

JULY/AUGUST 2025
BUSINESS STUDIES PAPER 2 565/2
MARKING SCHEME

1.(a) Differences between a public limited company and a partnership

Public Ltd company	Partnership
(i) membership is a minimum of 7 shareholders	(i) Membership is a minimum of 2 partners
(ii) Shares freely transferable without members consent	(ii) Share/capital not freely transferable require other partners consent
(iii) Managed by Board of Directors elected by shareholders	(iii) Managed by active partners
(iv) Regulated by Company's Act	(iv) Regulated by partnership Act
(v) Pay corporation tax	(v) Does not pay corporation tax
(vi) Has separate legal entity	(vi) Has no separate legal entity
(vii) Main source of capital is selling of shares	(vii) main source of capital is partners contributions
(viii) Shareholders have limited liability	(viii) Partners have unlimited liability
	5 x 2 = 10mks

1(b) factors to consider when evaluating a business idea

- (i) Profits to be earned/return from investment there should be reasonable profit from investments/in order to recover all operating expenses.
 - (ii) Existing attitudes/practices/beliefs of the target market – the new idea should be in line with the people's attitudes/beliefs
 - (iii) Technology – The technology to be used in producing the product/offering the service should be efficient / cost effective
 - (iv) Size/availability of the market/demand should be adequate/sustain the end of the product.
 - (v) Government policy/legal requirements should be favourable/easy to meet/to operate smoothly.
 - (vi) Channel of distribution – this will ensure that product is available in the market
 - (vii) Competition – it should be fair/healthy/capable to cope with
 - (viii) Capital – should be adequate to start/operate/run/easy to source/raise
 - (ix) Input /supplies – should be readily available/affordable for continuous operations
 - (x) Risks involved – should be minimal/manageable/bearable
 - (xi) Management skills – whether the owner has them/can hire
 - (xii) Pay back period – duration of getting back the amount invested should be considered
- 5 x 2 = 10mks

2(a) Challenges of population made up of a large population of young people

- (i) High rate of unemployment demand for jobs will outstrip available resources
- (ii) Increase in rate of crime/social evils as youth remain idle as they look for means of survival
- (iii) Pressure on goods and services associated with young population due to increased demand

- (iv) Rise in dependency ratio as economically active population shoulder the burden
- (v) Reduced investment/saving leading to low development
- (vi) Problem of raising government revenue which may force government divert resources for other sector to cater for young people
- (vii) Low per capital income since because of spreading national income to non productive population

5 x 2 = 10mks

2(b)

Date	Details	Folio	Discount Allowed	Cash	Bank	Date	Details	Folio	Discount Received	Cash	Bank
2024						2024					
Jan 1	Bal b/d✓			10,000✓		Jan 1	Bal b/d ✓				4,300✓
Jan 3	Wanja ✓		500✓		7,500✓	Jan 6	Rent ✓			4,000✓	
Jan 10	Cash ✓	C			3,000✓	Jan 10	Bank ✓	C		3,000✓	
Jan 18	Investment ✓				14,000✓	Jan 15	Woza's✓		100✓		9,900✓
Jan 21	Sales ✓			6,000✓		Jan 26	Furniture ✓				2,600✓
Jan 24	Albert ✓		1,000✓		4,000✓	Jan 30	Bank ✓	C		11,600✓	
Jan 28	Njeri ✓			3,600✓		Jan 30	Bal c/d✓			1,000✓✓	23,300✓✓
Jan 30	Cash ✓	C			11,600✓				<u>100✓</u>	<u>19,600</u>	<u>40,100</u>
			<u>1,500✓</u>	<u>19,600✓</u>	<u>40,100✓</u>						
	Bal b/d			1,000	23,300						

$$\frac{40}{4} \text{ ticks} = 10$$

3(a) Possible risks Sam can insure his business against

- (i) Theft of the vehicles and other properties emanating from fleet
- (ii) Accidents that cause damage to vehicles and other assets
- (iii) Fire – can cause damage to vehicles and other assets
- (iv) Cash in transit – can insure of loss of cash through theft during transportation
- (v) Injury to third party – losses to other people's property arising from fleet
- (vi) Loss of profit due to business interruption
- (vii) Loss of key worker due to injury /absence or death
- (viii) Good in transit – loss of good to/from the business

5 x 2 = 10mks

3(b) Circumstances that would influence producer to use wholesaler in distributing farm produce

- (i) Where there is need to prepare good for sale before good reach the consumer to save cost burden
- (ii) Where goods require bulk breaking – customers require them in small quantities
- (iii) Where the producer require space for storage for safety of goods
- (iv) Where goods need to be distributed to reach the customers where the market is wide spread
- (v) Where the producer requires/lacks transport thus being relieved of transport cost
- (vi) Where producer need to specialize on production then distribution be handled by wholesaler
- (vii) Where marketing risks are many since the wholesaler can bear some of the risks.

