**MARKING SCHEME**

**BUSINESS STUDIES PAPER 2**

**MARCH/APRIL – 2020**

1. (a) **Measures to solve unemployment.**
2. Review the education system in order to make it more responsive to the needs of the job market/ encourage self-employment.
3. Control /check population growth rate in order to reduce the number of job seekers.
4. Intensify the use of labour intensive method of production so as to create more job opportunities.
5. Develop/support informal sector so as to increase self-employment.
6. Diversification of economic activities in order to open up for more job opportunities.
7. Increase government expenditure in projects that would create more jobs.
8. Encourage use of local resources which may be lying idle.

 ***(5 X 2 =10 marks)***

(b) **Features of a good filing system**

1. Simplicity - simple to understand and operate.
2. Compact - should not occupy too much space.
3. Suitability - appropriate to the needs of the business concerned.
4. Elastic - flexible to cater for future changes or expansion.
5. Safety - provide protection to documents against loss, misplacement, destruction, theft or landing into unauthorized hands.
6. Accessible - information should be easily retrieved.
7. Economical - it should not be expensive to start and maintain.

 ***(5 X 2 =10 marks)***

1. (a) **Roles played by the central bank in the economy.**
2. Issue of currency - it issues new currency notes and coins.
3. Acts as a banker to commercial banks - central bank accepts deposits from commercial banks and other financial institutions / lends to commercial banks and other financial institutions.
4. Control commercial banks - the central bank controls the activities of commercial banks to ensure proper banking practices.
5. Maintaining stability in exchange rates - central bank maintains a suitable exchange rate between local currency and foreign currencies to ensure sustainable /smooth international trade /to give confidence to investors dealing in imports and exports.
6. Control the monetary system - central bank control demand for and supply of money in order to regulate the economy.
7. Lender of the last resort - central bank can lend money to commercial banks to ensure their continuous operations.
8. Administering public debt - central bank is responsible for repayment and management of public debt.

(b) **Circumstances when a business may extend credit to a buyer**

1. Credit worthiness of a buyer - when the credit rating of a buyer is high.
2. Availability of adequate stock - when the credit sale will not reduce the stock to a level that will affect smooth operation /continuity of business /will not affect the running of the business.
3. Policy - if it is the policy of the business to sell goods on credit e.g hire purchase firms.
4. Honesty /reliability of the customer - if the customer had proven himself/herself to be honest /reliable from the past experience.
5. Need to increase sales - a business may opt to sell on credit so as to attract more customers hence increase sales.
6. Loyalty of the customer - a business may offer goods to regular customers to maintain their loyalty.
7. (a) **Ways of guaranteeing efficiency in a warehouse.**
8. Ensuring that buildings are appropriate for storing different types of goods.
9. Ensuring that staff members are well trained for proper management of the warehouse.
10. Ensuring that the warehouse is fitted with safety equipment for protection of goods and personnel.
11. Ensuring modern/appropriate facilities for handling goods are availed.
12. Provide proper recording facilities for movement of stock in and out of the warehouse.
13. Proper space utilization by arranging goods well to save on floor space.
14. Ensure law compliance /meet legal requirements to avoid conflicts with the authorities.
15. Ensure adequate communication facilities for effective communication within the warehouse.

(b) **Dona Traders Three Column Cash Book**

|  |  |
| --- | --- |
| Dr | Cr |
| **Date** | **Details** | **L.F** | **Discount****Allowed** | **cash** | **bank** |  | **Date** | **Details** | **L.F** | **Discount****Received** | **Cash** | **bank** |
| 1/1/20172/1/20175/1/2017 “ “13/1/201716/1/201721/1/2017 | Balance√Sales√Kamau√Laban√Tugi√Sales√Cash√Oman√ | b/dc | 50√196√56√2000√ | 110000√40000√18000√ | 2450√9604√2744√10000√11000√ |  | 1/1/173/1/179/1/179/1/1716/1/1726/1/1726/1/17 | Balance√Postage√Willy√Yala√Bank√Bank√Bal√ | b/dcc/d | 40√120√ | 4100√1960√5880√11000√141060√4000√ | 50000√126888√ |
|  |  |  | 2302 | 168000√ | 176888√ |  |  |  |  | 160 | 168000√ | 176888√ |
| 30/1/2017 | Bal | b/d |  | 4000 | 126888 |  |  |  |  |  |  |  |

