**MURANG’A EXTRA COUNTY SCHOOLS (MECS) CLUSTER EXAMINATION**

**FORM 4 END TERM 1 2023**

**BUSINESS STUDIES PAPER 2 MARKING SCHEME 565/2**

1. (a) *Reasons why people prefer to start a partnership business*

* **Partnerships can raise more capital**- People prefer partnership form of business because unlike in sole proprietorship, the partners will be able to raise high amounts of capital
* **Distribution of work**- Work is distributed among the partners and this reduces the workload for each partner.
* **Combination of talents and skills**- Different talents and skills are combined such that each partner is assigned the responsibility which he/she can perform best.
* **Sharing of losses and liabilities**- Unlike a sole proprietor who bears losses and liabilities alone, the liabilities and losses in partnership are shared among the partners. This eases the burden for an individual.
* **Few legal formalities**- There are few legal formalities required in the formation of a partnership in comparison to a limited liability company.
* **Sharing of ideas**- Consultation and sharing ideas among partners may lead to better decisions in the business. **Any other relevant point**.

(b) *Importance of business studies to the society*

* Equips members of the society with knowledge and skills to start and run a business
* Assists individuals in appreciating the role of business in provision of goods and services
* Assists individuals to acquire self-discipline and positive attitude towards work
* Enables the individuals to understand the role of government in business
* Assists members to relate the knowledge, skills and attitude acquired to day to day business activities.
* Makes the members to appreciate the need of good business management practice.
* Equips individuals with abilities to promote cooperation
* Helps members to develop positive attitude towards the environment.
* Equips individuals with abilities to understand role of communication and modern technology to business management.
* Equips individuals with knowledge and skills required to evaluate business performance **(Any 5 well elaborated point 5×2marks)**

1. (a) *The circular flow of income in a two sector economy.*

Households

Firms

Goods and services

Expenditure on goods and services

g

Factors of production

Payment for factors of production ˅

˅ ˅

**Assumptions:**

1. There are only two sectors, i.e. households and firms
2. Firms use all their incomes to acquire factors of production
3. There is no government intervention
4. The economy is closed
5. Households use their incomes on goods and services

NB: A tick for every correct box and a tick for every correct arrow=

Any three assumptions (3)

(b) *Distinguishing features between a current account and a savings account*

|  |  |
| --- | --- |
| **Current Account** | **Savings account** |
| 1. No minimum balance is maintained | 1. A minimum balance must be maintained |
| 1. No restriction on the maximum amount can withdraw at any time | 1. There is restriction on the maximum amount one can withdraw at any time without notice |
| 1. No restriction on frequency of withdraws | 1. Frequency of withdrawals may be regulated by the bank policy |
| 1. Money on this account does not earn interest | 1. Amount in the account may earn interest |
| 1. Payments on the account are made easy through the use of cheques | 1. Account holder must personally visit the bank to make withdrawals/payments |
| 1. Holder can negotiate for overdraft facilities | 1. It does not offer overdraft facilities |
| 1. Holder is issued with regular monthly statements of account | 1. No regular statement of account, statements only issued under the holder request |

**NB: No splitting of marks**

1. (a) *Reasons why hypermarkets are becoming popular in Kenya today*

* They are usually open for long hours- As such, people are able to access them for long even after attending to their other duties
* Offer extensive parking facilities to the customers since they are located away from town centres
* Have variety of goods under one roof- As such customers can do their shopping in one building and thus saving time.
* They provide credit facilities by accepting credit cards- This attracts more customers
* They save on space- This reduces rents and rates thus more entrepreneurs will be willing to start this kind of business.

(b) **(Any 5 well elaborated point 5×2marks)**

**Kihenjo Limited**

**Three column cash book**

**For the month ended 31st May, 2020**

**Dr. Cr.**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Date** | **Details** | **LF** | **Disc.**  **Allowed**  **Shs.** | **Cash**  **Sh.** | **Bank**  **Sh.** | **Date** | **Details** | **LF** | **Disc rec**  **Shs** | **Cash**  **Sh.** | **Bank**  **Sh.** |
| **2020** |  |  |  |  |  | **2020** |  |  |  |  |  |
| **May 1** | **Bal** | **b/d** |  | **178,000** |  | **May 1** | **Bal** | **b/d** |  |  | **23,400** |
| **3** | **Sales** |  |  |  | **16,500** | **4** | **Purchases** |  |  |  | **15,000** |
| **6** | **Sales** |  |  | **50,000** |  | **13** | **Insurance** |  |  | **16,000** |  |
| **9** | **Mwikali** |  |  |  | **76,500** | **14** | **Otieno** |  | **300** |  | **9,700** |
| **20** | **Bank** | **C** |  | **30,000** |  | **16** | **Drawings** |  |  | **1,000** |  |
| **23** | **Kim** |  | **1250** |  | **23,750** | **20** | **Cash** | **C** |  |  | **30,000** |
| **30** | **Cash** | **C** |  |  | **218,000** | 26 | **Kim** |  |  |  | **23,750** |
|  |  |  |  |  |  | 30 | **Bank** | **C** |  | **218,000** |  |
|  |  |  |  |  |  | 31 | **Bal** | **cld** |  | **3,000** | **232,900** |
|  |  |  | **1250** | **258000** | **334,750** |  |  |  | **300** | **258000** | **334750** |
|  | **Bal** | **b/d** |  | **3,000** | **232,900** |  |  |  |  |  |  |

