

Name.....ADM NO.....Class.....

565/2

BUSINESS STUDIES

Paper 2

September 2021

KASSU JET EXAMINATIONS

Kenya Certificate of Secondary Education

BUSINESS STUDIES

2 Hours 30 Minutes.

MARKING SCHEME

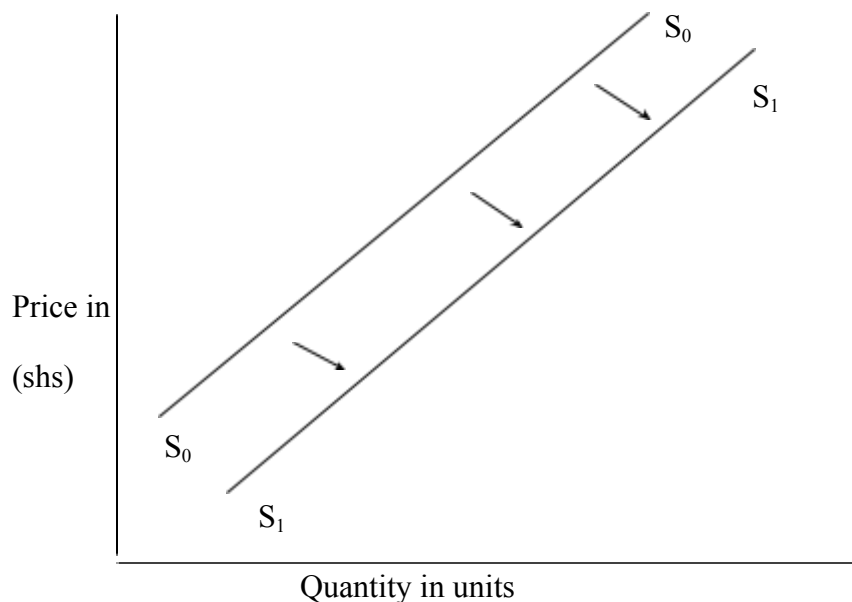
Instructions to Candidates

- a) This paper consists of **six** questions
- b) Answer any **five** questions
- c) Write your answers in the answer booklet
- d) All questions carry equal marks

1. Outline five factors that may lead to growth of entrepreneurship in Kenya.(10 marks)

- (a) *Government policy* -In relation to favorable government policies on taxation, rules and regulations relating to business operations
- (b) *Well-developed Infrastructure* -refers to the basic systems and services that are necessary for a business in a country (Transport network, buildings, water and sewerage systems and aids to trade
- (c) *Appropriate levels of education and skills in entrepreneurship.* -Entrepreneurs with appropriate knowledge and skills stand a better chance of succeeding in managing their business
- (d) *Availability of markets* - encourages entrepreneurs to continue producing and even attract new ones to venture into unlike where there are no markets as business may fail.
- (e) *Availability of resources* - includes capital, human resources, physical and technology. Businesses that embrace modern technology and have enough resources are able to produce better quality goods and services.
- (f) *Culture.* - refers to norms, values and beliefs of a given community/ society - It helps to determine
- (g) *Fair Levels of Competitions.* - Business will thrive if it is able to compete favorably
- (h) *Political stability* - gives a conducive atmosphere for businesses to start and thrive

(b) The diagram below illustrates a shift of the supply curve to the right



Explain five factors that may bring about the above shift in supply from S_0 to S_1 . (10mks)

- (a) *Government incentives to producers (subsidies/favourable government policy.*

- (b) Entry of new firms into the industry
- (c) Adoption of modern technology
- (d) Availability of factors of production
- (e) Future expectation of price decrease
- (f) Decrease in prices of competitively produced products
- (g) Favourable climatic conditions/seasons
- (h) Reduced cost of production
- (i) Increase in price of jointly produced goods.

