**ELDORET DIOCESE EXAM 2021**

***Marking Scheme***

***Business Studies Paper Two***

1. ***(a) Explain five measures that Kenya may take to control unemployment problem***
   * *Population control eg family planning*
   * *Increased government expenditure thus having many projects set up*
   * *Encouraging exploitation of natural resources to increase production activities*
   * *Exporting labor to countries with labor deficiency*
   * *Diversification of the economy to reduce seasonal unemployment*
   * *Rural development*
   * *Encourage foreign investment in the country*
   * *Encourage use of labor-intensive method in production*
   * *Improvement of the infrastructure to stimulate economic activities*
   * *Improvement of education systems to make it more appropriate to the employment needs of the economy.*

***(b) Highlight five differences between direct tax and indirect tax***

|  |  |
| --- | --- |
| ***Direct tax*** | ***Indirect tax*** |
| *(i)Tax revenue is certain* | *(i)Uncertainty in tax collected* |
| *(ii) Does not affect prices of goods and services* | *(ii)Affects prices of goods and services* |
| *(iii) The society or taxpayers are conscious* | *(iii) the taxpayer may not be aware of tax being paid.* |
| *(iv) Economical in collection* | *(iv) Expensive in collection* |
| *(v) Cannot be avoided* | *(v) Can be avoided* |
| *(vi)Can discourage work* | *(vi)Encourages people to work hard to maintain their standards of living.* |

2.(a) ***. Explain the meaning and significance in each of the following terms as used in foreign trade.***

***Terms of trade****: the rate at which exports on one country exchanges with*

*imports. Tot = Price index of exports determines whether the trade between one country and another is favorable.*

* ***Balance of payment****: the difference between both capital and current exports and imports of a country. If the value of exports is higher, the country experiences a surplus and vice versa. It determines whether a country is experiencing surplus in I*
* ***Exchange rate****: rate at which a country’s currency exchanges with another. This rate determines the value of exports and imports/ shows its indication of a country’s economic strength.*
* ***Balance trade****: the difference between the value of a country’s visible tangible imports and its value of exports is higher than imports. Determines whether a country is experiencing surplus/ deficit trade*

***Common market****: an agreement between countries that allow free movement*

*of goods and factors of production. This allows mobilization of resources/*

*trade without restriction*

***(b). Explain five functions of the national budget as a tool of planning.***

* + *Outlining government expenditure – It details the various expenditure programmed the government plans to undertake over a given period*
  + *Outlining government revenue – It gives details of the various sources of revenue for the government to finance its activities*
  + *Enabling government planning – The government uses the budget to plan for various activities and programmed that lead to economic growth and development*
  + *Introducing changes in taxation – The various taxes to be applied, the tax rate and the mode of application of the taxes are outlined in the budget*
  + *Regulating money supply – It outlines the monetary systems to be instituted by the government to regulate money supply in the economy*
* *Stimulating economic activities – It is used to increase government expenditure in the economy which will spur economic activities in the country*

1. ***(a) Discuss the factors that have led to the survival of small-scale retailers despite competition from supermarkets*** *(10 marks)*
   * *Personalized services: small scale retailers provide personalized services and are therefore ab to attract and retain customers which are not offered by supermarkets.*
   * *accessibility of small-scale retailers / convenience of locating small scale retailers are conveniently in urban centers.*
   * *Credit facilities small scale retailers offer credit facilities to some of their customers which are not available to specific customer needs.*
   * *Adaptation to specific customer needs small scale retailers easily adapt to the specific client.*
   * *They can sell goods in small units than the supermarkets.*
   * *Running costs of small-scale retailers are little and this makes it easier for them to survive unlike small markets which require huge capital to operate.*
   * *Management: Small scale businesses the risks involved are low while in supermarkets are grew*
   * *Starting/ initial capital starting small scale retailers a suitable for people form of low income.*
   * *Flexibility- it is easier for small scale retailers to change from one form of business to another location than it is for supermarkets.*

*(b)*

***Mutei traders***

***Profit and Loss***

***For the year ended 31/12/2017√***

***Shs Shs***

*General expenses 180,000 √ Gross profit b/d 800,000√*

*Insurance 48,000 √ Commission income 125,800 √ Discount allowed 55,000 √ Discount received 56,200√*

