**CEKENAS END OF TERM TWO EXAMS-2022**

**FORM FOUR**

***Kenya Certificate Of Secondary Education (K.C.S.E)***

****

**565/2**

**BUSINESS STUDIES**

**PAPER 2**

**FORM FOUR**

**AUGUST/ SEPTEMBER - 2022**

**MARKING SCHEME**

**1. a) Factors you would consider when evaluating your business idea.**

1. The profit margin to be earned from the investment. There should be a reasonable profit

from the investment in order to cover all the operational expenses and get surplus.

2. Existing attitudes, practices and beliefs of the target market. The new product, service or

business idea must be in line with the people’s attitudes, practices and beliefs if it has to be accepted and hence marketed.

3. Availability of appropriate technology. The technology to be used in producing the

product or offering the service should be efficient and cost effective.

4. Size and availability of the market.

5. Possibility of pre-testing (trial use).It should be affordable to allow customers to try out the new product first without having to purchase it and get feedback from them.

6. Availability of an effective channel of distribution. This will ensure the product is available in the market do that customers buy it when they decide to.

7. Ability of the product to satisfy the immediate need of the buyer. The new product must be of tangible or felt benefit to the buyer hence making it very attractive.

8. Ease of usage. The new product or service should be easy for the buyers to understand and use since they may fail to buy the product if it is complex and difficult to use.

9. The level of competition. The entrepreneur should look at the systems used by the competitors and strategize accordingly.

10. The payback period. This should be reasonable to allow the investor break even and recoup the capital invested.

11. The risks involved. These should be manageable and minimal to avoid unnecessary losses.

**(5x2 = total Marks)**

**b) Five differences between whole life and endowment policy.**

|  |  |
| --- | --- |
| **Whole life policy** | **Endowment Policy** |
| \*Compensation paid after the death of the  assured.  \*Premiums are usually lower  \*Premiums paid virtually throughout the  assured’s life  \*Benefits go to the nominees.  \*Aims at financial security of the  dependants.  \*Qualifies for surrender value later than  endowment policy.  \*Usually minimum of 4 years. | \*Compensation paid after the expiry of the contract period or at death whichever comes first.  \*Premiums are usually higher.  \*Premiums paid during the agreed period  \*The assured may get the benefits if the contract  period expires before he dies.  \*Aims at financial security of the assured and  dependants.  \* Qualifies for surrender value earlier than whole  life policy.  \*Usually minimum of 2 years. |

**2. a) Benefits that may be realized by a country as a result of government policy to**

**relocate industries to rural areas.**

i. Increased availability of variety of goods and services as a result of new businesses in the

area.

ii. Availability of auxiliary services - citizens would enjoy more and better auxiliary services like transport.

iii. Increased job opportunities - there will be more jobs available that would reduce unemployment.

iv. Increased utilization of locally available resources - locally available factors of production will be used and the citizens would earn rewards associated with them.

v. Improved standard of living as development of the rural areas increases the quality and variety of goods and services.

vi. Reduced congestion in towns - this would benefit the few citizens remaining in the city.

vii. Balanced economic development as economic activities are spread throughout the country.

viii. Transfer of technology to rural areas which leads to production of better quality

goods/services.

ix. Creation of market for goods/services produced in rural areas.

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

**b) Outline 5 ways in which an office manager can assure that the companies property is**

**safeguarded.**

1. Enhancing security against theft by for instance employing guards, installing CCTV

cameras, erecting perimeter fence.

1. Ensures that users take physical care of the property assigned to them.
2. Keep proper records of physical assets and track their whereabouts.
3. Conduct regular stock taking of all physical assets.
4. Assign individuals to take care of equipment so that they can be personally reliable.
5. Having records of visitors entering and leaving the premises of the business.
6. Have the property properly insured.
7. Do regular repairs, servicing and maintenance.
8. Have the property well registered, where necessary e.g land to deter grabbers.

**3. a) Explain five factors that may have caused decline in the demand for wooden**

**furniture in Kenya.**

i. Decline in consumer incomes: This may reduce their purchasing power hence less able to afford the furniture.

ii. Fall in the price of substitutes: Furniture made from other materials like plastic and metal may be cheaper.

iii. Increase in the price of wooden furniture: This nukes the furniture to be out of reach for most consumers

iv. Government policy: The government may have increased rates on timber products hence making the furniture more expensive

v. Unfavourable change in tastes and preferences: Consumers may be purchasing more plastic and metallic furniture.

vi. Decline in population: A decrease in population will lead to reduced numbers of potential and actual customers

vii. Expectations of a future fall in price: Consumers may be anticipating a fall in price in the future hence currently suspend buying.