2x5 =10mks

2. (a) Outline five differences between partnership and co – operative forms of business units. (10mks)

PARTNERSHIPS	COOPERATIVE SOCIETIES
a. Formed by a minimum of two partners	a. Formed by a minimum of 10 members
b. The maximum number of partners is 20 but can be 50 for professional partnerships.	b. There is no set maximum for the members to form the society.
c. Some/most partners have unlimited liabilities	c. All members have limited liabilities
d. The day-to-day management of the partnership is left to the active partners assisted by employed professionals.	d. The management of the society is on elected committee of 9 members who are assisted by employed professionals.
e. It can be dissolved due to retirement or exit of a general partner.	e. The retirement or exit of a member cannot lead to the dissolution of the society.
f. Formed through drafting of a partnership deed.	f. Formed through drafting of the by-laws that are submitted to the commissioner of cooperatives for consideration

(b) Explain five benefits that Kenya may enjoy as a member of East African community.

(10marks)

- (a) **Availability of wider market** for the goods and services produced by the member countries.
This enables them to produce to their full capacity
- (b) **It enables the country to specialize** in the goods they produce best, making them to effectively utilize their resources
- (c) **It leads to promotion of peace and understanding** among the member countries through interaction
- (d) **It leads to high quality of goods and services** being produced in the country due to the competition they face
- (e) **It allow members to get access to wider variety of goods and services** which satisfy different consumer needs
- (f) **It leads to creation of employment** for individuals living within the region, as they can work in any of the member country

- (g) *It increase the economic bargaining power in trading activities by the countries forming a trading bloc*
- (h) *Improvement of the infrastructure in the region due to increased economic activities.*
- (i) *It brings about co-ordination when developing industries, as the members will assign the industries to each other to create balance development and avoid unnecessary duplication*

3.(a) Explain five benefits of pooling of risks to an insurer.

(10mks)

- (a) *Pooling of risks enables an insurance company to create a common pool of funds from the regular premiums*
- (b) *It enables the insurance company to compensate those who suffer loss when the risks occur*
- (c) *The insurance company is able to spread risks over a large number of insured people*
- (d) *Surplus funds can be invested*
- (e) *It enables the insurance company to meet its operating costs.*
- (f) *It enables the insurance company to calculate the premiums to be paid by each client.*
- (g) *Enables a company to re-insure itself with a bigger insurance company.*

(b) The information below relates to Navakholo Traders. Prepare a duly balanced three column cash book.

(10mks)

2020

- February 1: balance b/d cash sh 40,000 and a bank overdraft of sh. 270,000
- February 3: settled Beta creditors account of 80,000 by cheque, having deducted 6% cash discount.
- February 7: received sh. 60,000 cash from Zoom traders.
- February 15: deposited sh. 45,000 to the bank
- February 20: withdraw sh. 92,000 from the bank for private use.
- February 24: received sh. 199,500 from Delta by cheque after allowing 5% cash discount.
- February 28: banked all the cash leaving only 15,000 in the office.

Navakholo Traders
Three column cash book
For the month of February 2020

2020	PARTICULARS	F	D.A	CASH	BANK	2020	PARTICULARS	F	D.R	CASH	BANK
Feb 1	Bal b/d			40000		Feb 1	Bal b/d				270000
Feb 7	Zoom			60000		Feb 3	Beta		4800		75200
Feb 15	Cash	C			45000	Feb 15	Bank	C	0	45000	
Feb 24	Delta		10500		199500	Feb 20	Drawings				92000
	Cash	C			40000	Feb 28	Bank	C		40000	
Feb 28	Bal c/d				152700	Feb 28	Bal c/d			15000	

			10500	10000	437200				4800	10000	437200
Mar 1	Bal b/d			15000		Mar 1	Bal b/d				152700

$$30 \times \frac{1}{3} = 10\text{mks}$$

4.(a) Explain five measures that may be taken by the Government to solve unemployment problems. (10 marks)

