

MARKING SCHEME BUSINESS PAPER 2 FORM 3

1. a) Describe any five disadvantages of operating sole proprietorship business. (10mks)
 - **Lack adequate/wide sources of capital.** This may hinder expansion of the business.
 - **Unlimited liabilities.** If the business is unable to pay its debts, personal property of the owner may be attached.
 - **Death of the sole proprietor** may lead to closure of the business/it lacks continuity/has limited life.
 - Sole proprietor **suffers losses and bears** risks alone/does not share losses.
 - **Lack of consultation** may lead to poor or wrong decision that may negatively affect the business.
 - **It is tiring** as the sole proprietor has little or no time for leisure/long working hours.
 - Sole proprietor may lack essential skills since there is **no combination of talents.**
- b) Explain any five factors that may contribute to low national income in a country. (10mks)
 - **Low number of income generating population** since most people are dependants.
 - **Inadequately trained labour/poor quality of labour supply /labour force:** leading to low productivity
 - **Low natural resource endowment/low quality & quantity of the natural resource** which are used as raw materials for production.
 - **Too many foreign firms** in the country which **repatriate** most of income generated.
 - **Low level of technological advancements/low innovations and inventions** leading to poor quality output and low profits/high cost of production
 - **Poor terms of trade/low value of exports** compared to imports.
 - **Lack of aggressiveness to invest/entrepreneurship** due to negative attitude towards work by citizens.
 - **Lack of peace/security/political stability** creates a harsh environment to invest in.
 - **Existence of a large subsistence sector** which leads to underestimation of the country's output.
2. a) Explain five factors that may slow entrepreneurial development in a country. (10mks)
 - **Unfavourable government policies e.g. High taxation, low subsidies** discourage people to start businesses.
 - **Poor infrastructure e.g poor roads, lack of electricity, water e.t.c.** make it difficult to transport raw materials to the factory or the goods/services to the market
 - **Low level of education and skills** that may be required to set-up and to operate a business successfully.
 - **Inadequate market.** Businesses may lack enough customers to buy their goods.
 - **In-availability/inadequate raw materials** that are necessary for production/ required in production.
 - **High levels of competition** may discourage potential entrepreneurs or drive out existing ones.
 - **Political instability/insecurity** brings destruction, fear and uncertainty in business thus discouraging many from starting businesses.
 - **Unfavourable natural factors** e.g. adverse climatic conditions may negatively affect operations of the business/ especially agricultural businesses.

- b) Explain any five circumstances which may make it necessary for an insurance company to re-insure. (10mks)

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40 x 1/4 = 10mks

NB: i) Date must be complete i.e. Day, Month and year to earn a tick.

ii) Details column must be correct to earn a tick on the amount.

4. a) Explain any five disadvantages to a country where the government involves itself in business. (10mks)

- (i) Some of the managerial posts in government-run businesses are filled by political appointees who are kept in such positions even when they are performing very poorly.
- (ii) Government involvement in business may scare away investors who would have rendered the same service in a more efficient manner.
- (iii) Some state-run organizations continuously make losses thereby failing to sustain themselves. This may force the government to finance them with tax payers' money.

- (iv) **Most government projects are expensive** enterprises which require heavy investment in terms of personnel training and equipment leading to diversion of public funds /neglect of some development projects
- (v) **Poor governance / Corruption** leading to embezzlement/mismanagement of funds
- (vi) **Most government owned businesses are monopolies** which are insensitive to customer needs/poor quality goods/highly overpriced goods/insufficient goods.

b) Explain any five benefits to a business that uses computers to file documents. (10mks)

- (i) **Use of as less human labour:** to reduce labour costs is required to file documents.
- (ii) **Saves floor space** as computers will occupy less space compared to hard copy files/computers have a lot of storage space/services within a small area.
- (iii) **Least tedious** due to less paperwork needed.
- (iv) **Saves resources /less materials** e.g. papers, files, cabinets e.t.c(**examples serve as expansion**)
- (v) **Saves time in retrieving the documents.** Documents can be retrieved fast by a click of a button.
- (vi) **Provides security for the documents** since a password can be used to deny access of the documents to unauthorized person.
- (vii) **Electronic filing is portable-** one can easily access the files at different locations.
- (viii) **Can provide back-up for the files** by copying the files to an external storage device.
- (ix) **It environmentally friendly-** does not involve a lot of papers, files e.t.c the work is presentable.

5. a) The following balances were obtained from the books of Kenya Moja traders on 1st June 2018.

l	600,000
van	200,000
ure	200,000
	60,000
rs	80,000
	270,000
ors	180,000
inding electricity bill	30,000

The following transactions took place during the year ended 31st December, 2018.

- i) Paid creditors shs. 80,000 by cheque
- ii) Sold motor van and was paid shs. 150,000 in cash and the balance was still outstanding at the end of the year.
- iii) Paid an electricity bill of shs. 20,000 in cash and shs. 10,000 was still outstanding at the end of the year.

Required: Prepare Kenya moja traders balance sheet as at 31st December, 2018. (10mks)

KENYAMOJA TRADERS✓
BALANCE SHEET

AS AT 31ST DEC 2018

assets			al and liabilities		
ture		200,000✓	al		500,000✓
<u>nt assets</u>			<u>nt liabilities</u>		
	60,000✓		tors	100,000✓	
rs	80,000✓		anding electricity bill	<u>10,000✓</u>	110,000
debtor	50,000✓				
	190,000✓				
	<u>130,000✓</u>	<u>510,000</u>			
		<u>710,000</u>			<u>710,000</u>

10 x1 = 10mks

Nb: The title must be complete including the date narration

- b) Outline any five factors that have facilitated growth of commerce in Kenya. (10mks)
- transport system** enables raw material to the market and goods to the market
 - communication**- enables passing of information between traders and other traders, traders and consumers e.t.c
 - Banking** – facilitates exchange, offers means of money transfer and safekeeping of money for traders.
 - Warehousing**- facilitates storage of raw materials, finished goods, ensures steady flow of goods, stability of prices e.t.c
 - Insurance** – ensures continuity of businesses in case of occurrence of a risk and creates confidence among traders.
 - Product promotion** – creates awareness for traders goods, increases sales, improves image of businesses.

6. a) Outline any five conditions under which a business may find it appropriate to accept deferred terms of payment. (10mks)

- Where the business has established that the credit worthiness of the customer is not in doubt to minimise bad debts**
- Where the business wants to attract / retain customers-** to increase sales volume
- Where the business wants to increase the sales by offering credit** thus make more profits/high profits
- Where the business wants to use credit facilities as a competing tool:** to outdo the competition
- Where the seller wants to dispose off slow moving stock** to release tied up finances

- b) Below is a population structure according to the ages. Explain any five challenges to the country with such a population structure. (10mks)

		50 - 59 yrs	

MALE

FEMAL
E

- i) There will be high dependency ratio of the young population on the working adults.
- ii) High rate of unemployment. In the country because the young people entering the job market may be more than the required number. They may also not have the required knowledge, skills to experience for the jobs.
- iii) Low labour supply- the majority of young people may not have attained the working age.
- iv) Increased social evils/crime – the many young people are idle and may engage in social evils and crime.
- v) Pressure on goods to services consumed by the youth as their demand is more than the supply.
- vi) Reduced savings and investments – The large unemployed young population consume more leaving little or no savings which lead to reduced investments.
- vii) Diversion of government expenditure – money that would be used in other sectors is used to cater for the welfare of the youth.