

END TERM 2 2025
BUSINESS PAPER 2 M/SCHEME

1. a)

<i>CHAIN STORES</i>	<i>DEPARMENT STORES</i>
<i>i. Have branches/shops/stores in different towns/parts of the city</i>	<i>i. Have apartments/shops/stores within same building/under one roof</i>
<i>ii. Have standardized prices in all branches.</i>	<i>ii. Purchase are made per department-decentralization</i>
<i>iii. Have uniform outwards appearance/interior layout in all branches.</i>	<i>iii. Prices vary according to goods/services in each department.</i>
<i>iv. Management is centralized.</i>	<i>iv. Each department is different from other in terms of out-ward appearance/interior layout.</i>
<i>v. Show moving goods in one branch can be moved to another where demand for them is higher.</i>	<i>v. Management is decentralized.</i>
<i>vi. A customer can pay for goods in one branch and collect from another branch.</i>	<i>vi. Show moving goods in use department cannot be moved to another department.</i>
<i>vii. Sells similar goods/services</i>	<i>vii. Goods paid for in a department can only be collected from that department.</i>
<i>viii. Sales are decentralized.</i>	<i>viii. Sells different goods/services.</i>
<i>ix. Usually located in town centres.(CBD)</i>	<i>ix. Sales are centralized.</i>
	<i>x. Usually located in the outskirts/urban/peri-urban.</i>

b) Principles of insurance

- Uberrimae fidei/utmost good faith. — The client is required to furnish the insurer with all the details regarding the risk to the covered.
- Indemnity — The insured should be restored to the original financial position he was in before the loss occurred.
- Contribution — when the risk occurs two or more insurers share the loss. In proportion to the sum-insured with each.
- Subrogation — once the insured is fully compensated for the loss suffered he/she is not supposed to gain out of the loss.
- Insurable interest — one should only insure property that he/she stands to suffer a direct financial loss in case the risk insured against occurs.
- Proximate cause — For the insured to be compensated there must be a very close connection between the loss suffered and the risk insured against.

(10 marks)

Mention 1 mk otherwise 2 marks

2. a) Benefits of selling in cash.

- Reduces cases of bad debts
- Seller has cash to buy more stock
- Cash to finance daily expenses
- Saves time
- Profits not tied in debts
- Sellers easily prepare his financial statement. Any five well explained. 5 x 2 = 10 mks.

b) Factors that influence decisions on what goods to produce.

The level of competition in the market. — Produce goods that meet least competition new products/quality/improved products.

(ii) The level of technology should produce goods that are in line with the available technology.

(iii) Management role in making decisions on what to produce/development of the new products.

(iv) Financial position of the firm whether the firm has enough resources to finance the production of the particular product.

(v) The viability of the product/cost of production and expected returns. Should produce a product that promises long-term benefits that outweigh the costs.

(vi) Objectives of the firm whether product or market oriented

5 x 2 = 10 marks

Mention 1mk otherwise 2 marks

20xV2 10mks

V

(b) Reason for government involvement in business activities in the country

- i. To prevent exploitation of the public by private investors especially in the provision of essential services.
- ii. To provide essential goods and services especially in areas where the private sector are unwilling due to possible low profits or high risk.
- iii. To create employment opportunities in the country.
- iv. To prevent foreign dominance of the economy by investing in areas where the locals are not able to.
- v. To provide essential services which the private firms are unable due to large initial capital required.
- vi. To attract foreign investments by initiating major business projects
- vii. To provide goods and services which are too sensitive to be left in the hands of private sector
- viii. To stimulate economic development in the country

1 mark mention 1 mark for explanation 5 @2 = 10mks

3 a)

MWELU TRADERS
TRADING PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 30TH APRIL 2015

DR		CR	
Opening stock	37,760√	Sales	186,000√
Purchases	115 560√	less: Returns inwards	4400√
less : Returns outward	3550√		181600√
	112,010		
Add: Carriage inwards	2340√		
Goods available for sale	152,110√		
Less : closing stock	49,980√		
Cost of sales	102,130√		
Gross profit C/d	79,470√√		
	<u>181 600</u>		<u>181 600</u>
Salaries	24470√	Gross Profit b/d	79,470√
Electricity	6640√		
Rent	5760√		
Carriage outwards	3250√		
Sundry Expenses	12,020√		
Net profit	27320√√		
	<u>79,470</u>		<u>79,470</u>

@√ ½ mark x 20 = 10 mks

4. (a) Differences between a parastatal and a co-operative society

A Parastatal

- (i) Formed under an act of parliament
- (ii) Managed by a board of directors by appointed by the state
- (iii) Formed to offer essential services to the public
- (iv) Owned by the government
- (v) Initial capital comes from government
- (vi) Profits realized go the government
- (vii) Regulated by acts of parliament articles of association and memorandum of association
- (viii) Books of accounts are audited auditors by auditor of state corporations.
- (ix) Published financial statements are Presented to parliament

