KCSE 2024 MARKING SCHEME

1 (a) Factors Guru will consider in choosing a distribution channel to use include

i. **The type /nature of the product/the characteristic of the product (will determine the channel fragility/perishability)** a(highly) perishable/fragile may require short /direct channel
ii. **Nature/spread /extend of the market** if customers are widely spread along channel may be used /may require use of intermediaries
iii. **Size / resources of his business/firm**(the size of the firm determine the size of it's market hence channel to be used) if the producer does not have the required (distribution) resources/is small in size then along channel is used/accept examples of distribution resources as a mention
iv. **Competition** a firm will select a channel that will complete favorably with the competitors/if competition is stiff the producer needs to be close to consumers/use a short /direct channel
v. **Government policy/legal constraints** (various regulations may influence selection of the channel to use in distributing a product) government may demand sale of goods directly to consumers/where the law requires a given channel to be used the producer has to comply
vi. **Role of intermediaries** if the middle man are to perform certain roles /branding/grading/packaging/e.t.c a long channel may be used
vii. **Marketing risks** when producers want to avoid/spread risks involved in distribution, they may use middlemen/long channel
viii. **Cost of the channel (to use)** use a channel that is affordable/cheap/cost effective
ix. **Advancement in technology/development in IT /use of internet** can enable producers to reach consumers directly/use a short channel
x. **Distance to the market** if consumers are far the producer will need to use long channel/intermediaries (to reach them)
xi. **Tastes/preferences of consumers /customers** may require personal attention by the producer/use of a short channel
xii. **Quantity/volume of outputs/scale of production** If many products are produced middle men will be required/long channel will be used
xiii. **Availability of middlemen** if there are no middlemen the a short/direct channel is used
xiv. **Size of market/number of consumers** if the market is small /consumers are few a short/ direct channel may be used
xv. **Pricing of product** a short channel is used/intermediaries are used/where there is need to keep prices low
xvi. **Profitability** to minimize use the least expensive distribution channel/use a short channel
xvii. **Business/company policy** should be adhered to
xviii. **Speed of the channel/urgency of product** channel chosen should ensure product reach at the required time /use a short channel if the product is a gently required

xix. **Environment characteristics/economic/political/social factors** if favourable a short channel can be used

(b) Demerits of free trade to a country include

i. **Unfair competition/ it may stiffen international competition (**for domestic economies) leading to collapse of local/infant firms
ii. **May cause unemployment/it can lead to job losses** in certain sectors /skills (particularly in industries) that are not competitive in the global market/due to collapse of firms /adoption of appropriate technology
iii. **Reduced government sovereignty** free trade can limit a governments ability to regulate trade (in the interest of the public health, the environment in order to fit in the bloc) /free trade may endanger economic/political independence of developing countries/may lead to political blackmail/vulnerability/ due to **over reliance on import /other countries/the economic dependence**
iv. **May worsen balance of payments** due to reduced/low value of export /expensive/high value of import /over importation/ unfavourable terms of trade
v. **Dumping** goods are sold at very cheap rates/prices/below their cost of production (in order to capture foreign markets)/ the may kill infant industries/ cause (huge) loses for the already existing local markets/firms /accept adverse effects of dumping as explanation
vi. **Entry of harmful products/injurious products may be produced/ traded / brought into the country** which may adversely affect the life of citizens/accept examples of harmful import as a mention
vii. **Slow economic growth** (with free trade a country has no control over) imported products may flood the local market/limit expansion of the economy /local firms /may lead to reduced damaged for local products
viii. **Loss of government revenue** that it would have collected in form of custom duty/ from imported goods
ix. **Erosion of cultural values/beliefs / moral** due to copying/aping negative foreign habits /accept examples of bad morals as explanation
x. **Brain drain /loss of skilled personal** to other countries who provide better terms/ conditions of working/leading to shortage of experts (in the country)
xi. **Entry of contraband/illegal products** that may negatively affect economy/security/stability/health of the country
xii. **May lead to imported inflation** due to importation of over priced products/accept negative effects of imported inflation as explanation
xiii. **May open the country to epidemics** due to free interaction/movement of people/animals/livestock
xiv. **May lead to over exploitation/exhaustion/depletion of natural resources** which are non renewable/due to uncontrolled exploitation/exportation