5 x 2 = 10mks

4(a) Explain five importance of an effective filing system in office

- (i) Safety of information from damage by bad weather/fire/safety
- (ii) Tidiness in the office is maintained ensure document kept neatly and well arranged.
- (iii) Quick access to information since retrieval of information is made easy
- (iv) Saving on storage space – minimum space as document are kept compactly
- (v) Ensure easy monitoring/movement of documents which encourage accountability
- (vi) Security of information against loss/theft or misplacement
- (vii) Storage/safe keeping of information document future reference.

5 x 2 = 10mks

4(b) Explain five factors that could cause increase in quantities of cabbages supplied in the market

- (i) Use of modern technology – use modern machines and application of recommended fertilizer will increase supply
- (ii) Favourable government policy such as reduction tax on farm inputs
- (iii) Price of related commodities if prices of related products decreases, the supply of cabbage may increase
- (iv) Favourable natural factors – favourable weather conditions example adequate rainfall may increase supply
- (v) Low cost of production may had to increase in cabbages as cost farm input decrease.
- (vi) Better skills and training of farmers will increase supply of cabbages
- (vii) Entry of more cabbage producers due to attractive prices/high demand may increase supply.

5 x 2 = 10mks

5(a) Explain five services that Central Bank of Kenya may offer as a banker to Commercial Banks

- (i) Banker to commercial banks/accept deposits by being in custody of the reserves received from commercial banks
- (ii) Supervising/monitoring the operations of commercial banks/banking Acts.
- (iii) Advising commercial banks on financial banking and economic matters.
- (iv) Providing loans/being a lender of last resort to the commercial banks

- (v) Foreign exchange buy and sell foreign currency to and from commercial banks
 - (vi) Issue of currency for commercial banks operations and replace all the currencies
 - (vii) Licensing the operations of Commercial Banks.
- 5 x 2 = 10mkms

5(b) Benefits that Kenya may enjoy as a member of East Africa community.

- (i) Availability of a wider market for the goods and services produced within the country
- (ii) It enables the country to specialize in the goods she produces best, making her utilize the resources.
- (iii) It leads to promotion of peace and understanding through interaction
- (iv) It leads to high quality goods and services being produced in the country due to competition faced
- (v) It allows the country get access to a wider variety of goods and services which satisfy different consumer needs
- (vi) It leads to creation of employment for individuals living within the region as they can work in any member country thus improving their standards of living
- (vii) It increases the economic bargaining power in trading activities
- (viii) Improvement of infrastructure due to increased economic activities
- (ix) It brings about co-ordination when developing industries as the members will all assign the industries to each other to create balanced development and avoid unnecessary duplication.

5 x 2 = 10mks

6(a) Features of a less developed country

- (i) High population growth/overpopulation/high rate – The growth rate of population is higher than output/resources
- (ii) Large /dominant subsistence sector leading to low output incomes
- (iii) High level of poverty/survive on less than a dollar a day
- (iv) Low level of technology due to lack of capital/leads to low quality/quantity of goods/services
- (v) Unequal disparity in income distribution since much of the wealth is in the hands of a few individuals
- (vi) Low levels of investment due to limited markets/low savings/capital
- (vii) Poor governance due to corruption
- (viii) Poor infrastructure which hinders mobility/production
- (ix) Limited markets /low demand due to low levels of incomes
- (x) High rates of unemployment due to low levels of economic activities
- (xi) Negative social/cultural practices which hinder production/consumption
- (xii) Political instability /insecurity which hinders investments/production
- (xiii) High levels of illiteracy leading to ignorance/limited exposure
- (xiv) Overreliance on foreign countries leading to political blackmail /vulnerability
- (xv) Poor social amenities leading poor services
- (xvi) Limited entrepreneurial culture due to lack of role models/education/exposure

5 x 2 = 10mks

Kabuta Traders
Trading Profit and Loss Account
For the Year ended 31st December 2024

Opening stock		100,000 ✓	Sales	900,000 ✓
Add purchases	600,000✓		Less Return/Inward	80,000 ✓
Add carriage Inward	400,000✓	<u>640,000</u>	Net sales	820,000
		740,000		
Less Return Outward		<u>20,000 ✓</u>		
Goods available for sale		720,000 ✓		
Less closing stock		<u>135,000 ✓</u>		
Cost of sales		585,000 ✓		
Gross profit c/d		235,000 ✓✓		
		<u>820,000 ✓</u>		820,000
Expenses			Gross Profit b/d	235,000 ✓
Carriage outward		3,000 ✓		
Salaries		18,000 ✓		
General expenses		7,000 ✓		
Rent		60,000 ✓		
Net profit c/d		147,000 ✓✓		
		<u>235,000✓</u>		235,000
			Net profit b/d	147,000

$$\frac{20 \text{ ticks}}{2} = 10\text{mks}$$