**NB: A tick for every correct amount entered. No tick for totals (20× marks= 10marks)**

* *If no dates on either sides at all, deduct a maximum of 2 marks*
* *Details must be correct to award*
* *Balances must be specified i.e. bal c/d or bal. b/d*

1. (a) *Channels that can be used when exporting Agricultural products*
2. Local producer(farmer) Foreign consumer
3. Local producer Retailer Foreign consumer
4. Local producer Wholesaler Retailer Foreign consumer
5. Local producer Marketing board Retailer Foreign consumer
6. Local producer Marketing board Wholesaler Retailer Foreign Consumer
7. Local producer Cooperative Marketing Board Wholesaler Foreign consumer

**NB:** The arrow must be used

Must start with local producer (farmer) and end with foreign consumer

(b) *Circumstances under which a business may prefer open office layout*

* When the business wants to reduce wastage of time- In an open office layout, there is no wastage of time as people move from one place to another to get documents or passing information
* When the business wants to curb the problem of absenteeism- In an open office layout, there is less absenteeism because there is close supervision/monitoring of members of staff
* When the business wants to control misuse of office facilities/resources- In an open office layout, members of the staff may not use the office resources for their own personal work
* When the business wants to reduce on the cost of construction and maintenance
* When the business wants to encourage team work
* When the business wants to save on the space

1. (a) *Procedure of making an insurance claim.*
2. **Notifying the insurer**- Immediately the risk insured against occurs, the insured should notify the insurer within the stipulated time
3. **Filling a claim form**- After notification, the insurer issues the insured with an official claim form to be filled. The insured is expected to give all the details relating to the occurrence of the risk. The fully filled claim form is returned to the insurer.
4. **Investigation of the claim**- On receipt of the filled claim form, the insurer launches an investigation concerning the cause of the occurrence of the risk.
5. **Preparation of the assessment report**- Once it is established that the claim is valid, insurance uses assessors to prepare report concerning the extent of the loss suffered.
6. **Payment of the claim/Compensation**- On receiving the assessors report, the insurance company makes arrangements to pay the insured. The payment marks conclusion of the contract between the insurer and the insured.

(b) *Measures that the government has taken in her effort to curb the unemployment*

*problem.*

* Encouraging employment creation in the private sector.
* Adopting policies that encourage the use of labour-intensive methods of production.
* Adopting a relevant education system which instills the relevant skills
* Increasing government expenditure- Government projects will increase the chances of jobs in the country
* Developing rural areas- This will discourage rural-urban migration.
* Encouraging direct foreign investment
* Diversification of economic activities
* Encouraging youths to seek employment in foreign countries

**(Any 5 well elaborated point 5×2marks)**

1. (a) *Factors to consider when choosing a method of product promotion*

* **Cost**- If cost is the only factor to be considered, one should choose the most affordable method.
* **Nature of the product**- The nature of the products determines the type of product promotion. For example, products that require demonstration are best promoted through personal selling.
* **Target group**- The product promoter should try as much as possible to reduce wastage. This can be done by ensuring that the method chosen reaches only the targeted group.
* **Objectives of the promoting firm**- The objective of product promotion determine the method of product promotion.
* **Methods used by competing firms**- In a competitive market, a firm will tend to use a method of product promotion that will make it compete favourably with the other competing firms.
* **The Law**- A firm should use only those methods that are allowed by the law.
* **Availability of physical, financial and human resources**
* **Efficiency of the method in passing specific message**
* **Level of demand for the product**

(b)

1. Trading, profit and Loss Account

Uchumi Traders

Trading, Profit and Loss A/c ˅

Dr. For the period ended 31st December, 2022 Cr.

|  |  |
| --- | --- |
| Shs shs  Opening Stock 60,000 ˅  Add: Purchases 400,000 ˅  Less: Purchases returns (50,000) ˅ 350,000 ˅  Cost of goods for sale 410,000 ˅  Less: Closing stock 70,000 ˅  Cost of goods sold 340,000 ˅  Gross Profit c/d 220,000 ˅  560,000  Carriage outwards 8,000 ˅  Wages & Salaries 30,000 ˅  Discount Allowed 25,000 ˅  Commission Allowed 16,000 ˅ 79,000  Net profit c/d 187,000 ˅  266,000 ˅ | Shs shs  Sales 580,000 ˅  Less: Sales returns 20,000 ˅  560,000 ˅  Gross profit b/d 220,000 ˅  Add: Revenues  Discount received 32,000 ˅  Commission received 14,000 ˅ 46,000  266,000 ˅  Net profit b/d 187,000 ˅ |

**24= 8marks**

Uchumi Traders

Balance Sheet ˅

As at 31st December, 2022

|  |  |
| --- | --- |
| Shs. Shs.  Fixed Assets  Premises 540,000˅  Machinery 200,000 ˅  Fixtures& fittings 100,000 ˅ 840,000  Current Assets  Stock 70,000 ˅  Debtors 65,000 ˅  Cash 70,000 ˅ 205,000  1,045,000 | Shs. Shs.  Capital 818,000 ˅  Add: Net profit 187,000 ˅  1,005,000 ˅  Current Liabilities  Creditors 40,000 ˅  1,045,000 ˅ |

12= 4 marks