

MARKING SCHEME
BUSINESS STUDIES

Paper 2 (565/2)

1. a) Outline five measures that an office can take to safe guard the organizations property. (10mks)

- Enhance security against theft by employing guards
- Ensure physical care by the people handling them
- Keeping records of movement usage and return of property
- There should be periodic physical stock taking
- The organisation can take an insurance cover against the property
- There should be proper repairs, servicing and maintenance
- Property using electricity requires switching of when not in use.
- The personnel handling these property should undergo training on proper usage
- Property that is obsolete should be replaced regularly to maintain the number required.

Any 5 x 2 = 10mks

b) Differences between commercial banks and non-bank financial institutions. (8mks)

Commercial Banks	Non-Bank financial institutions
1. Provide clearing house facilities/do clear cheques	1. Do not provide clearing house facilities/do not clear cheques
2. Provide overdraft facilities through current account	Do not provide overdraft facilities /Do not offer current account
3. Provide short-term to medium term loans	3. Provide medium term to long-term loans
4. Provide loans for general use	4. Provide loans for specific purpose

5. Do exchange foreign currencies	5. Do not exchange foreign currencies
6. Closely supervised / controlled by central bank	6. Not closely supervised/controlled by central bank
7. Provide safekeeping of valuable	7. Do not provide safe keeping of valuables

2. a) Highlight five advantages of government involvement in business activities. (10mks)

- i) Government provides essential services which may be deemed unprofitable by enterprises.
- ii) Government is able to carry out business that require large amount of capital which may not be raised by private individuals.
- iii) Business managed and run by the government create employment hence help in solving /reducing unemployment problems
- iv) Profit realised by the government parastatals distributed through provision of services leading to equality/protection of consumer against exploitation.
- v) Government run business create competition making private business to improve quality and charge fair prices.
- vi) Government help reduce foreign domination in the economy.
- vii) Government promotes economic development
- viii) Government help in controlling environmental degradation.
- ix) Government involvement in business help in promoting entrepreneurial cultural.
- x) Government involvement in business help in the adaption of the appropriate technology.

Any well explained points

5 x 2 = 10mks

b) Ebenezer furniture LTD subsidiary Books

Purchases Journal

Date	Details	L.F	Invoice no.	Amount
2015				
Aug 2	Matu traders	PL		60,000 ✓
Aug 16	Mwendwa	PL		7,000 ✓

Purchases Returns Journal

Date	Details	L.F	Credit note no.	Amount
2015				
Aug 3	Matu traders	PL		15,000 ✓

Cash Receipt Journal

Date	Details	L.F	Receipt no.	Disc all	Cash	Bank
2015						
Aug 5	Jomo Academy	SL			25,000 ✓	

Sales Journal

Date	Details	L.F	Invoice no.	Amount
2015				
Aug 8	Malaika	SL		80,000 ✓
Aug 10	Miugiza	SL		16,000 ✓

Cash payment/Disbursement Journal

Date	Details	L.F	Doc no.	Disc	Cash	Bank
2015						
Aug 13	Matu	PL		2,000 ✓		8,000 ✓

General Journal/ Journal proper

Date	Details	L.F	D.R	CR
2015				
Aug 29	Maitima Holdings	SL	400,000	60,000 ✓
	Van 10 ticks x 1 @ = 10mks being a record of disposal of business Vanto			

3. a) Explain five reasons why choice is important in the satisfaction of human wants (10mks)

- Wants are unlimited in number while available resources are scarce
- Some wants are more urgent and intense than others
- Some commodities sell at different prices hence one has to choose what is affordable
- There are many varieties of products that satisfy the same wants thus the need for choice
- Commodities differ in quality and others have salient features, thus the need for choice
- Consumers financial position vary with time hence a budget is needed
- Some wants are recurrent hence they must be catered for quite often
- Human wants are competitive, hence a choice is needed.

any 5 @ 2mks = 10mks

b) Factors leading to the shift of demand curve from right to left (10mks)

- i) A decline in consumers tastes and preferences for the product
- ii) Seasonal changes not favouring demand for the product eg in a dry season demand for gumboot decreases
- iii) Decrease in population leading to fewer buyers
- iv) Increase in taxation on the prices hence less demand
- v) A decrease in the consumers level of income
- vi) Decline in the prices of substitutes
- vii) Increase in the prices of the product

any five explained points
5 x 2 = 10mks

4. a) Circumstances leading to the location of a firm near the market for its products. (10mks)

- i) In case the final product is more bulky than inputs or raw materials
- ii) Where the cost of transporting raw materials or inputs is lower than that of transporting the final products to the market.
- iii) Where the market is localised ie concentrated in a particular area it might be economical to have the firm located there to be in close contact with the customers
- iv) Where the government policy requires a firm to be located where the market is situated, the firm will have no choice but to comply.
- v) Where the substantial external economies can be enjoyed where the market for the product exists, a firm might be established
- vi) If the final product is perishable requiring fast delivery to the buyers.
- vii) If the final product is fragile such that long channels of distribution may damage the product.

