

FORM FOUR END OF SECOND TERM EXAM

Kenya Certificate of Secondary Education

BUSINESS STUDIES

Paper - 565/2

July - 2018

MARKING SCHEME

1. a. Features of economic resources.

- i. Are limited in supply / scarce - Not enough or readily available.
- ii. Have money value - Can be exposed in money terms
- iii. Quality can be improved - Can be made better.
- iv. Can be combined with others in various proportions for production of goods and services -
not necessarily used alone.
- v. Are unevenly distributed from region to region , country to country or community to community -
Some have more, others less others none.
- vi. Have ability to create utility when combined - Can become useful in satisfying human wants
when combined.
- vii. Can be transferred from one person to another - Can change ownership.
- viii. Most have various uses - Can be used for more than one purposes.

Mention 1 mark
Explaining 1 mark
Max 10 marks

b. Disadvantages of trade restrictions.

- i. Reduced competition - Leads to low quality goods / services.
- ii. Reduced economic growth - Investments are greatly reduced.
- iii. Loss / reduced government revenue - Import and export duties not earned due to restrictions in trade.
- iv. Increased unemployment / leads to low standards of living. This is created by the reduced trading activities
- v. Reduced / limited market - Leads to wastage of goods produced / under exploitation of available resources / reduced production.
- vi. Encourages smuggling / black

- marketing / leads to loss of revenue.
vii. Poor relations among nations - may lead to conflicts / frictions among nations.
viii. Reduced variety / limited supply of goods limits consumer choice.

2 marks for each well explained point
Mention 1, qualification 1
Otherwise 2 marks

2. a. Differences between public co-operation and private limited company.

	Public corporation	Private limited company
-	Owned by the state / government	a) owned share holders
-	Formed under the Act of parliament	b) Formed under companies Act
-	Financed by the government (initial capital)	c) contributions from share holder financing
-	Profits enjoyed by the government	d) profits enjoyed by share holders
-	Losses suffered by the government	e) losses suffered by the shareholders
-	managed by directors appointed by the president	f) managed by directors appointed by shareholders
-	Main objective to offer essential services	main objective to maximize profits

- NB i. Differences must match
ii. No splitting of marks.

b. Kema Traders
Profit and loss account
for the period ended 31st Dec 2010

Expenses	Sh		Sh
Bank loan interest	✓ 1,440	Gross profit b/d	✓ 624,720
Discount allowed	✓ 170,400	Rent received	✓ 144,000
Electricity	✓ 30,240	Net loss c/d	✓ 74,316
Furniture repairs	✓ 86,436		
Maintenance on premise	✓ 72,000		
Motor vehicles maintenance	✓ 360,000		
Sundry expenses	✓ 122,520		
	<u>843,036</u>		<u>843,036</u>

(10 × ½ = 5 marks)

Kema traders ✓
balance sheet
as at 31st Dec. 2010

<u>Fixed assets</u>			<u>Capital & liabilities</u>	
Premises	✓ 648,000		Capital	✓ 1,680,000
Motor vehicles	✓ 1,080,000		Less net loss	✓ 74,316 1,605,684
Furniture	✓ <u>489,804</u>	2,217,804	Bank loans	✓ 567,000
			creditors	✓ 272,400 839,400
<u>Current assets</u>				
Stock	✓ 87,000			
Debtors	✓ 140,280	227,280		
		<u>✓ 2,445,084</u>		<u>2,445,084</u>

- Time must be 'as at' for a candidate to score.
- Wrong net loss / profit correctly brought down in the balance sheet award.
- Penalize for foreign items in the balance sheet (✓) per item

3. a. Problems encountered when measuring the national income of a country.

