**565/2**

**BUSINESS STUDIES**

**Paper 2**

**August/September, 2022**

**MARKING SCHEME**

***Answer Any Five Questions***

1. (a) Explain any **five** measures a country may adopt to increase its volume of exports. (10 marks)
2. Engaging in international trade fair/exhibition to promote the home products.
3. Devaluation of its currency to make export cheap.
4. Lowering taxes on exports to make them cheap.
5. By diversifying on its exports to increase the market.
6. Offering subsidies to firms that are involved in production of export goods.
7. Reducing the length/procedure for acquiring licences for exporting products.
8. Adopting modern technology to export products to make them fashionable/ High quality/more attractive to customers.
9. Offering customs drawbacks – The government refunds either in full or part of custom duty paid on imported raw materials if finished product is exported.
10. Lobbying/Negotiate with trading partners for removal of trade restrictions placed on the country’s exports.

**(Any 5 well explained X 2 = 10 marks)**

(b) Explain **five** characteristics of economic resources. (10 marks)

1. They are scarce in supply – Economic resources are less in supply than what is required by human beings.
2. They have money value – The value of economic resources can be expressed in terms of money. The money value is their exchange price.
3. They are unevenly distributed – Economic resources are available in varying quantities at different places. Some places may have more of a particular resource than others.
4. They have utility – Utility is the usefulness or ability of a commodity to satisfy human wants.
5. They have alternative uses. Economic resources may be put to different uses.
6. They can change ownership – Due to the fact that economic resources have money value, change in ownership from one person to another can be effected through sale.
7. They can be combined – Economic resources can be combined in other quantities to produce other goods and services.
8. (a) Dr. Korir a surgeon opened up a clinic in his rural home of Kapkoros. The business closed after six months. Explain **five** reasons for the business failure. (10 marks)
* Inadequate capital – to run/finance operations of the business.
* Poor working strategies which makes operations ineffective/ leads to poor services.
* Unfavorable government policies which reduce profit margins/ makes it difficult to operate business.
* Insecurity in the area leading to theft of goods /lack of customers/fear to operate at night.
* Inadequate academic and technical knowledge which leads to closure.
* Inadequate business management knowledge.
* Inadequate demand market because of high competition /low population
* Poor record keeping which leads to ease of loss of funds by employees /difficult decision making.
* Poor customer relations which leads to loss of competitiveness /lack of customers.
* Large drawings from the firmwhich leads to lack of capital for operations.
* Lack of self-discipline and poor moral character.
* Poor planning
* Changes in technology.
* Changes in business environment.

(b) Highlans Ltd started business on 1st May 2022with sh.250,000 consisting of:

 Cash at bank Shs.200,000,

 Cash in hand Shs.30,000,

 Furniture Shs.20,000.

The following transactions took place during the month of May.

3rd May 2022, Motor van worth Shs.85,000 and stock of Shs.25,000 were bought on credit

6th May 2022, more stock worth shs.10,000 was bought by cash

9th May 2022, withdrew money from bank sh.50,000 for office use

15th May 2022, sold stock at cost to a customer on credit worth shs.18,500

19th May 2022, received a cheque for the full settlement of a debt owed from the transaction of 15th May 2022.

23rd May 2022, paid Shs. 65,000 by chequefor the motor van bought earlier on credit

31st May 2022, paid Shs 20,000 cash for the stock bought on credit

**Required:**

Prepare the balance sheet of Uhuru Highway Ltd as at 31st May 2022 (10 marks)

**Highlans Ltd**

**Balance Sheet**

**As at 31st May 2014**

|  |  |
| --- | --- |
|  **Sh** **Furniture 20,000****Motor van 85,000****Stock 16,500****Bank 103,000****Cash 50,000** **275,000** |  **Sh** **Capital 250,000****Creditors 25,000** **275,000** |

 ***(1 X 10 = 10 marks)***

1. (a) Explain **five** measures that Kenya government should adopt to solve the widespread cases of unemployment. (10 marks)
2. Encouraging investment by private sectors through offering subsidies to increase employment opportunities.
3. Use policies that encourage use of labour intensive methods of production.
4. Ensure political stability – attract foreign investment into the country.
5. Delocalize firms to prevent /reduce urban unemployment brought about by rural-urban migration.
6. Encourage use of family planning methods to reduce rapid population growth.
7. Provide appropriate education and training methods that equips citizens with relevant skills and knowledge required by firms.
8. Increase in government expenditure to create job employment.
9. Encourage use of local resources to create employments.

***(5 X 2 = 10 marks)***

 (b) Discuss any **five** current trends in communication (10 marks)

1. Use of mobile phones- for passing information from anywhere anytime
2. Use of internet for research **/** product promotion
3. Use of e-mail for sending and receiving letter **/** correspondence through computer **/** mobile phones.
4. Video conferencing – where there are more people can hold a virtual meeting / discussion while each of them is in a different location.
5. Live streaming as opposed to recording an event and then posting on the internet is a real – time conference **/** training where many participants can attend without leaving their home e.g. zoom, Microsoft teams
6. Increased use of social media such as Facebook, WhatsApp for individuals interaction **/** group discussions **/** entertainment.

