MARKING SCHEME

COMMERCE FORM IV SERIES 02 MARKING SCHEME 2026

SECTION A

1.

i	ii	iii	iv	v	vi	vii	viii	ix	x
C	A	A	C	B	D	B	C	E	E

1 @ 10 Marks

2.

i	ii	iii	iv	v	vi
F	C	B	D	E	H

1 @ 6 Marks

SECTION B

3. DETERMINANTS OF DEMAND
   i. Income of the consumer
   ii. Taste and fashion **5 points, @1.8 = 9 Marks**
   iii. Change in price of related goods (substitute and complementary goods)
   iv. Population size
   v. Weather condition
   vi. Advertisement
   vii. Consumer's expectation about future changes in price

4. Characteristics of a successful entrepreneur
   i) Adaptability
   ii) Ability to cope with the new situation and find creative solution to problem.
   iii) Perseverance
   Keep trying even if you face difficult situations.
   iv) Risk taking
   The courage to expose oneself possible losses. **5 points @1.8 = 9 marks**
   v) Confidence
   The belief that you can do what you set out to do.
   vi) Self-drive
   The desire to work hard to accomplish one's goal
   vii) Competitiveness
   A willing to compete, with and test one set against other.
   viii) Honesty

A commitments to afraid from lying, be truthful and sincere in dealings with other people.

ix) Organization
Ability to structure one's life and keep tasks and information in order.

x) Persuasiveness
Ability to convince other people.

xi) Discipline
Ability to stay focused and adhere to schedule and deadlines.

xii) Understanding
Ability to see the end result of one's goals while working to achieve them.

9 Marks

5. i) Cost of goods sold= Opening stock + Net purchases - Closing stock
= (344,300 + 2,122,900) – 267,200

- **<u>Cost of goods sold = 2,200,000/=</u>**

ii) Average stock = $\frac{34,4300 + 26,7200}{2}$

- **<u>Average stock = 305,750/=</u>**

iii) Rate of stock turn over = $\frac{\text{Cost of goods sold}}{\text{Average off stock}}$
= $\frac{2,200,000}{303,750}$

5 @ 1.8 = 9 Marks

- **<u>Rate of stock turn = 7 .19times</u>**

iv) Sales = Cost of goods sold + Gross profit
= 2,200,000 + (2,200,000 x 50%)

- **<u>Sales = 3,300,000 /=</u>**

v) Net profit = Gross profit – Total expenses
= 1,100,000– 450,000

- **<u>Net profit = 650,000/=</u>**

6. Factors to consider when choosing advertising media
   i. **Mission**. -- Objective of advertising
   ii. Money/ cost of the media
   iii. **Media** – type of the media to be used
   iv. **Message** – what should be communicated in the advertisement
   v. **Measurement** – evaluation of the effect of advertisement to the company
   vi. **Number of people reached by the media.** Media which reaches a large number of people is preferable to one which reaches few people.

5 points @ 1.8 = 9 marks Marks

vii. **Speed and urgency**. When goods or services are needed in the market immediately, then the fast medium should be employed
viii. **The lifespan of the medium**. Radio and television have short lifespan unless the advertisement is replayed. Media like magazines and newspapers have long lifespan.
ix. **The geographical area covered by the media**. If one wants to advertise countrywide, newspapers and radios would be more effective.
x. **The social class to which the medium appeals.** Newspapers, signposts and radios appears to ordinary people, while television, internet and magazines appears to rich people

7.

i. **Land.** Is a gift of nature which includes all natural resources used in production of goods and services. It includes minerals, soil, water bodies and forests. The reward for land is rent.
ii. **Labour**. Is the physical or mental human effort used in production of goods and services such as teacher, farmer, porter, secretary and doctor. Labour can be skilled, semi- skilled or unskilled. The reward for labour is wages or salaries
iii. **Capital**. Refers to man-made resources used in production of goods and services. It includes machinery, tools and cash. The reward for capital is interest.
iv. **Entrepreneurship**. Is the ability to organize other factors of production (land, labour and capiral) and manage risks to start a business. The reward for entrepreneur is profit.

