BUSINESS STUDIES PAPER 2 MARKING SCHEME

1. (a)

(i) Improved infrastructure; good roads, adequate security, availability of water, electricity will encourage entrepreneurial development.

(ii) Favorable government policies such as lessening tax burden by providing tax holidays, providing incentives and simplifying procedures and cost of obtaining relevant legal documents required.

(iii) Availability of market for goods and services/ Expanded market due to devolution of service

(iv) Increased accessibility to education and training/ Expanded capacity to provide training for better skills to entrepreneurs.

(v) Availability of resources/Increased accessibility to credit from commercial financial institutions and also from the government through government initiated projects like uwezo fund and women enterprise funds.

(vi) Political stability/absence of political chaos/No inter-clan fighting creates a conducive environment for entrepreneurs to venture into investments with confidence.

(vii) Favorable natural conditions/enough rainfall for agro-based business.

**(Any 5 well explained x 2 = 10mks)**

1. (b)
2. Equity – the tax should be fair/just /people should be taxed according to their level of income.
3. Economical – ft should be cheap/easy to administer/cost effective/cost of collection should be relatively lower than tax revenue.
4. Convenient / method of payment / collection should be convenient to the tax payer – it should be suited/ favorable to the needs / activities / programmes of the tax payer.
5. Certainity – tax payer/collectors should know what/when/how to pay /collect.
6. Flexibility – (where a tax is used as an instrument of national policy) it should be adaptable to all (economic) circumstances/conditions/subject to revision.
7. Simplicity – it should be easily understood/administered
8. Elasticity – proceeds front taxation should be capable of expand / contracting with changes in income/population
9. Diversity/wide base there should be a (wide) variety/range if taxes/net many tax payers.
10. Difficult to evade – it should not create a loophole for people to escape / dodge.
11. Should regulate the economy – by encouraging production/proper allocation of resources
12. Should have (maximum) benefits to taxpayers through provision of quality goods/services/to encourage them to pay.

(any five with explanation = 10mks)

1. (a)

* Accuracy – the means should convey the message in exactness.
* Availability of the medium
* Characteristics of communicating parties – both sender and receiver should have the required skills to retrieve and interpret msg correctly.
* Complexity of msg – the medium should have capacity to handle the bulk of the msg without loss of details.
* Confidentiality – to the intended person only.
* Cost – should be affordable.
* Derived impression to the recipient.
* Distance – geographical gap between sender and receiver.
* Need for evidence – proof that message was conveyed.
* Reliability – certainty that msg gets to intended person.
* Speed – how fast msg gets to recipient and feedback given

(b)

* Cash receipt / cash sale slip – evidence that cash has been paid out or received.
* Cheques and counterfoils – evidence of payment.
* Invoice – demand for payment on goods already delivered to buyer on credit
* Returned goods note – goods returned to the seller either to supplier or to the business
* Debit note – correct undercharge
* Credit note – correct overcharge
* Payment voucher – where receipts aren’t available for payment using petty cash

1. (a)

* Cost is affordable as the capital required for one to produce goods for one’s own consumption is less compared to indirect production.
* No wastage as one produces what he/she can produce what he or she can consume alone hence no extras which can get spoilt.
* Variety of goods and services as one can produce different type of goods at the same time.
* Involves use of locally available simple tools hence one may not necessarily need advanced technology which could be expensive to acquire.
* Independence; as production is self-sufficient and producers produce enough for their own use.

