**565/2 - BUSINESS STUDIES - PAPER 2**

 **MARKING SCHEME TERM TWO**

 **FORM FOUR.**

1. (a) Qualities of an office worker (office etiquette) :

 - Respect, showing regards to other people according to their rank.

 - Courtesy, handling people politely, pleasantly and with consideration.

 - Honesty, ability to tell the truth and being sincere.

 - Diplomacy, ability to convince others tactfully.

 - Loyalty, commitment an employee has to the organization he/she works for.

 - Initiative, ability to create and implement ideas.

 (Award any other relevant point - any 5×2 =10 marks)

1. (b) Factors that have limited the practice of barter trade in Kenya:

 - It requires double coincidence of wants that is very difficult to get in real life.

 - Lacks standard measure of value that makes it difficult to ascertain the real exchange value of a commodity with another.

 - Some commodities cannot be divided into smaller units without loss of value.

 - Some commodities cannot be stored for future transactions because they are perishable/lacks store of value.

 - Some commodities are difficult to carry because they are bulky/heavy thus cannot be traded with somebody far away.

 - Lacks unit of account, because it’s difficult to keep records of different commodities because they values are not known.

 (Any 5×2=10 marks)

2. (a) Advantages china would get at part marked Y (overpopulation):

 - Widening market, there are many consumers of goods and services and thus more production activities.

 - Better utilization of resources, due to high demand for goods/services therefore efficient use of resources to satisfy the high demand.

 - Creates a pool of labour force because there are more labourers that leads to low cost of labour/meets various labour demands.

 - Enhances creativity because resources are scarce and people are looking for means of survival.

 - Promotes labour mobility as jobless people go looking for job opportunities.

 - Stimulates investments as entrepreneurs take advantage of higher demand/widened market.

 (Any 5×2=10 marks)

2. (b) Sources of government revenue.

 - Tax, compulsory levies by the government.

 - Fees, amount received by government against direct services rendered e.g. training fees, license fees.

 - Government owned property incomes e.g. forests, national parks royalties and rents.

 - Fines and penalties imposed by court of law for crimes.

 - Escheats, unclaimed assets/money of deceased without a heir.

 - Borrowing loans either locally or internationally from IMF or World Bank.

 (Any 5×2= 10 marks)

3. (a) THREE COLUMN CASH BOOK

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| DATE | DETAILS | FOLIO | DISC.ALL | CASH | BANK | DATE | DETAILS | FOLIO | DISC.REC | CASH | BANK |
| 2020Sept1 4  714 20 2225 30 | Capital✓Kabogo✓Cash✓Sales✓Njeri✓Kambu✓Capital✓Cash✓ | C1C2 | 2000 ✓800✓ | 15000✓14000✓6000✓ | 8000✓4000✓3200✓17000✓16000✓ | 2020Sept1 7 8 17 18 30 30 | Capital✓Bank✓Rent✓Furniture✓Kofi✓Bank✓Balance ✓ | C1C2c/d | 526✓ | 4000✓4000✓10000✓16000✓1000✓ | 40000✓3000✓5200✓ |
|  |  |  | 2800✓ | 35000✓ | 48200✓ |  |  |  | 526✓ | 35000✓ | 48200✓ |

(40×1/4=10 marks) Penalize 1 mark in case date is wrong and award no mark incase format is not correct.

3. (b) Challenges facing containerization as a means of transporting goods:

 - May not be suitable for goods with irregular shapes since they are rectangular in shape.

 - Require special handling equipment’s which may be expensive to acquire.

 - Containers are expensive to acquire/hire thus many people cannot afford.

 - Use of containers for transporting goods could be misused by those who want to engage in illegal activities because they are sealed at source thus do not allow inspection.

 - Require highly skilled personnel to manage the system which may be lacking/expensive to train or hire.

 - It is usually not convenient for those traders who may not have enough goods to fill a container.

 (Any 5×2=10 marks)

4. (a) ✓***Price*** SO✓

 S1✓

 D

 ✓ Po EO✓

 P1 E1

 S1 D✓

 SO

 QO✓ Q1  ***Quantity***✓

 (i) With an increase in supply surplus quantity is created in the market.✓

 (ii) The surplus quantity pushes the price down from P0 to P1.✓

 (10×1=10 marks)

4. (b) Circumstances that necessitate companies to re-insure:

 - When the value of property is great such as a ship, thus a single insurance company may find it difficult to bear the loss.

 - When the chances of the loss occurring through the insured risks are high then it becomes necessary to re-insure.

 - When the insurance company has insured many risks that will cause huge losses that will be costly to compensate hence the need to re-insure.

 - If it is a requirement by the government then the insurance company has no alternative but to comply.

 - When the insurance company has covered many risks then there’s need to re-insure in order to share the financial burden/need to spread risks.

 (Any 5×2=10 marks) - There’s no splitting of marks.

5. (a)

 (i) Working capital = current assets + current liabilities.

 CA = 124,500+103,650+54850+3650 = 286,650✓

 CL = 99,720✓

 WC = 286,650 – 99,720 = 186,930.✓✓(4 ×1/2 =2 marks)

 (ii) Return on Capital: $ROC=\frac{NP}{CAPITAL}$ ×100

$\frac{220500}{422930}$ ×100= 52.14%✓✓ (2×1=2 marks)

 (iii)$CURRENT RATIO=CA:CL$

 286,650: 99,720 = 2.875: 1 (3: 1)✓✓ (2 ×1=2 marks)

 (iv)Capital Employed = Fixed Assets + Working Capital

 681,500✓ + 186,930✓ = 868,430✓✓

 (4 ×1/2 =2 marks)

 (v) Borrowed Capital = Long term Liabilities.

 = 400,000✓✓ (2×1= 2 marks)

5. (b) Advantages of using a cheque as a means of payments:

 - Cheques are secure than notes and coins because when lost can be traced to the person who cashed them.

 - Cheques are negotiable, can be used to pay a third party.

 - Cheques are portable because are light since are paper like.

 - Cheques are convenient to pay large amount of money which would be bring inconvenience incase notes and coins are used.

 - Acts as a receipt for future reference in case of controversy or loss of other documents.

 - It saves the time and transport costs for the one paying the money because there is no need for travelling to make payments.

 (Any 5×2=10 marks)

6. (a) Benefits of adopting millennium developments goals:

 - Eliminating/reduction of poverty to ensure that every citizen lives above the poverty line.

 - Reduced economic dependence, through dissatisfaction there will be increased production and working towards self-sufficiency.

 - The country will maintain favourable balance of payments through an improved export sector in the economy.

 - There will be reduced disparities in income distribution because every citizen will be earning/producing.

 - Reduced unemployment due to increased production that creates employments opportunities.

 (Any 5×2=10 marks)

6. (b) Reasons that can lead to dissolution of public limited company:

 - Insolvency of public limited company, that’s when it’s unable to pay its debts it may wind up.

 - Ultra vires, when the company acts contrary to the objective clause of its memorandum of association.

 - Amalgamation, when its joins another company to form a completely different company.

 - Through a court order in case of complains from creditors or is engaged in un lawful act.

 - Decision by shareholders, during annual general meeting they may voluntarily agree to wind up the company.

 (Award any other relevant point, any 5×2=10 marks)