***(Naming 1 mark otherwise 2 marks).***

1. (a) Explain **five** Money transfer facilities provided by commercial banks (10 marks)
* Standing order – Instruction to the bank by the A**/**C holder to make regular payments to a name client for an agreed period of time.
* Credit transfer – Method of paying many people using one cheque
* Telegraphic transfer – Method of remitting money fast and safely from one person to another
* Electronic Funds Transfer (EFT) – Transferring money from one account to another using computers
* Cheques – Written order by the drawer to the bank to pay on demand a specific amount of money to the named person on the cheque
* Banker`s cheque – Written order by a bank to another to pay a stated amount of money to the payee

(b) On 1st May, 2010 Musa Traders had Shs 15,000 cash in hand and shs.160450 at bank. During the month the following transactions took place.

 May 2 Bought goods for Shs. 5,400 and paid in cheque.

 May 8 Received sh 7,200 cash from a debtor

 May 15 Paid a creditor Sh.18,300 by cheque

 May 16 Paid salaries sh 4,200 in cash

 May 18 Sold goods for sh. 9,200 and was paid by cheque

 May 20 Withdrew sh 30,000 from bank for office use

 May 25 Received sh.8,000 cash from a debtor

 May 28 Paid general expenses sh.4,000 cash

 May 29 Deposited sh.10,000 cash in bank

 May 30 Paid for electricity sh.2,500 by cheque

 Record the above transactions in a two column cash book and balance it off. (10marks)

**MUSA TRADERS**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Date** | **Details** | **folio**  | **Cash** **sh** | **Bank** **sh** |  | **Date**  | **Details**  | **folio** | **Cash** **sh** | **Bank** **sh** |
| 2010May 1 8 18 20 25 29 |   Bal. b**/**d  Debtor  Sales  Bank Debtor Cash   Bal.b**/**d  | C1C2 | 15,0007,200 30,000 8,00060,20042,000 | 160,4509,200 10,000179,650123,450 |  | May 2 15 16 20 28 29 30 | PurchasesCreditorSalariesCashGeneral expensesBankElectricityBal. c**/**d | CC | 4,2004,00010,00042,00060,200 | 5,40018,30030,0002,500123,450179,450 |

 ***(30X 1/3 =10 marks)***

1. (a) Explain **five** ways in which the Kenyan government can tackle the current high inflation. (10 marks)
	1. Increasing the rate of interest of lending to the commercial banks.
	2. Selling government securities through open market operation.
	3. Increasing the commercial banks cash **/** liquidity ratio.
	4. Putting in place the selective credit control measures.
	5. Reducing government expenditure.
	6. Increasing income taxes.
	7. Restricting terms of hire purchase and credit terms of sale.
	8. Controlling export.

(b) Describe **five** channels of distribution that may be followed by imported manufactured goods. (10 marks)

* Foreign manufacturer Agents Wholesaler Retailer Local Consumer
* Foreign manufacturer Wholesaler Retailer Local Consumer
* Foreign manufacturer Local Consumer
* Foreign manufacturer Manufacturer’s Representative Wholesaler Retailer Local Consumer
* Foreign manufacturer Wholesaler Local Consumer
* Foreign manufacturer Retailer Local Consumer

***(5 X 2 = 10 marks)***

1. (a) Explain **five** functions of the stock exchange market. (10 marks)
* It assists investors to buy shares by providing appropriate information to them.
* It assists shareholders who want to dispose off shares by giving them relevant information.
* It assists companies that need to raise money by floating shares to the public.
* It compiles business information that would be used by interested parties to make decisions on the investment.
* It vets the standard of performance of company that intends to be quoted in the stock market.
* It sets the prices of shares for the general public investors.
* It lists/delists companies that are viable /not viable.
* Generates revenue for the government through taxation.
* Creation of employment.

***(5 X 2 = 10 marks)***

(b) Give **five** differences between small scale firms and large scale firms. (10 marks)

|  |  |  |
| --- | --- | --- |
|  | **Small Scale Retailers**  | **Large Scale Retailers** |
| (i) | Require little capital to start | Require large capital to start |
| (ii) | Few local formalities to register | Long legal registration procedure |
| (iii) | Easy decision making | Lengthy decision making process due to consultations |
| (iv) | Are flexible in terms of place/objectives | Are rigid to change place/objectives  |
| (v) | Require few workers/laborers/workforce  | Require many workers |
| (vi) | Occupies a small flow space | Occupies a large floor space |
| (vii) | Command/serves a small market | Command/serves a larger market |
| (viii) | Easy/simple to manage | Require a complex management system /skills |
| (ix) | May not enjoy economies of scale | Enjoy economies of scale |