- i. Its not easy to estimate the amount of depreciation hence wrong figures are used since prices of goods may vary time to time.
- ii. Its not easy to estimate the value of subsistence output since they are not exchanged / priced.
- iii. Double counting may occur when using either income or output approach / difficult in distinguishing primary and intermediate input.
- iv. Individuals / firms may not give complete / accurate data / poor record keeping / unavailability of data will therefore create difficulties in valuation.
- v. There arises problem of what to include and not to include in the national income statistics therefore important items may be left out or less important items included.
- vi. Problems of valuing government output since it is not sold in the market e.g bursaries awarded.
- vii. Inadequate finance / capital to be used in compiling data may hamper the process of collecting / gathering statistical information.
- viii. Inadequate qualified personnel thus process of collecting statistical information affected / wrong information provided.

Mention 1 mark Explanation 1 mark max 10 marks

3. b. Limitations of a business that relies on the use of motor cycle transport.

- i. Limited carrying capacity of a business producing bulky goods and those with a lot of mass.
- ii. This means of transport is prone to bad weather conditions especially heavy rains limit its use on muddy roads. There is loss of time as one shelters quite often during rains to avoid goods spoilage.
- iii. It is not convenient over long distances as this is likely to make it more expensive in terms of fuel used and tiresome.
- iv. The wear and tear on a motorbike is higher especially where it has to lift heavy loads. This increases the cost of maintenance.
- v. Traffic reports and studies on our roads reveal that this form of transport is prone to accidents as compared to other means of transport. This would imply losses to the businessmen .

Mention 1 mark

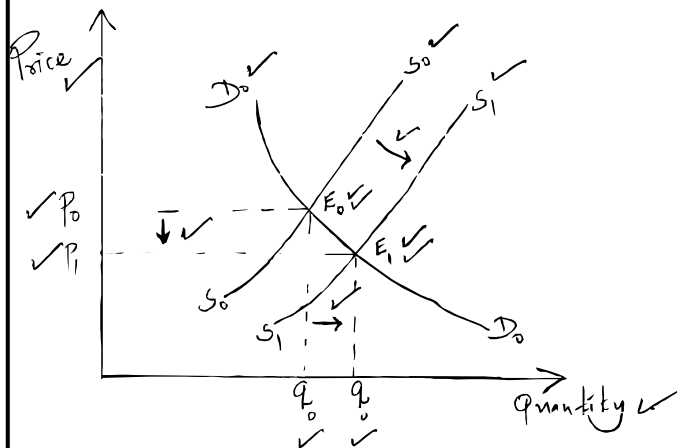
Explanation 1 mark max 2 marks for each point

4. a. Qualities of a successful salesperson.

- i. Attractive personality - Should be well dressed and smart.
- ii. Honest and sincere - Should be truthful.
- iii. Ability to study customer's psychology so as to establish their feelings and expectations.
- iv. Fair level of education - to avoid intimidation by more educated prospects.
- v. Have good communication skills - be able to use various forms of communication.
- vi. Have good language command - Good choice of the appropriate language to use in different circumstances.
- vii. Be persuasive and tactful - be able to convince and attract customers.
- viii. Polite and cautious - Should have respect to others.
- ix. Clear knowledge about the product being promoted - be able to answer questions from prospective customers exhaustively.

(Mention 1 mark, otherwise 2 marks)

b. Effects of an increase in supply of carrots while demand remains constant.



When supply increases more than before, there is a shift to the right ✓ from S₀S₀ to S₁S₁. This lowers the price from P₀ to P₁ and quantity increases ✓ from q₀ to q₁. ✓

20 × ½ = 20 marks

Without labeling

P₀P₁, Q₀Q₁ don't award

Intersection without

labeling E₀,E₁ give.

5. a. Kinyua
Three column cash book
For the month of June 2014

Date	Details	Folio	Discount allowed	Cash	Bank	Date	Details	Folio	Discount received	Cash	Bank
2014						2014					
June 1	Bal b/d			✓ 110,000	500,000 ✓	June 5	Furniture			✓ 9,000	
June 2	Sales		✓ 2,400		✓ 70,520	June 10	Joshua	✓ 12,000			188,000 ✓
June 12	Juma			✓ 100,000	117,600	June 15	Salaries			✓ 68,000	
June 20	Bank	c				June 20	Cash	c			100,000 ✓
June 29	Awino		✓ 15,000		✓ 135,000	June 30	Bank	c		✓ 105,600	
June 30		c			✓ 105,600	June 30	Bal c/d			✓ 27,400	640,720 ✓
			17,400	210,000	928,720				12,000	210,000	928,700
July 1	Bal b/d			✓ 27,400	640,720					✓	