 ***(40 X ¼ = 10 marks)***

1. (a). **Five factors that positively influence entrepreneurial activities.**
2. Good transport network - presence of good roads, efficient railway system and other means of transport.
3. Electricity - available source of energy which is affordable and reliable.
4. Favorable taxation rates/system - taxation rates which leaves businesses with sufficient /high profit margin.
5. Skilled labour - availability of labour force with specialized skills useful to management of business.
6. Security - adequate security for business property and traders.
7. Credit /financing /loans - availability of affordable credit facilities.
8. Role models - presence of successful entrepreneurs who act as role models.
9. Competition - fair competition among businesses will encourage entrepreneurship /well regulated environment.
10. Technology - use of modern technology improves the quality and efficiency in production.

(b) **Uses of national income statistics**

1. Helps in measuring the economic performance of the country in terms of output of goods/services /per capita income.
2. Used to compare performance of one country with other countries.
3. Used in measuring economic performance of a country over time.
4. Provide necessary information for economic planning.
5. Used to measure /compare the regional distribution of wealth/different economic groups.
6. Necessary in making investment decisions.

***(5 X 2 =10 marks)***

1. (a) **Reasons for which traders observe ethical practices in product promotion.**
2. To avoid misleading the consumers by making false claim about the products.
3. To ensure that consumers are not offended by not making use of appeals that goes against their cultural values.
4. To create positive image /reputation hence maintaining customer loyalty.
5. To abide by the laws of the country
6. To avoid environmental pollution /degradation by using environmental friendly promotional materials.
7. To avoid portraying rival business negatively /sabotaging competitors in an attempt to capitalize the market.

***(5 X 2 =10 marks)***

(b) **Factors that may dictate certain firms to be located near its raw material source**

1. Bulky/heavy raw materials - transporting such raw materials may be difficult /expensive.
2. Perishable raw materials - raw materials may go bad /so as to reach the firm while still fresh.
3. Need to have uninterrupted/continuous production process by ensuring constant supply of raw materials.
4. When the cost of transporting raw materials is higher than that of transporting finished goods.
5. High competition for raw materials - to ensure it gets all the required materials at all times.
6. (a) **Reasons why the government may opt to privatize parastatals**
7. To raise revenue to finance budget requirement/reduce deficits in budget.
8. To improve their efficiency by handing over the management to the private sector which are profit-driven.
9. To reduce corruption and mismanagement of public funds by political appointees in management position.
10. To encourage citizens to participate in business activities by owning shares in companies.
11. To reduce financial burden to the government which is oftenly forced to bail them out when they are in financial crisis.

(b) (i) **SALES JOURNAL**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Details** | **L.F** | **Invoice No** | **Amount** |
| MARCH 1MARCH 2MARCH 3MARCH 4 | OMWENGA√NORAH√WANJOHI√OMWENGA√SUSAN√NORAH√WANJOHI√TOTALS POSTEDTO SALES A/C IN GENERAL LEDGER√ | S.LS.LS.LS.LS.LS.LS.L | 003004005006007008009 | 4000√5000√3000√500√2000√1000√3000√ 18,500√ |

***(16 X ½ = 8 marks)***

 (ii) **SALES LEDGER**

 OMWENGA’S A/C NORAH’S A/C

March 1: Sales 4000√ March 1: Sales 5000√

 2: Sales 500√ March 4: Sales 1000√

 WANJOHI’S A/C SUSAN’S A/C

 March 1: Sales 3000 √ March 3: Sales 2000√

 4: Sales 3000 √

**GENERAL LEDGER**

**Sales A/C**

 TOTALS SJ 18,500√

 ***(8 X ½ = 4 marks)***