2 (a) Procedure/steps of obtaining an insurance policy include

i. **Filling a proposal form** the form is obtained form the insurance company/by giving in personal details/information about the car to insure and (return the form for consideration)in utmost good faith/ honesty
ii. **Determination/ calculation of the premium (to be paid)** based on the information provided/after the insurer has inspected the car to be insured
iii. **Payment of the first premium** after the application is accepted/the company accepts to cover the risks/in order to activate the policy
iv. **Issuing of cover note /binder** it is used by the insurer as a temporary document of proof that a contract exists between the insurer and the insured / valid for 30 days
v. **Issuance of the policy** is stipulates the agreement between the insurer and the insured regarding the risks covered/as evidence that a contract exists/it contains terms and conditions of the insurance cover

N/b steps is an activity – the activity should come up clearly

(b) Factors that could have made kimali's transport business to thrive include

i. **Proper/ideal location (of the business)** convenient for it's operations/close/accessible to customers) accept examples of suitable location as expansion
ii. **Adequate/enough capital** to run /expand the business/ finance it's operations/due to easy access to credit facilities
iii. **Engagement of skilled/experienced labour** that are assigned duties that matches job specialization/which results to work being done in a professional/ efficient manner
iv. **Good public/customer relations/creating/improving good relationship between the business and customers** which attracted/retained clients /create customer loyalty
v. **Fair/low competition** to enable the business access market for its services/which the business can cope with
vi. **Availability of good Infrastructure** for business to access it's market/inputs /wear /tear is minimal/accept examples of good Infrastructure as mention
vii. **Favourable/good government policies** which encourages growth/ investment in that business/making it easy/ cheap to do business/accept examples of good government policies as a mention
viii. **Political stability/security** thus creating certainty /confidence to Kimali's to do business/ accept examples of political stability/security as explanation
ix. **Fair prices /proper/ good pricing** which attracted more customers/made the services more affordable/earn enough profit/income that grew the business
x. **Adequate/enough labour** to operate the business effectively/efficiently/smoothly
xi. **Proper/good managerial skills** that lead to efficient/good operation/ organization/accept aspects of good managerial as mention

xii. **Good management of labour/effective leadership** that motivates their workers /created team work/focused on business objectives

xiii. **Use of modern technology** that lead to better/quality services/as a result of creativity/innovativeness /accept examples of modern technology as a mention

xiv. **Good time management** which help take advantage of business opportunities/ability to accomplish tasks on time

xv. **Adequate market** due to high income of customers/favourable lifestyle/high population/that resulted to high profit/due to effective marketing/product promotion

xvi. **Proper/appreciate choice of business** that suited the target market/assured the business of market/customers

xvii. **Proper planning** that accommodate future changes /outline the goals to be achieved/accept advantage of proper planning as explanation

xviii. **Good entrepreneurial skills (of the owner** that lead to efficient operation/accept examples of good/unique personal attributes of the owner as a mention

xix. **Good market research** that identified market preferences/competition/gaps

xx. **Provision of quality services** that attracted/satisfied the customers/accept examples of quality services as a mention

xxi. **Reliable service providers/suppliers** that ensured regular support services/products