8. a) Need/reasons for taxation

i. **To raise government revenue.** Tax is collected to raise government revenue which helps to finance it activities such as education, health services, infrastructures and paying civil servants.
ii. **To reduce income inequality.** Tax helps to reduce the income gap between the rich and the poor through Pay As You Earn (PAYE)whereby high income earners are charged more compared to low income earners.
iii. **To control inflation**. Taxation helps to control inflation that can be caused by people's high purchasing power, as it reduced their disposable income, hence reduce their purchasing power.
iv. **To discourage production and consumption of some goods like cigarrete and beer**
v. **To protect infant industries**. The government may impose higher taxes on imported goods to discourage their importation, this helps to promote domestic industries producing the same goods.
vi. **To discourage dumping**. Dumping means selling low quality products at lower prices than at home. Taxes may be imposed on the dumped goods to discourage their importation.
vii. Enhancing capital formation
viii. Increasing employment opportunities
ix. Fostering economic development

Only three points @1.5 = 4.5

x. Regulating imports and exports
xi. Regulate production and consumption

b) Systems of taxation **3 points @1.5 = 4.5 Marks** **Total a + b = 9 marks**

i. **Proportional tax system**. Is the taxation system where by all people are charged equal amount of tax. It is the same rate to all income levels. Example includes VAT which is 18% and corporate tax which is 30% to all companies
ii. **Progressive tax system** is the system whereby the tax is charged according to the level of income. It is where high-income earners pay more tax compared to low income earners such as Pay as You Earn (PAYE)
iii. **Regressive tax system** is the tax system whereby low-income earners are charged more compared to high income earners.

SECTION C

9. Advantages of entrepreneurship/Benefits of self- employment

Introduction = 2
Point 1 marks explain 1 marks = 12
Conclusion =1

i. **Source of revenue/ financial rewards**. When the business becomes profitable, an entrepreneur enjoys the profit of the business without any deductions compared to the employed person.
ii. **Improve standard of living**. The income earned from being self employed is used to satisfy one's needs and wants, hence improving the quality of life of the person.
iii. **Source of employment**. Entrepreneurship creates employment opportunities to the owner of the business, and other people who are employed in that business such as industrial workers and drivers.
iv. **Independence**. Self – employment gives freedom to the owner to decide himself/herself on when and how to do activities to attain objectives.
v. **Creates job security**. Self- employment creates a sense of job security as an individual performs his/her work with confidence and without fear of being fired from the job.
vi. **One's own boss**. Entrepreneurs become their own bosses, as they do not follow orders from others.
vii. **No dressing codes**. In self- employment, an individual gets the freedom to choose any clothes to wear unlike people who are employed in institutions such as banks and restaurants who wear uniforms.

10. Principles of taxation

Introduction = 2
Point 6 @1 mark explain 1 marks = 12
Conclusion = 1

Equity/equality. Taxpayers should be charged basing on their ability to pay

Certainty. The time of payment, the manner of payment and the amount to be paid should be clear to the taxpayer and the public

Productivity. The tax system should be able to yield enough revenue for the country's treasury

Elasticity/flexibility. The tax system should be easy to adjust according to the economic situation and the needs of the government

Simplicity. The tax system should not be too complicated to administer and for the taxpayer to understand.

Convenience. The time and manner of collection should be suitable to the tax collector and the taxpayer.

Economy. The cost of collection and administration should be relatively low compared to the amount to be collected.

Diversity. There should be different forms of tax than depending on only one form of taxation

11. Canons/principles which govern management

Division of work. The number of tasks performed by each employee should be limited so that each employee focuses on his/her work to increase efficiency
Unit of command. An employee should receive orders from one supervisor only.
Remuneration. Financial and non- financial remuneration should be fair for all employees
Team spirit. The organization should promote team work and spirit in work
Scalar chain/line of authority. There must be someone with overall authority in an organization and orders must come from top to bottom
Equity. There should be kindness and justice to all members of the organization.
Stability of tenure. Frequent termination of employment should be discouraged
Order. Putting the right person or materials in the right position for efficient production.
Authority and responsibility
Discipline
Unit of direction
Subordination of individual interest to general interest

Centralization
Initiative

Introduction = 2
Point 1 marks explain 1 marks = 12
Conclusion = 1