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

**b)**

**Fadhili Traders🗸**

**Three Column Cash Book**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Details | Disc Allowed | Cash | Bank | Date | Details | Disc  Rec | Cash | Bank |
| Jan 1  3/1  5/1  23/1  24/1  26/1  31/1 | Bal b/d🗸  Sales🗸  Debtor🗸  Kavutha🗸  Cash🗸  Sales🗸  Cash🗸 | 480🗸  480 | 180,000🗸  21800🗸  11520🗸  213320🗸 | 75000🗸  🗸  10,000🗸  38,000🗸  139820🗸  262820 | 1/1  10/1  12/1  24/1  27/1  27/1  29/1  31/1  31/1 | Bal b/d🗸  Salaries🗸  Drawings🗸  Bank🗸  Dishonoured cheque  Bank charges🗸  Creditors🗸  Bank🗸  Bal c/d | 300  300 | 🗸  40,000🗸  3500🗸  10,000  139820  20000  213320 | 56,800  75,000🗸  500  5700  🗸  124820  262820 |

**(40 x ¼ = 10mks)**

**4. a) Sources of finance for a public limited company apart from the sale of shares**

**include:**

i. Borrowing from financial institutions in the form of loans, bank overdraft and mortgage.

ii. Trade credit: Buying goods for re-sale on credit so as to pay at a later date

iii. Hire purchase: Buying goods and paying for them on instalment basis.

iv. Debentures: Borrowing from members of the public for which interest is paid at a fixed rate and over a predetermined period of time.

v. Sale and leaseback: Selling an asset like a building and then hiring it back for a specified period of time.

vi. Retained profits: Profits made are not shared out as dividends but ploughed back into the business.

Vii. Discounting bills of exchange: Receiving payment from financial institutions at a discount against bills of exchange before their maturity.

viii. Use of reserves / provisions: The company may make use of funds set aside for

depreciation, tax and bad debts to finance its day to day operations.

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

**b) Inflation has been on the rise in the Kenyan economy.**

**Outline 5 monetary policies that can be used by the government to curb inflation.**

(i) Increase the rate of interest on lending to commercial banks.

-The central bank can raise the interest rate on money borrowed by commercial banks such that they also increase their lending interests rates.

(ii) Using open market operations (OMO) to mop up excess liquidity from the economy.

(iii) Increase commercial banks liquidity ratio.

-Liquidity ratio is the proportion of money held by commercial banks, if this ratio is

increased, the lending ability of commercial banks will have reduced.

(iv) Increasing compulsory deposits.

-The CBK can call for special deposit from commercial banks hence reduce amount of

money in circulation.

(v) Institution of selective credit control measures.

-The CBK may instruct the commercial banks on the sectors that they can lend money to

and not others.

(vi) Directives to commercial banks.

-CBK may direct commercial banks on interest rates to charge on lending where high

interest would discourage borrowing of loans.

(vii) Morals suasion(Requests to commercial banks)

-CBK may appeal to commercial banks to willingly exercise control on moral on their

lending with a view of controlling inflation.

**5. a) Five reasons for differences in the terms of trade between countries. (10mks)**

i) Elasticity in demand for a countries exports.

-A country with exports whose demand is less elastic compared with her demand for

imports is likely to have favourable terms of trade.

ii) Nature of commodity being exported.

-A country whose main export is raw materials is likely to experience unfavourable terms

of sale unlike a country exporting finished products.

iii) Nature of commodity being imported

-A country that imports expensive products such as manufactures goods is likely to face

adverse terms of trade than one that imports cheap raw materials.

iv) Existing world economic order favouring products from more developed countries,

-This results to favourable terms of trade to the developed countries while the less

developed countries experience unfavourable terms of

trade.

v) Total quantities supplied. A country that relies on exportation of a product that is high in

supply may experience unfavourable terms of trade than a country exporting a commodity

that is in short supply in the world market.

vi) Trade restrictions by trading partners. The less trade restrictions a country has,The more

favourable terms of trade it is likely to have due to increased exports than a country with

more trade restrictions.

b)

**Jayden Enterprises**

**Trading, Profit and Loss A/C**

**For the year ended 31 Dec 2015.**

|  |  |
| --- | --- |
| Opening Stock 100,000  Purchases 1000,000  Carriage In 50,000  Returns Out 200,000  Net purchases 750,000  C.O.G.A.S 850,000  Closing stock ( 250,000)  Cost of sales 600,000  Gross profit c/d 410,000  1010,000  Insurance 20,000  Bad debts 30,000  Carriage out 20,000  Discount Allowed 100, 000  Rent 40, 000  Net profit 350,000  560,000 | Sales 1160,000  Returns 150,000  Net Sales 1,010,000  ­­­­­­­­ \_\_\_\_\_\_\_  1,010,000  Gross profit b/d 410,000  Commission Received 100,000  Discount Received 50,000  \_\_\_\_\_\_\_\_\_\_  560,000 |

**6. a) State and explain five benefits of using computers in an office.**

\* Reduces cost of communication.

\* Provides unlimited space for filling.

\* A fast means of communication

\* Provides a source of information for research.

\* Facilitates quick decision making/ quick feedback

\* Reduce paperwork and the need for paper files.

\* Accords for convenience while communicating/ easy to use.

\* Communication can be passed to many people in different places at the same time.

**b) Reasons for which traders observe ethical practices in product promotion.**

i. Ensures fair competition among businesses hence good business relations with other competing firms

ii. Ensures consumer’s interests are protected e.g. false advertisement, overpricing.

iii. Ensures that businesses comply with the law hence avoid litigation costs and business disruption.

iv. It protects the environment from degradation to ensure sustainable economic development.

v. improves the image of the business thus attracting more customers/investors /employees.

vi. Maintain morality in the society/cultural values to minimize social evils and crimes

(accept relevant examples as explanations).

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