR**

**565/2**

**BUSINESS STUDIES**

**MARKING SCHEME**

1. (a) **Ways of making face to face communication effective.**
* ***Ensuring clarity of message when speaking -*** to avoid misunderstanding.
* ***Having positive attitude*** - of the message/sender/receiver.
* ***Ensuring good listening skills*** – to make the receiver get the message being sent.
* ***Proper timing by the sender*** – to make it conducive. And acceptable for both sender and receiver.
* ***Making the message brief*** – to avoid unnecessary details.
* ***Use of non-verbal gestures***- to reinforce the verbal messages.
* ***Proper planning by the sender*** – to enhance understanding of the message.

***Any 5 well explained @ 2 = 10 mks***

(b) **Advantages of trade restriction to a Country.**

* ***Protection of infant or news industries*** – from unfair/stiff competition from superior/higher quality goods from other Countries.
* ***Allows expansion of domestic market*** – due to increased demand for locally manufactured goods.
* ***Enables correction of balance of payment deficit*** – it helps reduce volume of imports reducing payment out of the Country.
* ***Discourage dumping of goods*** – from more developed Countries which are of lower/inferior quality as they may affect people’s health negatively.
* ***Creation of employment*** – due to establishment of more local firms to produce the more demanded local goods.
* ***Reduces dependency of a country on another*** – hence the Country becomes safe incases of misunderstanding.
* ***Enables a country fully exploit its resources*** – due to increased business ttrading activities.
* **Increased government revenue** – due to increased customs duty/which can be used to finance development projects in the Country.

***Any 5 well explained @ 2 = 10 mks***

1. (a) **Circumstances under which an insurance contract may be terminated.**
* ***Where the principle of utmost good faith was violated*** – some important/vital information was not revealed about the subject matter.
* ***Where the insured ceases to have insurable interest in the subject matter*** – where the property is sold to another person to new owner is the one who should be compensated.
* ***Incase of life assurance where to policy matures*** - and the insured is compensated/settled.
* ***Incase of default in payment of premiums*** – the policy becomes null and void and its not in force.
* ***Incase of a court order*** – ordering the termination of the policy/contract incase of an illegal activity is property that was insured.
* ***Where the insurance company becomes insolvent*** – is unable to pay/compensate its clients.
* ***Any 5 well explained @ 2 = 10 mks***

(b) **Differences between commercial banks and the non-banking financial Institutions.**

|  |  |
| --- | --- |
|  **Commercial banks** | **Non – banking finance institutions** |
| (i) Operate savings, fixed and current accounts | (i) Operate savings accounts only |
| (ii) Issues cheque books | (ii) Do not issue cheque books |
| (iii) Gives short term and medium term loans | (iii) Gives long term loans |
| (iv) Participates in the clearing house. | (iv) Do not Participates in the clearing house. |
| (v) No restrictions on loans given. | (v) Loan given have restrictions on sectors to be given. |
| (vi) Normally operates in the money market. | (vi) Operates in the capital market. |
| (vii) Provide overdraft facilities | (vii) Do not offer overdraft facilities |
| (viii) Provides safekeeping facilities for  valuable items | (viii) Do not provides safekeeping facilities  |
| (ix) Buy and sell foreign exchange. | (ix) Do not sell/buy foreign exchange. |
| (x) Are used by Central bank to regulate  money supply | (x) Are not used since they are not under direct control of Central bank. |
| (xi) Provides letter of credit to their clients. | (xi) Do not provides letter of credit to their clients. |
| (xii) Are under the control of the Central bank | (xii) Are not under direct  control of the Central bank |

* ***Any matching 5 differences @ 2 = 10 mks***
1. (a) **Effect of a decrease in the cost of production on the equilibrium price and quantity of a**

 **commodity.**

 D

 So S1

 16 x ½ = 8mks

 So S1

 D√

 (i) Decrease in cost of production causes increase in supply of goods.√

 (ii) Increase in supply without a change in demand causes excess supply in the market.√