3(a) Factors in the external environment that may positively influence business operation include

i. **Access to modern technology** leads to production of more /better quality/reduce cost of production/increase efficiency

ii. **Favourable economic factors** that leads to more sales /high profit/accept examples of favourable economic factors as a mention

iii. **Favourable legislation/legal environment/government policy** makes it easy /cheaper /faster to start/run business (examples easy licensing procedure) accept examples of favourable legislation/legal environment/government policies as a mention

iv. **Good Infrastructure** will facilitate easy /faster/safe /cheaper conduct of business activities / accept examples of good Infrastructure as a mention

v. **Favourable/positive cultural practices** which promote creation/growth of business (to satisfy people's tastes and desires to produce goods and services

vi. **Large population favourable demographics factors** that provides market/labour

vii. **Fair /low competition** leads to positive co- existence of business/promotes growth of complementary services/assure the business market (for it's products)

viii. **Large market/many customers** where to sale it's products/leading to large sales

ix. **Favourable political environment/political stability** that ensure security/safety of business/minimizes risks/encourage investment

x. **Good/reliable suppliers** that ensures regular supply/offer goods/services at fair terms

xi. **Favourable natural environment/physical factors** which leads to high production of goods/provide resources for production

xii. **Security** that ensures safety/protection of business (people/property)

xiii. **Positive publicity of the firm** that improve image /attract/retain customers

3(b). Cash book

Date	Details	F	Cash	Bank		Date	Details	F	Cash	Bank
1/11/2022	Capital✓		20000✓			1/11/2022	Bal.bd/ Capital✓			10000✓
5/11/2022	Ndonde✓		3000✓	12000✓		2/11/2022	Purchases✓		15000✓	
8/11/2022	Oloo✓		3500✓			7/11/2022	Wages✓			4000✓
12/11/2022	Maweu✓			7250✓		9/11/2022	Warui✓		5000✓	
16/11/2022	Cash✓	C		6000✓		15/11/2022	Insurance✓			2000✓
20/11/2022	Mawea✓			10000✓		16/11/2022	Bank✓	C	6000✓	
24/11/2022	Ndonde✓	C	8600✓			18/11/2022	Purchases✓			9500✓
30/11/2022	Cash✓			5900✓		21/11/2022	Water bill✓		3200✓	
						28/11/2022	Rent✓			5000✓
						30/11/2022		C	5900✓	
						30/11/2022	Bal.c/d✓			10650✓✓
			35100	41150					35100	41150

N/B

- If one single column cash book is prepared mark the details and no score for figures
- If no dates mark details and amount then penalize one mark from each side
- Wrong dates Mark entries and ignore the dates
- Figure 5900 will not score if all entries in cash column are not correct

- If details are not given but dates and figures are given mark the figures
- If three column cash book is prepared, award and ignore the discount column
- If the cash book is prepared on two pages that is credit side on one page and debit side on another page award

(40ticks x¼) = 10 Marks

4 (a) Causes of unemployment in Kenya include

i. **Rapid/high population growth** whereby there are too many people for the available job opportunities/vacancies/that is faster than economic growth/job creation

ii. **Inappropriate education system** the education offered in schools fail to impact skills required for existing job opportunities/where there is mismatch between skills acquired and jobs available/education group craving for white collar jobs rather than creating other jobs opportunities (e.g. Jua Kali)

iii. **Lack of /difficulty in accessing factors of production/factor inputs** for investment/expand /starting business/limiting ability to create jobs

iv. **Rural -urban migration/many people move from rural to urban areas** where they congest in towns where job opportunities are limited/causing urban unemployment

v. **Use of inappropriate technology/capital intensive technology** (use of capital intensive methods of production) that minimize /replace use of human labour thus limiting the growth of employment opportunities

vi. **Low demand for goods /Services** this is brought about by rise in poverty level/low income levels/where people consume less goods /services/less production/(which leads to unemployment)/ leading to structural unemployment

vii. **Political instability/insecurity** political unrest/ insecurity scare away (potential) investors (who would offer employment opportunities)/disrupt economic activities

viii. **Corruption** where one cannot find a job without connections/due to nepotism/tribalism