(b)

Three – column cash boo

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Details | L.F. | DRC | Cash | bank | Date | Details | L.F | D.Al | Cash | Bank |
| 2014  May 1 | Balance | b/f |  | 180,000 |  | 2014  May 1 | Balance | b/f |  |  | 450,000 |
| May 3 | Mpasha |  |  |  | 1,500,000 | May 11 | Jolloimat |  |  | 20,000 | 40,000 |
| May 7 | Sales |  |  | 280,000 |  | May 19 | Rent |  |  |  | 75,000 |
| May 14 | Commission |  |  | 150,000 |  | May 19 | Electricity |  |  |  | 32,000 |
| May 17 | Leteipa |  | 3,700 |  | 181,300 | May 19 | Water |  |  |  | 25,000 |
|  |  |  |  |  |  | May 21 | Drawings |  |  |  | 100,000 |
|  |  |  |  |  |  | May 24 | Kinai |  | 2,720 | 133,280 |  |
| May 25 | Kiyiapi |  |  |  | 200,000 | May 28 | Salaries |  |  | 226,70 | 120,000 |
| May 31 | Cash | c |  |  | 226,720 | May 31 | Bank | c |  | 50,000 |  |
|  |  |  |  |  |  | May 31 | balance | c/f |  | 610,000 | 906,020 |
|  |  |  |  | 610,000 | 2,180,020 |  |  |  |  |  | 2,108,020 |
| June 1 | Balance b/f/ |  |  | 50,000 | 906,020 |  |  |  |  |  |  |

1. (a)

|  |  |  |  |
| --- | --- | --- | --- |
|  | Private company |  | partnership |
|  | Have a minimum of 2 shareholders to 50 members |  | The business is owned by two or more persons with a maximum of twenty for ordinary partnership |
| 2. | The business can be managed by one director or two if big |  | The business is managed by active partners jointly |
| 3. | Do not allow the transfer of shares |  | They do not deal with shares but members contribution |
| 4. | All members have limited liabilities |  | One partner has unlimited liability except other who have limited liabilities. |
| 5. | Separate legal entity |  | No separate legal entity |

(b)

price

S

D

Qe

Qe

E1

E

S1

S

Pe

Pe

D

S1

Quantity

5.

(a)

* Limited labour supply – A small population may not provide enough labour
* Limited market – A small population may not provide enough market for goods and services. Some business may end up closing down.
* Underutilization of resources – resources in the country may be left idle because of lack of people to use them.
* Uneconomical to provide public utilities the available population may be scattered all over the country making it uneconomical for the government to provide public utilities.
* Lack of specialization – people in an under populated country may not engage in specialization leading to production of poor quality goods.
* Reduced phase of economic development for under populated countries, there is less resources. This reduces peoples creativity and innovation that may

(b)

* It should be spacious enough to accommodate as many goods as possible.
* It should appropriate equipment and facilities that twill facilitate quick receipt and movement of the goods.
* It should have adequate safety facilities to ensure adequate protection of goods against damage of goods.
* It should be located near good transport network to facilitate faster movement of goods in or out of the warehouse.
* It should have appropriate staff (skilled) to manage the receipt and recording activities of the warehouse.
* It should have the necessary special facilities for the storage of goods.
* It should have proper recording of activities that take place to ensure adequate monitoring of stock movements.
* It should conform to the existing government requirements for warehousing.

1. (a)

* If it is postdated.
* If it is stale
* If there insufficient fund in the drawer’s account
* If the cheque has omissions eg not singed, no date
* If amount in words varies with the amount in figures.
* If the signature of the drawer differs with the bank specimen signature.
* If bank learns about death, insanity or bankruptcy of the drawer.
* If there is alteration not signed against.

(b)

Kimani’s

Trading and profit and loss account

For the period ended 31st Dec 2012

Dr Cr

Shs shs

Opening stock 60,000 sales 580,000

Add: Purchases 400,000 Less: Returns inwards 20,000

Less: Return outwards 50,000 350,000

Cost of goods available

for sale 410,000

Less: Closing stock 70,000

Cost of goods sold 340,000

Gross Profit c/d 220,000

560,000 Gross profit b/d 560,000

Carriage outwards 8,000 200,000 Wages and salaries 30,000 Discounts received 32,000

Discounts allowed 25,000 Commissions received 14,000

Commissions allowed 16,000

Net Profit c/d 187,000 266,000

266,000 Net profit b/d 187,000