 (iii) The excess supply forces traders to lower the price of the commodity in order to sell

 more and avoid wastage.√

(iv) The new/lower prices enables the buyers to buy more since the commodity is now

 cheaper√

 4 x ½ = 2mks 10 mks

(b) **Summary of transactions during the month.**

**Purchases Journal**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date**  | **Particulars**  | **Invoice**  | **L.F** | **Amount** |
| 2/1/19 | Jirani ltd |  | PL | 80,000 √ |
| 18/1/19 | Chuma ltd |  | PL | 140,000√ |
| 26/1/19 | Mwanaishi traders |  | pL | 160,000√ |
|  | Total posted to purchase acc. (Dr) |  |  | **380,000√** |

**Sales Journal**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date**  | **Particulars**  | **Invoice**  | **L.F** | **Amount** |
| 5/1/19 | Mungi traders |  | SL | 50,000√ |
| 20/1/19 | Moto traders |  | SL | 150,000√ |
| 25/1/19 | Jua kali |  | SL | 70,000√ |
|  | Total posted to sales acc. (cr) |  |  | **270,000√** |

**Sales Returns Journal**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date**  | **Particulars**  | **Credit note** | **L.F** | **Amount** |
| 10/1/19 | Mungi traders |  | SL | 60,000√ |
| 28/1/19 | Jua Kali traders |  | SL | 40,000√ |
|  | Total posted to return invoicesacc. (Dr) |  |  | **100,000√** |

**Purchases returns Journal**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date**  | **Particulars**  | **Credit note** | **L.F** | **Amount** |
| 12/1/19 | Jirani ltd |  | PL | 3,000√ |
| 24/1/19 | Chuma ltd |  | PL | 8,000√ |
| 30/1/19 | Mwanaishi traders |  | PL | 12,000√ |
|  | Total posted to returns outwards acc. (cr) |  |  | **23,000√** |

**GENERAL JOURNAL**

|  |  |  |
| --- | --- | --- |
| **Particulars**  | **DR** | **CR** |
| Kima traders A/cMachinery A/c(*Being sale of machinery to Kima on credit)* | 50,000√ | 50,000√ |
| Electronic Equipment A/cLowland traders A/c(*Being purchase of equipment on credit from lowland traders)* | 18,000√ | 18,000√ |

 (10mks)

1. **(a) Uses of the national income statistics.**
2. ***Indicator of people’s living standards.-*** An improvement/increase in size of national income indicates higher/better living standards and vice varsa.
3. ***Used to compare standards of living between Countries*** – Country with higher national income are deemed to have higher standards of living compared with one with lower national income and vice varsa.
4. ***Used to compare people’s living standards between different years/periods*** – the year/period with higher national income is deemed to have higher living standards and vice varsa.
5. ***Used to calculate per capital income*** – by dividing total national income with total people/to measure people’s living standards.
6. ***Used by government for economic planning*** – by comparing performance of different sectors/regions helps the government in the planning for better/efficient allocation/use of resources.
7. ***Used to attract investment/for investment decisions*** – data obtained can be used by entrepreneurs to make decisions on the sector/when amount of capital to invest/growth in national income will encourage investors and vice varsa.
8. ***Provides information on distribution of income*** – helps the government address income disparities/identify sectors or regions not performing to their expectations.
9. ***Used to attract foreign aid/funding*** – when a country show strong economic growth/when experiencing challenges to finance its development.

***Any 5 well explained @ 2 = 10 mks***

**(b) Factors that may lead to business success.**

1. ***Adequate capital/funds*** – to start/run/expand/sustain business.
2. ***Good/appropriate marketing strategies*** – leading to high sales/more customers/retain/attract customers.
3. ***Fair/healthy competition*** – which the business can cope with.
4. ***Adequate/skilled/experienced labour*** – which leads to high quality/quantity goods/services
5. ***Adequate/appropriate technology*** – which leads to high quality/quantity goods/services.
6. ***Favourable government policies*** – that reduces the cost of doing business/that makes it ease to start businesses/that leads to emergence/expansion of businesses.
7. ***Adequate demand/market*** – for selling the goods/services.
8. ***Good pricing strategies*** – which attracts more buyers/fair/reasonable prices maintains customers.
9. ***Political stability/security*** – that ensures confidence of investors and provides security of goods/properties of the investors.
10. ***Development infrastructure*** – that facilitates easy/faster movement of goods/services/lowers the cost of transport.
11. ***Goods customer relations*** – leading to increase/expansion of the market.
12. ***Good choice of business*** – that exploits the available market gaps.