ix. **Small industrial sector/ low industrialization** in Kenya which is not enough to offer proper /enough employment/in relation to skilled manpower/population

x. **Negative attitude towards work** some people lack the initiative to do/participate in economic activities/(where they rely on others for their upkeep)/chose not to work

xi. **Economic recession** when the economy is down ,there are job cuts (hence the rise in unemployment)/ cause cyclical unemployment

xii. **Adverse climate change/ unpredictable/extreme where pattern** (climate change) has made it challenging for people to depend on farming as a source of employment/ which discourages farming

xiii. **Seasonality of production activities/economic activities** where jobs are not available at particular season/ off-peak seasons/causing seasonal unemployment

xiv. **Natural calamities/drought/floods /pandemics** those cause lay offs / job losses/accept examples of natural calamities as a mention

xv. **Low wages** that cause people to chose not to work /causing real wage unemployment

xvi. **Selectivity of jobs** where people chose not to work in certain jobs(considers inferior/ demining/ against culture e.t.c)

xvii. **Poor work condition/ location** that people consider risky/far / uncomfortable

xviii. **Lack of information about available jobs** on where/how / when the jobs are available/ causing frictional unemployment

xix. **Rural – underdeveloped** making it difficult to find jobs in rural areas/ causing rural unemployment

xx. **(Physical/mental) Disabilities** making a person unable to work/ causing residual unemployment

xxi. **Poor employment policy** leading to more people employed than work available/earning less than expected / causing hidden unemployment/ leading to retrenchment/ down sizing

xxii. **Poor economic conditions** where the economic/ production activities are low / due to collapse/ poor performance of business/causing Open/ involuntarily unemployment

xxiii. **Poor infrastructure** leading to low production/ few economic activities

xxiv. **Inappropriate land / natural resources tenure/ use** that allow idle land / land fragmentation/ leading to low production activities

(b) Reasons why people with same income hold money for transaction motive differently include

i. **Varying spending habits/lifestyle/tastes/preferences** if one spends more per day/ luxurious/on habitual goods may hold more money

ii. **The size of their families / number of dependents** the bigger the family /dependents the more money to hold

iii. **Availability/access of credit facilities** if goods / services are readily accessible on credit an individual may hold less money for transaction motive/people who can easily access (short term)loans holds less money

iv. **Duration/ interval between income** people who earn money daily/ frequently holds less money for transaction

v. **Financial obligations/ responsibility** those with high financial responsibility/ obligations holds more money

vi. **Individual attitude/ perception** pessimist hold more money/ an optimistic person holds less money

vii. **Prices of product** where prices are high people holds more money

viii. **Stability of prices** those faces with unstable/ uncertain prices holds more money

ix. **Level of taxation** those taxed highly have less disposable income for transaction/holds less money

5 (a) Types of capital

i. **Working capital/circulating capital** it is the excess of current assets over current liabilities/capital used to run day to day activities of the business/ used to measure liquidity/ solvency of the business

