

BUSINESS PAPER 2
MOMALICHE JOINT EXAM
MARKING SCHEME

1. a) Explain five features of a perfect market structure . (10mks)

- (i) Large number of buyers and sellers – hence no single buyer or seller can influence the market.*
- (ii) Homogeneity of product- identical in all aspects.*
- (iii) Wider knowledge of market- such issues as quality and price is known to everyone.*
- (iv) Freedom of entry or exit- firms are free to join or leave the industry at will.*
- (v) Perfect mobility of factors production*

b) Explain five factors a firm will consider in choosing a method of product promotion.(10mks)

- ✓ *Cost of medium should be affordable.*
- ✓ *Size of the area converted- large area require methods like radio or TV which has wider coverage.*
- ✓ *Target group- appropriate method that gets to the particular group e.g internet –youth.*
- ✓ *Government policy. May discourage or encourage other methods.*
- ✓ *Nature of product- some may demonstration hence personal selling etc.*

2. Explain five differences between

a) a public corporation and public limited company. (10mks)

Public corporation	Public limited company.
(i) Formed through Act of parliament act	i) Formed through company
(ii) No minimal membership	ii) Minimum membership of
(iii) Owned by government	iii) Owned by shareholders (public)
(iv) BOD appointed by government during AGM	iv) BOD elected by shareholders

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(20 x ½ =

10mks)

3. a) Explain five internal economies of scale a firm enjoys by expanding its operations.

(10mks)

- (i) Marketing economies- Low cost per unit in transport due to huge discounts.*
- (ii) Financial economies – Wide to financial resource at Favourable rates.*
- (iii) Risk bearing economies- due to diversification*
- (iv) Manegerial economies – Efficiency due to qualified employees.*
- (v) Technical economies – Specialization of labour & machinery.*

b) Outline five implications of a youthful population.

(10mks)

- ✓ *Increased depending ratio as majority are unemployed*
- ✓ *Low labour supply as- not attained working use.*
- ✓ *More resources goes to providing needs of youth.*
- ✓ *Low savings by working population - hand to month*
- ✓ *May lead to low per capital income.*
- ✓ *Increase in crime unemployment.*

4. a) Explain five benefits of division of labour to an organization.

(10mks)

- ✓ *Less time is spent/saves time- less movement for one activity to another .*
- ✓ *Standardized goods/uniform- use of machines*
- ✓ *Increased output/quantity- worker are more adopted to work/ specialists .*
- ✓ *Increased used of machines – increase quality /quantity,*
- ✓ *Improves efficiency –better use of resources.*

b) Explain five steps followed in making insurance claim. (10mks)

- ✓ *Notifying the insurer reporting the loss with specified time.*
- ✓ *Filing the claim form-giving details of the loss.*
- ✓ *Investigation- to assess extent & truth of the loss*
- ✓ *Preparation of assessment report- If approved*
- ✓ *Payment of the claim /compensation then policy terminated.*

5. a) Explain five public utilities provided by a county government (10mks)

- ✓ *Education services – setting up of learning institution specially ECD school.*
- ✓ *Transport facilities - ;.....road & bus parking yards.*
- ✓ *Sewerage facilities- constructing shades where traders can operate from / storage facilities.*

b)The balances below were extracted from the books of Kanjoni traders on 1st June-2020

Motor van	320,000
Stock	180,000
Cash	20,000
Bank	104,000
Capital	544,000
Creditors	80,000

During the first week of June 2020, the following transactions took place

June 2- Kanjori: traders introduced additional funds in the bank account shs 76,000

3rd – purchase a motor van from cmc motors worth 400.000 on credit.

5th – paid creditors shs 12,000 cash

6th sold goods on credit to Anita shs 50,000.

7th – Bought office equipment shs 100,000 by cheque

Prepare the balance sheet as at 7th June.

(10mks)

Kanjori traders
Balance sheet
As at 7th June 2020

Fixed assets	shs	shs	Shs	shs
Motor van	720,000		Capital	620,000
Equipment	100,000	820,000	<u>Long term liabilities</u>	
Current assets			CMC motors	400,000
Stock	130,000		<u>short term liab</u>	
Debtor	50,000		Creditors	<u>68000</u>
Bank	80,000			
Cash	<u>8000</u>	<u>268,000</u>		
		<u>1088000</u>		<u>1088000</u>

Litein general stores

Trading , profit and loss a/c

For the period ended 31st Dec 2013

	Shs		Shs
Purchases	26000000	Sales	4,000,000
Less closing stock	100000	less returns	40,000
COS	2500000	Net sales	3960,000
Gross profit c/d	1460,000		
	3960,000	Gross profit b/d	1460,000
General expenses	120,000	Discount rec	36,000
Rent expenses			
	46,000		
Telephone	48,000		
Salaries	360,000		
Net profit c/d	922,000		
	1496000	Net profit b/d	922000
		$\frac{1}{2} \times 12 = (6\text{mks})$	
			1496000

$$\text{i) Margin} = \frac{\text{GP}}{\text{Net sales}} = \frac{146,000}{3960,000} \times 100\% = 36.9\% \quad (2\text{mks})$$

$$\text{ii) Current ratio} = \frac{\text{CA}}{\text{CL}} = \frac{582,000}{240,000} = 2.2:1 \quad (2\text{mks})$$

$$\begin{aligned} \text{iii) Return on capital} &= \frac{\text{Net profit}}{\text{Capital}} \times 100\% \\ &= \frac{922000}{1950,000} \times 100 = 47.3\% \quad (2\text{mks}) \end{aligned}$$