A Co-operative

- (i) Formed under co-operative society act.
- (ii) Managed by a management committee elected members.
- (iii) Formed to offer services to the members
- (iv) Owned by the members
- (v) Initial capital comes from members
- (vi) There is sharing of profits among members
- (vii) Regulated by the by-laws of the society and co-operative society act./
- (viii) Books of accounts audited by external (6 c&c&c 4n')
- (ix) Published financial statements members during annual AGM are presented to

Naming 1 mark Explanation 1 mark

Any 5 well matched differences @ 2 = 10 mks

(b) Types of unemployment

- i. Seasonal unemployment – caused by seasonal variations (peak/off – peak season)
- ii. Frictional unemployment – When people lose jobs and go looking for new ones
- iii. Structural unemployment – caused by changes in methods of production or decrease in demand of goods and services
- iv. Cyclical unemployment – occurs repeatedly at similar times (Boon /recession). Also called demand deficient /General unemployment
- v. Real wage/Voluntary unemployment – occurs when job seekers are not willing to take up jobs at the prevailing wage rates
- vi. Involuntary/open unemployment – occurs when people are willing to work at the existing wage rate but can't find the jobs
- vii. Disguised/Hidden unemployment – Occurs when the number of people unemployed exceeds the number which is required for the job.
- viii. Residual unemployment – Affects people who are physically & mentally challenged
- ix. Erratic /Casual unemployment - Affects certain sectors of the economy like construction where demands for labour is erratic and not regular

Mention 1mk otherwise 2 mks x 5 = 10mks

5 a) Factors influencing choice of office layout

- Number of office staff where there is large number of office staff the organization will prefer open layout which will accommodate many
- Quality of office equipment where the office has limited equipment it will prefer open layout for easy sharing
- Availability of funds. Where the office has problems of funds will prefer open layout which has less Cost of partitioning
- Duties performed in an office. If the duties need confidentiality then closed office layout will be preferred for privacy
- Type of workers. If workers are those who require close supervision then adopt open layout for easy monitoring

b(i) Inadequate capital:- funds to sustain / run / expand due to lack of unilateral! insecure loans.

- ii) Inadequate skills / poor management to manage to operate the business properly.
- iii) Unfriendly I poor gov't policies such as high taxation which is unfavorable for growth.
- iv) Poor infrastructure I poor roads may hinder in access the market! in puts.
- v) Poor pricing which might make the product to be too expensive to attract buyers I to help to sustain the business.
- vi) Inappropriate technology which may result in loss quantity / poor quality products.
- vii) Inadequate market due to become of buyers! customers / due to cultural practices / beliefs customers.
- viii) Unfair competition where it may be too high for the new entrepreneur ! the new entrepreneur.
- ix) Inadequate manpower to operate / run the business affectively.

(5 x 2 = 10 mks)

Award 1 mk. For mention otherwise 2 mks

(6a) i) The entrepreneurs may not be read / reach to all parts where customer's are found. ii) Not all potential customers are able to read.

- iii) The newspapers may be written in a language that's not familiar to many customers. iv) Newspapers are expensive to buy / may not be afforded by all people I many especially in low income brackets.
- v) It is expensive to buy newspaper space for advertising / it is expensive to advertise in newspapers.
- vi) Newspapers are not able to discriminate between the intended target group and other may be read by non target group! general readership may go into waste.
- vii) Newspapers make short life span / can easily be discarded.
- No splitting of mks. $5 \times 2 \text{ mks} = 10 \text{ mks}$

6(b) Purchases journals

Date	Details	Invoice Number	Ledger Folio	Amount Kshs.
2010				
May 1	Ben			25,000
1	Martha			30,000
1	Atuti			40,000
6	Masha			10,000
6	Martha			35,000
6	Saudoka			50,000
18	Dume			<u>70,000</u>
	Total posted to purchases A/C (Dr)			<u>260,000</u>

Sales journals

Date	Details	Invoice Number	Ledger Folio	Amount Kshs.
2010				
May 4	Kola			16,000
4	Otieno			20,000
8	Kaka			60,000
8	Kola			26,000
8	Kaki			45,000
26	Kola			<u>54,000</u>
	Total posted to sales A/C (Dr)			<u>221,000</u>

Purchase returns journals

Date	Details	Invoice Number	Ledger Folio	Amount Kshs.
2010				
May 13	Ben			4,000
13	Masha			1,500
13	Saudoka			<u>3,000</u>
	Total posted to purchases returns A/C (Dr)			<u>8,500</u>

Sales returns journals

Date	Details	Invoice Number	Ledger Folio	Amount Kshs.
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2010				
May 22	Kola			1,000
22	Otieno			2,400
31	Kaki			2,000
31	kola			<u>4,000</u>
	Total posted to purchases returns A/C (Dr)			<u>9,400</u>