



STAREHE GIRLS' CENTRE MOCK EXAMINATION 2025

FORM 4

BUSINESS STUDIES PAPER TWO MARKING SCHEME

1a) Factors that may promote entrepreneurship in Kenya.

- i. Government support/favourable government policies/regulation that may encourage the emergence of the business ventures.
- ii. Training/education on entrepreneurship i.e. with relevant skills to start and run a business.
- iii. Entrepreneurial culture that encourage entrepreneurship.
- iv. Presence of role models who may inspire entrepreneurship and create interest in business ownership
- v. Availability of capital for starting and expanding business.
- vi. Political stability that create conducive environment for starting and running a business.
- vii. Availability of market where they can sell their goods and services.
- viii. Good infrastructure that facilitates access to the market and movement of input to the firms.
- ix. Availability of security for safety of business property and owners..
- x. Fair competition that the business can withstand.
- xi. Good governance that ensure transparency and accountability in conducting business activities.
- xii. Availability of technology leading to production of desired quality and quantity.
- xiii. Need for self reliance/independence.
- xiv. Need to create employment for self and others.
- xv. Need to exercise power by having people working for him.
- xvi. Need for recognition by peers/society.
- xvii. Need for individual security against old age/sickness,
- xviii. Need for self actualization by giving back to the society.

Any 5x2 = 10mks

b) Causes of balance of payment disequilibrium.

- i. Fall in volume of exports which reduces export earnings leading to a deficit.
- ii. Deterioration in the country's terms of trade. If the value of a country's exports reduce relative to that of imports the country may experience disequilibrium in the balance of payments as her exports would be earning less compared to what is being paid for imports.
- iii. Increase in the volume of imports as exports remain constant.
- iv. Restriction by trading partners.
- v. Less capital in flow compared to out flow which leads to deficit in capital account.
- vi. Over-valuation of domestic currency which discourages exportation while encouraging importation since exports becomes more expensive than imports.
- vii. Devaluation of currency by a trading partner which may encourages imports than exports.

Any 5x2=10mks

2a) Features that would be considered when establishing a warehouse for imported goods.

- Handling facilities which are appropriate to ease operation.
- Safety/security measures for protection of goods from theft/damage and safety of personnel.
- Building design/structure which conform to international accepted standards to handle imported goods.
- Management personnel who are properly trained/have relevant skills/enough to handle goods.
- Proximity/near to the point of entry e.g. ports, boarder points to ease clearance of goods.
- Existence of basic infrastructure e.g. roads, power and communication to enhance smooth operation of the business.
- Compliance to the law to avoid conflict with law enforcers.
- Storage facilities for goods being handled.
- Documentation/recording system for proper control of goods.

Any 5x2=10mks

Three column cash Book

Date	Details	Disc All	cash	Bank	Date	Details	Dic Rec.	Cash	Bank
2015 Sept 1	Bal b/d		5500 ✓	250,000✓	2015 Sep 3	Ribbons		4,500✓	
2	Sales			35,260✓	8	Wangila	6,000✓		94,000✓
12	Macharia	1200✓		58,800✓	15	Salaries		34,000✓	
25	Bank		50,000✓		25	Cash ©			50,000✓
28	Wanjiku	7500✓		67,500✓	30	Bank ©		52,800✓	
30	Cash (c)			52,800✓	30	Bal c/d		13,700✓	320,360✓
		<u>8,700</u>	<u>105,000</u>	<u>464,360</u>			<u>6,000</u>	<u>105,000✓</u>	<u>464,360✓</u>
30			13,700	320,260					
	Bal b/d								

20 x ½ = 10mks

3a) Benefits private LTD company get by changing to public Ltd Company.

- Ability to raise larger amount of capital by selling shares to the public through stock exchange market.
- Easy transferability of shares without any restriction.
- Increased transparency as shareholders must approve company's annual audited accounts which are published.
- Increased public confidence due to increased exposure to the public.
- Freedom from interference by owners as owners has no direct managerial control over the activities of the company.
- Increased professionalism since the company can afford professional managers to run the business.
- Higher chances of continuity since shares can be transferred freely without affecting the business.
- Can enjoy economies of scale due to increased scale of production.
- The company can be quoted in the stock exchange market leading to sound management.
- Can advertise sale of shares to the public in the media which attract new investors.
- Enhanced ability to borrow funds by selling debentures.
- Better management since it is run by competent board of directors/professionals.

Any 5x2=10mks

- b)(i) Invoice - is a document sent by the seller to the buyer demanding payment for goods supplied and shows details of goods sold.
- (ii) Debit note _ A document sent by the seller to the buyer to correct undercharge in the invoice or when empty containers have been returned.
- iii) Credit note – a document sent by the seller to the buyer to correct overcharge/when goods have been returned to the seller because of being defective.
- iv) Receipt - a document issued b the seller to the buyer when payment is made for the goods.
- vi) Statement of accounts – is a document sent by the seller to the buyer showing details of the transactions between the seller and the buyers for the month. Any 5x2 = 10mks)

4a) Sources of monopoly power.