***Any 5 well explained @ 2 = 10 mks***

1. (a)) **Benefits that a private Ltd Company may enjoy by changing to a Public**

 **Limited Company.**

1. ***Ability to raise more capital*** – by selling share to the Public through stock exchange market.
2. ***Easy transfer of shares*** – without restrictions through the stock exchange market.
3. ***Increased transparency*** – as shareholders must approve company’s annual audited accounts which are published.
4. ***Increased public confidence by owners*** – as shareholders have no direct managerial control over company’s activities.
5. ***Increased professionalism*** – since the company can afford to hire professional mangers.
6. ***Higher continuity*** – since shares can be transferred freely without affecting the business.
7. ***Can enjoy economics of scale*** – due to increased scale by production.
8. **The company can be quoted in the stock exchange market** – leading to sound management.
9. ***Can advertise sale of shares –*** to the public in the media which attract new investors.
10. ***Enhanced ability to borrow funds*** – by selling debentures.
11. ***Better management*** – since its run by competent board of directors/professionals.

***Any 5 well explained @ 2 = 10 mks***

(b) Factors that the government should consider when deciding on a good tax

 system.

1. ***Certainity*** – the tax payer and tax collector should be aware/knows the amount payable/collectable as tax they should know when to pay/collect the tax.
2. ***Convenience*** – the taxpayer should pay the tax when he has the money to pay.
3. ***Economy*** – the tax revenue should be more that the cost of collecting the tax.
4. ***Equity*** – should be fairness – high income earners should be taxed more, low income earners should be taxed less/one should be taxed according to level of income.
5. ***Elasticity –*** the tax revenue should expand with increase in economic activities automatically.
6. ***Flexibility*** – the rates should be able to be raised is lowered according to the needs of the economy.
7. ***Diversity –*** there should be a variety of taxes inorders to generate more tax revenue/should be broad based.

***Any 5 well explained @ 2 = 10 mks***

(a) Factors that may influence the choice of a channel for distributing its’ products.

1. ***Cost/affordability*** – the cost of different channel should be considered and the most affordable one/cost effective should be used.
2. ***Extent/coverage/distance/proximity of the market*** – if consumers are wide spread. Then long channels may be necessary to reach them.
3. ***Taste/preferences of consumers/consumers may have specific preferences/consumer specification*** – which might require the personal attention of the producer hence use of short channel.
4. ***Quantity/output/volume/scale of production*** – if the quantity of flower to be sold is large, then more middlemen/intermediaries may be required/where volume is small choose a short/direct channel.
5. ***Availability of technical personnel*** – if the producer does not have the required technical personnel, then he may have to use a longer channel/middlemen/agents. If available short/direct channels are used.
6. ***Availability of intermediaries/agents*** – if there is no middlemen then shorter channel is used, if available longer channel is used.
7. ***Government policy*** – where the government policy requires that a certain channel be used then the firm will have to comply.
8. ***Size of the market/number of consumers*** – if small few, short channel will be used. If large/many a longer channel may be used.
9. ***Risk involved***- where there is need to spread risk, the firm should use longer channel/agents/intermediaries.

***Any 5 well explained @ 2 = 10 mks***

(b) (i) **Cost of sales** = Opening + Purchase – closing stock

 40,000 = 60,000 + P – 120,000√

 Purchases = 40,000 + 120,000 – 60,000√

 = 100,000√√ 4 x ½ = **2mks**

 (ii) **Mark up** = GP x 100

 COS

 Gp = (525,000 - 25,000 ) – 40,000

 = 460,000 10,000√

 10,000 25

 M.U = 100,000 X 100 = 25,000 √ 4 x ½ = **2mks**

 40,000

 (iii) **Profit margin** = GP x 100

 N. sales

 = 10,000√ x 100 = 20,000√√ 4 x ½ = **2mks**

 50,000√

 (iv) **Working capital** = C.A – C.L

 (120,000 + 75,000 ) – (106,000 + 24,000) √√

 = 195,000 – 130,000 4 X ½ = **2mks**

 = 65,000.√

 (v) **Rate of stock turn over**

 = Costs of sales

 Average stock

 = 40,000

 90,000 = 0.44 times. 4 x ½ = 2**mks**