20 × ½ = 10 marks

- Details must be right in the given entry.
- Attempt to balance the discount column, deny the tick for the totals both sides
- if there are no dates at all, mark and deduct to a maximum of 2 marks.
- If cash and bank columns are not labeled, award no marks in the respective columns.
- If the candidate comes up with two single column cash books, mark the first one. The second one is rubric

b. Benefits that would accrue to a country that encourages entrepreneurship.

- i. Employment creation - More jobs created reducing problems of unemployment as upcoming entrepreneurs employ self and absorb other incoming job seekers.
- ii. Use of local resources - Resources like scrap metals and waste papers which would have remained unused will be economically used by entrepreneurs.
- iii. Promote growth of technology - being creative entrepreneurs come up with new and better production methods remitting to improved products.
- iv. Reduce rural - urban migration - As entrepreneurs set up business enterprises in rural areas and remit local people, movement to urban areas like Nairobi reduces addressing problems like high crime rate and poor housing in the towns.
- v. Reduce importation hence reducing

foreign domination - the entrepreneurs may produce goods which were previously imported thus a country import less.

vi. Capital formation enhanced -

Entrepreneurs are able to immerse a lot of funds from their income which is used to start many other development projects.

vii. Promote entrepreneurial culture -

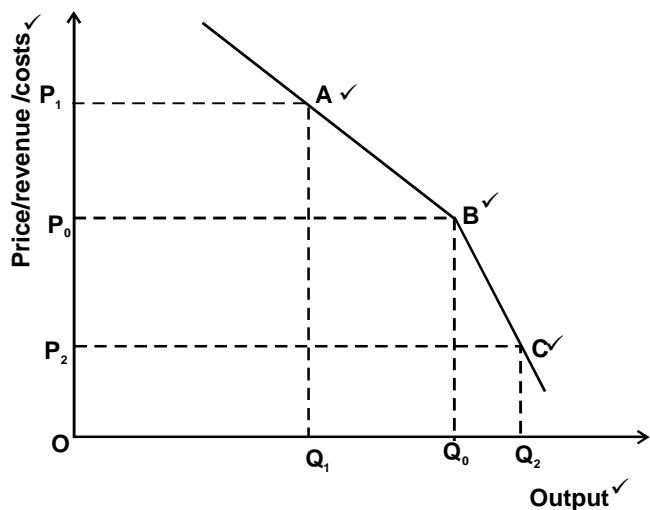
entrepreneurs are able to act as role models when they become

successful business men / women in the society where other people will tend to emulate them.

viii. Improved living standards - The earning that people gets from the production activities improves

their ways of life.

6. a. Habits of sellers in an oligopoly market.



- i. Kinked demand curve illustrates the rigidity price behaviors of oligopolists.
- ii. The curve has two parts ;
AB slopes gently while BC slopes steeply.
- iii. Sellers cannot increase price from OP_0 to OP_1 because the quantity bought will decrease greatly
from Q_0 to Q_1 .
- iv. Sellers cannot reduce from OP_1 to OP_2 because very little amount will increase in demand.
- v. Sellers will stick to price OP_0 because it is the most profitable and most convenient to both sellers
and buyers.

(10 × 1 = 10 marks)

b. Characteristics /features of an efficient tax system.

- i. Equity / fairness - tax must be just / people should pay tax as per their income.
- ii. Certainty - Government should be sure of the amount, time and manner of payment.
- iv. Economy - the collection cost should not outweigh the revenue collected.
- v. Flexibility - Should be easily adjustable to fit arising issues.
- vi. Elasticity - Should be responsive to changes in income.
- vii. Productivity / diversity - Should be a variety range to net many tax payers.
- viii. Simplicity - easy to understand.