Any five explained point

5 x 2 = 10mks

5. a) Benefits of SGR to the Kenyan Economy.

- i) Speedy delivery of goods - ensures that goods are distributed faster to reach on the time without delay.
- ii) Large bulky goods - the means will carry more goods at once which reduce cost of transport.
- iii) Lowers the cost of transport - enables the producers to pay less and thus reduce their expenses for carriage. It's cheap method
- iv) Reduces damage of roads- most trucks will be replaced by trains and thus reduce cost of repair on our roads.
- v) Reduce road congestion- this helps to reduce traffic jams and accidents on roads.
- vi) Not affected by adverse weather- thus offers continuous services all seasons, both rainy and sunny.
- vii) Comfortable commuter services - passengers can be moved conveniently
- viii) Reduced pollution - more environmental friendly.

NB: Candidates must bring out the benefits.

1mk stating, 1mk explanation

WIKARO 1 ENTERPRISES

Trading, Profit & Loss account

For the year Ended 31st December 2015

b) i)

Opening stock	180,000 ✓	Sales	1,740,000 ✓
Add purchases	1,200,000 ✓	Less Return inwards	(60,000) ✓
Less Return Outwards (150,000)	✓	Net Sales	1,680,000 ✓
Net purchases	<u>1,050,000</u>		
Cost of G.A.S .	1,230,000		
Less closing stock	<u>(210,000)</u> ✓		
Cost of sales	1,020,000		
Gross profit c/d	660,000 ✓		
	<u>1,680,000</u>		<u>1,680,000</u>
<u>Expenses</u>		Gross profit b/d	660,000 ✓
Discount allowed	75,000 ✓	Add discount received	96,000 ✓
Commission allowed	48,000 ✓	Add commission received	42,000 ✓
Carriage outwards	24,000 ✓		
Insurance	90,000 ✓		
Net profit c/d	561,000 ✓		
	<u>798,000</u>		<u>798,000</u>
		Net profit b/d	561,000

15 ticks @ 1/2mk = 7 1/2 mks

ii)

WIKARO 1 ENTERPRISES

BALANCE SHEET

AS AT 31st DECEMBER 2015

Assets		Capital & Liabilities	
Debtors	195,000 ✓	Capital	2,454,000
Stock	210,000 ✓	Add net profit	561,000
Machinery	600,000 ✓	Creditors	120,000
Buildings	1,620,000 ✓		
Cash in hand	210,000 ✓		
Furniture	300,000		
	<u>3,135,000</u>		<u>3,135,000</u>

9 ticks @ 1/2mk = 4 1/2mks

b) Channels of distributing imported probox from Dubai

- i) Foreign manufactures → local consumer
- ii) Foreign manufacture → local retailer → local consumer
- iii) Foreign manufacturer → local wholesalers → local retailer → local consumer
- iv) Foreign manufacturer → local wholesalers → local consumers
- v) Foreign manufacturer → local agent → local wholesalers → local retailers → local consumer
- vi) Foreign manufacture → local agent → local wholesalers → local retailer → local consumer
- vii) Foreign manufacture → foreign agent → local agent → local retailers → local consumers
- viii) Foreign manufacturer → local agent → local wholesalers → local retailer → local consumer
- ix) Foreign manufacturer → foreign agent → local retailer → local consumer
- x) Foreign manufacture → foreign agent → local agent
- xi) Foreign manufacture → local agent → local retailer → local consumer
- xii) Foreign manufacture → local agent → local wholesaler → local consumer

6. a) Source of government revenue for development expenditure

- i) Government borrowing both internal and external
- ii) Taxation (Taxes)
- iii) Fines and penalties charged to offenders in courts
- iv) Proceeds/income from sale of government properties
- v) Licenses fees paid by those operating business
- vi) Interests earned on loans advanced by government to firms
- vii) Dividends and profits earned from government direct investments
- viii) Rents and rates paid for use of government property
- ix) Escheats

b)

b)

Date	Details	F	D.A	Cash	Bank	Date	Details	F	D.R	Cash	Bank
2015 June 1	Balance	b/d		87000	250000	2015 June 3	Stationery				101500
2	Otieno		4000		76000	7	Computer				86,000
19	Add investment				10000	17	Kigwandi		800	34200	
22	Sales				165000	24	Drawings			4000	
26	Bank	C1		32000		26	Cash	C1			32,000
29	Kipruto		1000	17000		31	Bank	C2		133800	
31	Cash	C2			133800	31	Balances	c/d		24000	406300
			5000	196000	625800				800	196000	625800