**BUSINESS STUDIES**

**FORM 4 TERM 2 2021**

**PAPER: 2**

**MARKING SCHEME**

**1(a) Features of human wants**

1. They are numerous and unlimited: When on is satisfied another crops up to take its place and begin at birth and end at death.
2. They continually change with time, age and gender; what is required when its cold may not be the same as what is required when it is not.
3. They are habit forming; once an individual develops tastes for a commodity he/she tends to use it over and over again.
4. Require resources: limitations in resources required means only a few human wants re fulfilled.
5. They are universal; all human beings need goods and services for existence though quantities may vary.
6. They are competitive; wants compete for attention each yearning to be satisfied.

**1(b) Principles that would lead to effective use of government resources**

1. Economy: requires proper planning to minimise wastage to ensure maximum benefit.
2. Sanction, authority should be sought from relevant bodies before committing public finance.
3. Maximum social benefit resources should be used only on projects that improve social welfare to benefit as many people as possible.
4. Flexibility: Expenditure should be able to be adjusted to reflect the prevailing circumstances.
5. Equity distribution of resources should be fair to all sectors and regions to minimise incidents on inequalities and imbalances.

**2(a) Reasons why effective filing system is important in an office**

* Vital documents will be kept for future reference/evidence.
* Easy retrieval/accessibility of documents.
* Economic use of available space.
* Documents are kept safe from damage.
* Limits accessibility of documents to only authorised personnel.
* Aids in keeping the office tidy
* May help the organization to keep some documents for the length of time as specified by the law.

**2(b) Advantages of locating firms in different parts of the country**

* To bring about a balanced regional growth. When industries are delocalised, all regions of the country may develop at roughly the same pace.
* To ensure that employment opportunities are evenly distributed all over the country.
* To reduce rural – Urban migration: Once industries are delocalized, the attraction of people to the urban areas will be reduced since they will be able to get jobs in the rural areas.
* To enhance the development of social amenities such as schools and hospitals in all areas of the country.
* To improve the standards of living of people all over the country. This leads to better distribution of income, which ensures that people all over the country enjoy a better and uniform standard of living.
* To promote the development of infrastructure all over the country.

**3(a) Elements of effective communication**

* Sender:- This is a source of the message.
* Messenger: This is the information to be communicated.
* Channel: This is the medium to be used in conveying the information
* Encoding: This is the process of generating the message.
* Decoding : This is the process of interpreting the message recorded.
* Receiver/recipient: The party/person to whom the message is sent.

Feed back: Reaction/response to the message.

**3(b) DR Cash A/c CR**

|  |  |
| --- | --- |
| 01/6/2018 Bal B/d 120,500 | 30/6/2008 Bal c/d **380,500** |
| Bank 100,000 |  |
| Debt 160,000 |  |
| **380,500** | **380,500** |

DR Bank A/C CR

|  |  |
| --- | --- |
| 01/6/2008 Bal B/d 260,400 | 05/6/2008 Credit 228,000 |
| Bal C/d 100,000 | 13/6/2008 Cash 100,000 |
| **328,000** | **328,000** |

DR Debtors A/C CR

|  |  |
| --- | --- |
| 01/6/2008 bal b/d 350,000 | 28/6/2008 Cash 160,000 |
|  | 28/6/2008 disc Allowed 40,000 |
|  | 30/6/2008 bal C/d 150,000 |
| **350,000** | **350,000** |

DR Creditors A/C CR

|  |  |
| --- | --- |
| 05/6/2008 Bank 228,000 | 05/6/2008 Credit 450,000 |
| 5/6/2008 Disc Rec 12,000 |  |
| 30/6/2008 Bal C/d 210,000 |  |
| **450,000** | **450,000** |

DR Discount Allowed A/C CR

|  |  |
| --- | --- |
| 28/6/2008 Cash **40,000** | 30/6/2008 Bal C/d **40,000** |

DR Discount Received A/C CR

|  |  |
| --- | --- |
| 30/6/2008 Bal b/d **12,000** | 05/6/2008 Creditors **12,000** |