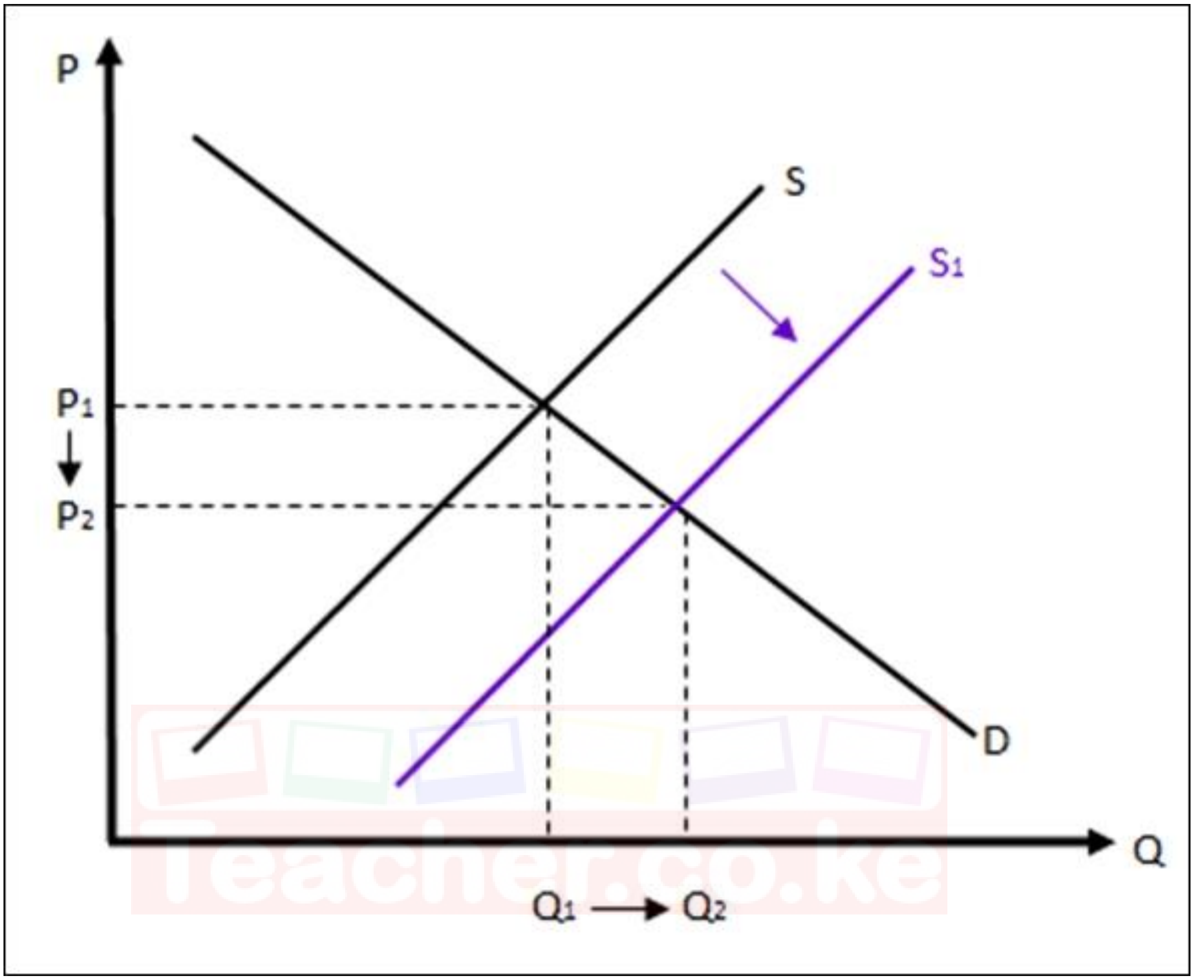
ii. **Borrowed capital/ loan capital/ debt capital** acquired by borrowing from financial institutions that is payable (at a later date) / over a long period/ long term liabilities

iii. **Capital owned / capital invested/ (owner) equity** the amount of money invested in a firm by the owner/ owners claim on asset of the business

iv. **Capital employed** refers to the monetary/ financial value of the resources in use by a business/ capital owned plus long term liabilities/ borrowed capital/ total asset less current liabilities/ it is represented by the sum of fixed asset plus working capital of the business

v. **Fixed capital** **-** capital used to acquire long term asset / fixed asset/ total value of fixed asset

(b) (i)



(Increase in supply while demand is constant) Will reduce the equilibrium price/increase the equilibrium quantity in the market/ excess supply / equilibrium point shift download/ to the right/download to the right/ shift from E1to E 2