- i) Ownership by the firm of secretive production techniques which denies other firms use of the technique.
- ii) Control by the firm of strategic input/raw materials that make it have sole access to the input/raw material.
- iii) Ventures which require large capital such that other firms may not be able to raise such capital.
- iv) Enjoyment of economies of scale by a firm which enables them to produce at lower cost than others.
- v) State monopoly with exclusive legal right of production which shut other competitors.
- vi) Amalgamation/merger of firms which eliminates competition.
- vii) Presence of market that can only be served by one firm.
- viii) Ownership of patent right/copyright by a firm barring other firms from producing. Any 5x2=10mks

b) Benefits that Kenya may enjoy by being a member of African Development Bank.

- i. The country will obtain loans for economic advancement.
- ii. Will get technical assistance for executing programs.
- iii. Will get assistance in policy cor-ordination for effective implementation of the projects.
- iv. It will enjoy corporation/support from regional economic institution in Africa/globally which improve relations/promote peace.
- v. The country will gain from capital funding for public/private investment/that boost development.
- vi. Gain from training/capacity building to enhance competence.
- vii. Promote better management of funds/resources through oversight by ADB Agents.
- viii. Boost country credibility/credit standing thus enabling it to access more funds from development partners.
- ix. Cheap/affordable credits. Any 5x2=10mks

5a) Principles of insurance.

- i) Utmost good faith (uberrima fides)
Requires that the contracting parties must be honest and insured should disclose all material information to the insurer about the property.
- ii) Principle of indemnity – state that no one can be compensated beyond the value of the loss.
- iii) Proximate cause- state that for insurer to compensate the loss suffered by the insured the loss must be resulting from the risk insured against.
- iv) Insurable interest – states that an insurance claim cannot be valued unless the insured proves he or she has suffered a financial loss after the insured event has occurred
- v) Subrogation- state that after the insured has been indemnified the remains or benefits arising form the damaged property belongs to the insurance company.
- vi) Contribution – State that should property be insured with more than one company the loss arising from the damage or loss of property will be shared by the insurance companies.

- vii) Average clause – incase of over insurance the insured recovers the actual value of the properly and incase of under insurance the insurance recovers only the proportion of the loss as has been insured.

b)

XYZ limited
Trading, Profit and Loss Account
For the period ended 31/12/2013

Dr		Cr	
	Sh.		Sh.
Opening Stock	200,000✓	Sales	1,200,000✓
Add: Purchases	<u>680,000✓</u>	Less: return inwards	<u>50,000 ✓</u>
	880,000	Net Sales	1,150,000✓
Add: Carriage in	<u>42,000✓</u>		
	922,000		
Less: Returns out	<u>80,000✓</u>		
C.O.G A.S	842,000✓		
Loss: Closing Stock	<u>80,000✓</u>		
C.O.G.S	762,000✓		
GP C/D	<u>388,000✓</u>		
	<u>1,150,000</u>		<u>1,150,000✓</u>
<u>Expense</u>		GP b/d	388,000✓
Discount All.	80,000✓	Disc received	45,000✓
Rent	50,000 ✓	Rent income	60,000✓
Carriage Out	30,000✓		
NP c/d	<u>333,000✓</u>		
	<u>493,000</u>		<u>493,000✓</u>

20 x ½ = 10mks

6a) Measures to curb unemployment.

- i. Diversifying of the economy/establishment of different industries to create more employment opportunities.
- ii. Transforming education/training sector to improve on skills.
- iii. Establishing employment policies by the government to make it easy for people to get jobs.
- iv. Lending/setting up funds to assist unemployed to start up income generating activities.
- v. Encouraging informal/Jua kali sector to promote self employment.
- vi. Exporting labour/assisting unemployed people to get jobs/countries with labour force deficiency.
- vii. Delocalization for balanced regional development/to reduce rural –urban migration.
- viii. Population policy to control growth and have labour force that the economy can absorb.
- ix. Improved infrastructure in order to stimulate economic activities.
- x. Increase government expenditure to increase the size of the economy.
- xi. Effective use of natural resources to increase production activities.
- xii. Reviving collapsed industries by injecting funds.
- xiii. Attract foreign investment through incentives to grow the economy.
- xiv. To protect local infant industries from unfair competition from foreign established firm.
- xv. Transforming agricultural sector to curb rural-urban migration. Any 5x2 = 10mks

b) Sources of public finance.

- i. Taxation for goods and services produced in the country.
- ii. Rent/rate/hiring charges from government properties e.g. land and buildings.
- iii. Sale of Assets e.g. shares, building and vehicles.
- iv. Loans from development partners /world bank/IMF.
- v. Dividends/profits from government investments.
- vi. License fees from operating business.
- vii. Royalties granted by country's resources e.g. forests/ minerals/national parks.
- viii. Grants/donations/gifts given out by government agencies.
- ix. Fines/penalties imposed by courts/government agencies. Any 5x2=10mks