*Salaries and wages 320,000√*

*Carriage outwards 60,000√*

*Net Profit 319,000√*

***982,000 982,000***

***Marking 10√\*½ = 5 marks Mutei traders***

***Balance sheet***

***As at 31/12/2017 Fixed Assets Shs Shs***

*Buildings 1,250,000√ Capital 1,400,000√*

*Equipment 380,000√ Add Net Profit 319,000√*

*Furniture 117,000√ 1,719,000*

*1,747,000*

***Current assets Current liabilities***

*Stock 25,000√ Creditors 90,000√*

*Debtors 65,000√ Bank Overdraft 79,000√ 169,000*

*Cash 51,000√ 141,000*

***1,888,000 1,888,000***

1. ***(a)Highlight five benefits accruing to a seller who uses the personal selling method to promote her products***
   * *Personal selling gives the seller an opportunity to demonstrate the products that they are selling.*
   * *She can get an immediate feedback and act on it.*
   * *Salespersons can offer more elaborate explanations about the product.*
   * *Seller will be able to get orders directly from customers.*
   * *Personal selling compliments other promotional activities.*
   * *Sellers can get an opportunity to convince the buyer hence make a sale.*
   * *Seller has an opportunity to observe the reaction of customer to the product*
   * *Improves the relationship between seller and buyer.*

*Enables the seller to target the specific groups in question.*

*(b) Faraha Traders*

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ***DATE*** | ***PARTICULARS*** | ***D.A*** | ***CASH*** | ***BANK*** | ***DATE*** | ***PARTICULARS*** | ***D.R*** | ***CASH*** | ***BANK*** |
| 2008  July 1  10  12  16  24  26  28  30 | Balance b/d  Cash  Sales  Kuria  Bank  Capital  Sales  Cash ©  Balance b/d | 240  125  1200  1565 | 16520  8000  9000  3800  37320  1000 | 19847  15000  11760  2375  18320  67302  32652 | 2008  July 5  6  10  14  24  27  30 | Transport  Kerio traders  Bank  Drawing  Cash  Babu traders  Bank ©  Balance c/d | 200  1650  1850 | 15000  3000  18320  1000  37320 | 2000  9800  8000  14850  32652  67302 |

***5. a) Explain five means of written communication. (10marks)***

* + ***Letters*** *– a form of written communication; business, official/formal, non-formal etc*
  + ***Telegrams*** *- is a means of communication provided by the post office, the sender obtains the telegram form from the post office and fills the message on it in capital letters and hand it over to the post office employees at the counter.*
  + ***Telex*** *- is a means of communication used to send short or detailed messages quickly by use of a teleprinter. The service is provided by the post office on application.*
  + ***Facsimile (Fax)*** *- involves transmission of information through a fax machine. Both the sender and the receiver must have a fax machine.*
  + ***Memorandum (Memo)*** *- is printed information for internal messages within an organization. It is normally used to pass information between departments or offices in an organization.*
  + ***Notice*** *- is used to inform a group or the public about past current or future events. It is usually brief and to the point. It can be placed on walls, in public places, on trees,*

*newspapers or on notice boards.*

* + ***Reports*** *- are statements/within records of findings recommendations and conclusion of an investigation/research. A report is usually sent to someone who has asked for it for a specific purpose.*
  + ***Circulars*** *- are many copies of a single letter addressed to very many people when the message intended for each is the same.*
  + ***Agenda*** *- is an outline of the items to be discussed in a meeting. It is usually contained in a notice to a meeting sent in advance to all the participants of the meeting.*

***Minutes*** *- are records of the proceedings of a meeting*

1. ***(b) Explain five measures that are adopted by the government to protect consumers against exploitation***

* ***Setting up standards-*** *The government through the KEBS sets standards which must*

be maintained by producers and traders.

* ***Weights and Measures Act -*** *The government ensures that the equipment used for weighing and measuring are correct and accurate by regular checking and adjusting of the equipment.*
* ***Licenses-*** *The government requires manufacturers and businesspeople to get licenses before commencing their business operations this ensures that there is control of the type of business carried out.*
* ***Food and Drugs Act-*** *The government ensures that producers and traders do not include any substance that they sell to customers which may have harmful effects to the customers health.*
* ***Trade description Act-****Ensures that a producers or traders does not cheat the consumers by providing false description of commodities.*
* ***Price control-****The government may set a price beyond which a commodity should not be sold.*
* ***Rent and Tribunal Act-****Ensures that tenants are not overcharged by landlords.*

***6 (a) Explain five characteristics of perfect competition market structure***

* *Large number of buyers / sellers such that action of single buyer / seller cannot affect the market*
* *Homogeneity / uniformity of the product - products from different producers are identical in all aspects*
* *Wide knowledge of the market - therefore no single seller /' buyer can affect the business at any price other than the equilibrium price*
* *Freedom of entry / exit - there are no barriers to entry or exit to or from the market*
* *Uniformity of buyers and sellers - therefore no benefit of selling or buying from a particular buyer or seller*
* *No government interference - in form of taxes, subsidies, quotas, price control / price prevailing in the market is determined strictly by interplay of demand and supply*
* *No excess demand / supply - buyers can buy all they want / sellers are able to sell all they supply to the market*
* *No transport costs as buyers and sellers are in one area*

1. b) Commodity A and B are complementary products. Using well label diagrams explain how increase in supply of commodity A would affect the equilibrium price and quantity demanded of commodity B. (10mks)

Chart, line chart

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