(ii) Factors affecting shift in supply curve

a) **<u>Reduction in price of an input / cost of production</u>** leading to increased production/accept of inputs / reduced costs as a mention

b) **<u>An improvement in technology</u> (** for production of product) leading to high output

c) **<u>Natural factors that favour the supply of the product/favourable natural factors</u>** leading to more production/ accept examples of favourable natural factors as a mention

d) **<u>Entry of new producing firms</u>** leading to (increase in the supply of product) more production

e) **<u>Favourable government policies/ subsidies</u>** which increase production (hence increases supply)/ accept examples of favourable government policies as a mention

f) **Decrease in price of competing/ substitute goods** encourage production of the product (due to better profit)
g) **Expectation of future increase in the price of the product** will lead to increased production now / increase in supply in future
h) **Expectation of future decrease in the price of the product** leading to increased supply/ production now (to avoid future losses
i) **Increased availability of /access to inputs** leading to increased production
j) **Improved infrastructure** making it easy to bring goods to the market
k) **Expectation of future increase in demand for the goods** leading to increased production
l) **Better skills / training of the producer** that increases production
m) **Decision of producers to increase production** for whatever reason
n) **Increased in price of jointly produced goods** leading to more production of the goods
o) **(Improved) Political stability** that encourage production

6 (a) Reasons for privatization

i. **To create more opportunities/ avenues for acquiring new knowledge/techniques** in the production of essential commodities/ to produce better/ quality essential commodities
ii. **To lessen the fiscal/ financial burden to the government in terms of public expenditure** on maintenance/ running of public/ government owned enterprises/ by avoiding losses (of public co operations)
iii. **(Privatization is enforced) To enhance efficiency** in the use of resources/in the management/by minimizing/ avoiding wastage/ loss
iv. **To increase government revenue** through taxation/ (this helps to create a strong private sector which helps) by widening the tax base through sale of ownership/share / to finance government expenditures
v. **To increase capital flow in the country** by **attracting foreign investments in the economy**
vi. **To widen the customers choice** as **it encourages the production of a variety** of consumer commodities/ which leads to improved standards of living/ **by eliminating monopoly**
vii. **To promote industrial development** by promoting the establishment of small scale industries (which can later be developed into Large scale industries)/ by encouraging private investment/ ownership
viii. **To enhance better services / produce better goods** since private companies are profit motivated (their focus remains to provide efficient customer services)/ through exposure to competition
ix. **To minimize political interference** in management/ operations of the public corporations/ enhance efficiency
x. **To enable the government to concentrate on other state/ core responsibilities** such as medical services/ education/ security/ for better service delivery

xi. **<u>To reduce bureaucracy/ corruption/ embezzlement of funds</u>** (associated with the public sector)so as to avoid loss of public funds / encourage investment/ enhance better service delivery

xii. **<u>To encourage private investment</u>** by reducing government competition/ that adopts better technology

xiii. **<u>To attract/ retain foreign aid</u>** by conforming/ complying with donor conditions (for privatization)

(b) Working

Machinery 400,000- 120,000= 280,000

Cash =200,000+80,000-140,000-20,000=120,000

Debtors=160,000+40,000=200,00

Stock=120,000+200,000=320,000

Creditors=360,000+60,000=420,000

Capital=1,000,000-20,000(drawings)=980,000

JABALI ENTERPRISES

BALANCE SHEET

As at 30th December 20212

<u>Fixed assets</u>		Capital.	1000000✓
Motor vehicle	400000✓	Less drawings.	(20000)✓
Machinery.	280000✓		
<u>Current Assets</u>		**<u>Long term liabilities</u>**	
Stock.	320000✓	Loan.	200000✓
Debtors.	200000✓		
Cash.	120000✓	**<u>Short term liabilities</u>**	
Bank	280000✓	Creditors.	420000✓
	<u>1600000</u>		**<u>1600000</u>**

NB

- Order of entries doesn't not matter
- For capital alone as 980000✓✓
- If debtors are split merge them and award that is (debtors 160000 add Machinery 40000) ✓

(10x 1) = 10 Marks