

MARKING SCHEME

565/2

BUSINESS STUDIES

Paper 2

December, 2021

MOMALICHE EXAMINATIONS

MOMALICHE 3 CYCLE 8

Kenya Certificate of Secondary Education

BUSINESS STUDIES

1.a) Benefits that will accrue to a member of a savings and credit cooperative society (SACCO)

- i) S/he will be able to get different types of loans e.g normal, emergency, medical fees and development loans.
- ii) Incase of death, his/her beneficiaries do not lose savings nor are they called upon to repay the loan.
- iii) His/her savings are insured with the cooperative Insurance Company thus very safe.
- iv) S/he will not require security or other collateral when applying for a loan. All that is required is his/her salary, shares plus the guarantors.
- v) The interest charged on loans is low compared to the interest charged by commercial banks and other financial institutions.
- vi) It is easy to save with SACCOs since the deductions are made through a check-off system.
- vii) It is easy to get a loan from a SACCO since only a few simple requirements have to be fulfilled.

b) Methods being used by the Kenya government to create an enabling environment for investment locally (10mks)

- i) Providing access to credit: Access to credit is facilitated through various parastatals and government institutions which provide loans at low interest loans. Such institutions include; Industrial Development Bank, Industrial and Commercial Development Corporation and the Kenya Industrial estates
- ii) Ensuring that there is political stability and goodwill: Political stability means that there is little chance of civil strife and insecurity while political goodwill refers to encouragement and support by political leaders.
- iii) Passing

2. a) Benefits that customers are enjoying as a result of the current changes taking place in the banking sector. (10mks)

- i) Increased use of computers: this has enhanced efficiency
- ii) Establishment of customer care services: This has assisted in dealing with clients and complaints.
- iii) Easy borrowing of money: This is due to the increased competition
- iv) Use of automatic Teller Machines (ATM) cards: This has eased deposits and withdrawal purposes.
- v) Mobile banks: This helps a client access banking services from where he is even from the

rural areas.

vi) Mobile banking: This has eased client's access to their accounts.

vii) Use of credit card facilities

2. b) Three Column Cash book

3.a) Procedure followed in seeking compensation from the insurance company.

(10mks)

- i) Reporting: The insured is required to report to the insurer within a stipulated period.
- ii) Filling in a claim form: The insured fills in the claim form, stating the full details of the loss
- iii) Assessment: The insurer files the report and sends out an assessor who surveys the extent of the damage
- iv) Preparation of the assessment report.
- v) Compensation: The insured is compensated based on the report made by the assessor

3.b) Differences between a perfectly competitive market from a monopoly market structure.

(10mks)

Perfect Competition	Monopoly
<ul style="list-style-type: none"> 1. Many Small firms 2. Freedom of entry and exit in the industry 3. Firms are price takers 4. The industry is made up of many firms 5. 	<ul style="list-style-type: none"> 1. Only one firm 2. Barrier to entry into the industry 3. Firms are price makers 4. The firm is the industry

4.a) Five indicators of underdevelopment currently being experienced in Kenya. (10 mks)

- i) Kenya still relies on subsistence sector. The manufacturing sector is not well developed.
- ii) Most Kenyans are learned but lack skills.
- iii) Our balance of payment is unfavourable.
- iv. The entrepreneurial abilities are still low.
- v. Most Kenyans still don't have access to health services.
- vi. Our technology is still poor.
- vii. Kenyan infrastructure is not well developed.
- viii) Kenya is still dependent on developed countries
- ix) Unemployment levels are very high.
- x) The natural resources are underutilized.
- xi) Kenyan population growth rate is very high.
- xii) The savings and investment levels are very low.

4. b) Principles of an efficient tax system.

(10 mks)

- i) Equitable: A good tax system should ensure that there is fairness in payment of tax.

- ii) Certain: The tax that an individual or firm is supposed to pay should be clear in terms of the amount, time and manner in which it should be paid.
- iii) Simplicity: an efficient tax system should be simple enough to be understood by the payer.
- iv. Flexible: The system should be readily adoptable to changing circumstances such as change in price levels.
- v. Diversity: The system should be diversified so that it meets the revenue requirements of the country.
- vi. Economical: The cost of collecting and administering should be lower than the revenue to be collected.
- vii) Convenient: The tax levied should be convenient to both the contributor and the collector.
- viii) Ability to pay: The tax system should be designed in a way that the amount charged is not too high to the extent that the contributor is not able to pay.

5.a) Circumstances under which a high population growth may be desirable to a country.

(10 mks)

- i) When the resources are many: A high population would mean proper utilization of the available resources.
- ii) When supply for goods is high: There would be market for the goods and services.
- iii) When investments are high: This is because labour will be available

5.b) Five negative effects of inflation in an economy.

(10 mks)

- i) loss of confidence in the country's currency.
- ii) The purchasing power of people goes down and people become poorer.
- iii. It discourages savings as one uses all money in purchasing goods.
- iv. Inflation brings political unrest as politicians use it as a tool to fight the ruling government.
- v. It hinders proper implementation of development projects by the government.
- vi. It increases the general prices of goods and services thus the poor are disadvantaged as they cannot afford to buy goods at high prices.
- vii. It discourages investments as factors of production become very expensive.
- viii. Trade unions fight for high pay for workers and as a result firms lay down some of its workers.
- ix. Creditors encounter losses when they sell on credit, later prices increase as debtors will pay less than the actual value of goods.
- x. Reduces profit margin of firms.

6. a) Benefits that a country derives from transporting oil through pipeline. (10mks)

- i) There is continuous flow of the oil. The flow can go on for 24 hours with minimal involvement of labour.
- ii) It is relatively cheap means of transport as it depends on pressure generated at the main station and booster stations located along the pipeline or the force of gravity.
- iii. It helps to reduce the number of tankers on the road, thereby reducing wear and tear, congestion and the possibility of accidents on the road.
- iv. It is reliable and convenient as delays due to congestion or accidents are not experienced.
- v. It is environmentally friendly as it reduces pollution such as air pollution and noise pollution.
- vi. Pipeline transport is capital intensive and therefore it reduces the cost of labour.
- vii. Once the pipes have been laid down, it requires minimal maintenance.