**4(a) Methods of determining price other than demand and supply**

* Auctioning: Prices determined by the highest bidder .
* Bargaining/Hagg: Terms of exchange is negotiated between buyers and sellers.
* Tendering: Prices determined by the lowest bidder who meets the required specification
* Price fixing or retail price maintenance as producers agree on the price of commodity.
* Prices collusion where different market players such as sellers and buyers conspire to fix price.
* Taxation or subsidies which will influence the selling and buying price.
* Private treaty: sale of property at a price agreed on by the seller and buyer without an intervening agency.

**4(b)Factors that one may consider when selecting a means of communication**

* Confidentiality of the message: The means should safeguard the content of the message from being accessed by unauthorised people.
* Accuracy of the means: Should be able to deliver the message in its original form and without distortions.
* Urgency of the message: The means should be fast enough to ensure timely delivery of the message.
* Need for feedback.
* Affordability of the message: The sender must be able to meet the cost of the means chosen.
* Nature of the message: An appropriate means should be chosen if the message is very complex, detailed or technical.
* Need for future reference: The means must be able to provide evidence if future reference will be required.
* Capacity of the means: Should allow the required volume of information to be passed at an agreed speed.
* Reliability of the means: Should be able to deliver the information to the receiver as intended.
* Availability of means: Should be readily available.
* Intended/desired impression: The means should be able to create the desired effect.

**5(a) Circumstances under which a country may realize a surplus in balance of payment**

* When a country exports highly valved finished goods and manufactured in the international markets.
* Reduced volume of imports which lowers expenditure of imported goods and services.
* When the country aggressively promotes it exports; this will create more market for exporting goods thus increasing the country’s earnings.
* When the country devalues its currency; this makes imports more expensive forcing consumers to buy locally produced goods while exports become cheaper and are sold in large volumes.
* When the country enjoys favourable economic order/bargaining power; the country may be able to influence the world markets price to favour its exports.

**5(b) Features of monopolistic competition**

* Many sellers and buyers, the market is comprised of many buyers and sellers who operate independently.
* Free entry and exit into the market; there are no barrier to entry into or exit from the market.
* Commodities sold are very close substitutes form sell similar products which are highly differentiated by names, shapes.
* All firms earn normal profits in the long run, some firms may earn supernormal profits in the short run.
* Firms are independent, there is little in terms of pricing and quantities to produce.

**6(a) Trends in office management**

* Computerization- Means employment of computers in office operations.
* Office arrangement – Business are adopting either open or landscaped office management.
* Public relations department – business have developed such departments to ensure customer satisfaction e. G customer care.
* Use of cell – phones/mobile phones; most offices have started using operation mobile phones for 24/7.
* Office location: Most offices are being located in sub-urban areas.

6(b) Mugambi Traders Balance sheet as at 31st Dec 2005

Mugambi Traders

Balance sheet

As at 31st Dec 2005

|  |  |
| --- | --- |
| Sh sh  **Fixed Assets**  Land and building 500,000  Plant & Machinery 200,000  Motor Vehicle 300,000 1,000,000  **Current assets**  Stock 100,000  Debtors 60,000  Cash at bank 100,000  Cash in hand 20,000 280,000  **1,280,000** | Sh  Capital 940,000  Less Drawings 40,000  900,000  10 year bank loan 200,000  3 year I C D C loan 100,000  **Current liabilities**  Creditors 60,000  Accrued expenses 20,000  **1,280,000** |

Working capital

Current Assets – Current Liabilities

(280,000 – 80,000

=200,000

Capital Employed

Fixed Asset + Working Capital

1,000,000 + 200,000

= 1,200,000

AH CE = Capital borrowed + Long term liabilities

= 900,000 + 300,000

= 1,200,000

Borrowed capital

= 10 years loan 200+ 3 year ICDC loan 100,000

= 300,000

Alternative

Borrowed Capital = Long term liabilities

= 200,000 + 100,000

= 300,000