- Control the high population growth rate**- which will reduce the high demand for few jobs available
- Adopting relevant education system** - in order to provide the learners or labour with relevant skills required by employers /to be self employed
- Increasing government expenditure** - on projects that are labour intensive e.g Kazi kwa vijana project
- Providing the unemployed with finance/capital** - to enable them engage in economic activities where they will be self-employed e.g Youth Fund, Kenya Women Finances, CDF etc
- Encouraging use of labour intensive methods** - for production in firms hence being able to use /employ the idle labour
- Encouraging maximum use of all natural resources** - that are idle hence increasing production activities to engage many people
- Encouraging foreign investments** - that will help to increase production activities in the country which will have the effect of creating more jobs.
- Reviving collapsed factories /firms** - through government funding in order to open up their production re-employ the laid off workers e.g. pan paper, New KCC, Mumias sugar company.
- Diversification of economic activities** - by having many types of production activities to employ many people throughout the year and by promoting /encouraging Jua kali industries that offer self-employment /increase production

(b) Explain five factors hinder economic development of Kenya, despite the government's spending in the planning exercise (10mks)

- Inaccessibility of appropriate technology/lack of appropriate technology
- Inadequate/lack of capital which hinders investment
- Poor planning/resource mismanagement.
- Shortage/inadequate natural resource
- Limited market/low demand for goods/ services which discourages production/investment.
- Negative social cultural practices
- Inadequate /lack of foreign exchange reserves
- Limited entrepreneurial skills/abilities
- Poor governance
- Poor infrastructural facilities

- k. *Political instability*
- l. *High population growth rate*
- m. *Over reliance on foreign Aid*
- n. *Lack of political will/support/political interference done to selfish/rested interest.*

5. (a) Explain any five uses of national income statistics (10mks)

- a) ***Indicates the standard of living.*** - The label of national income as a direct impact on the standard of living in the sense that the higher the national income the better standard of living. and vice versa.
- b) ***Enables comparison of living standards in different countries*** -.A country with high national income level is assumed to enjoy better living standards.
- c) ***Facilitates the assessment of economic performance over time.***- By comparing national income levels at different periods, information is provided on the period of the year the economy was doing well
- d) ***Facilitates economic planning.*** -The government will use information on national income to come up with plans on how to grow the economy
- e) ***Enables entrepreneurs make investment decisions.***-Investors will use information on national income level to make decisions on which markets and sectors to invest in. This is because a higher national income means more per capita incomes hence high market demand and vice versa. Information on national income also enables investors know which sectors in the economy are doing better than others

2x5=10 mks

(b) Explain five roles that the central Bank of Kenya plays as a Government Bank. (10mks)

- (a) *Operates accounts for all government ministries.*
- (b) *Acts as a lender of last resort to the government*
- (c) *Services foreign debt on behalf of the government*
- (d) *Borrows on behalf of the government by selling treasury Bills.*
- (e) *Advices the government on all financial matters*
- (f) *Manages the national debt on behalf of the government.*
- (g) *Controls and regulates the operations of commercial Banks on behalf of the government*

6. (a) Outline five features of hypermarkets. (10mks)

- a) *They have good access to roads*
- b) *They have ample parking space*
- c) *They have many businesses under one roof. Customers can do all their shopping in one building*
- d) *They are attractive and convenient to shop in*
- e) *They are located in the outskirts of towns.*
- f) *They offer a variety of goods and services*

2x5 =10 mks

(b) The following information relates to HZ enterprises for the year ended 31/12/2020

HZ enterprises		
Trial balance		
As at 31/12/2020		
Items	Dr(sh)	Cr(sh)
Premises	4,000,000	
Furniture	1,500,000	
Capital		4,900,000
Net profit		50,000
Stock	100,000	
Debtors	200,000	
Drawings	60,000	
Bank loan		1,900,000
Bank	970,000	
Cash	360,000	
Creditors		340,000
	<u>7,190,000</u>	<u>7,190,000</u>

Required: a). HZ enterprises balance sheet as at 31/12/2020 (4 mks)

- b). Calculate
- | | |
|------------------------|---------|
| i). Capital invested | (1 mk) |
| ii). Borrowed capital | (1 mk) |
| iii). Capital employed | (2 mks) |
| iv). Working capital | (2 mks) |

HZ Enterprises

Balance sheet

As at 31/12/2020

<i>FA</i>	<i>Sh</i>		<i>Sh</i>
<i>Premises</i>	<i>4,000,000</i>	<i>Capital</i>	<i>4,900,000</i>
<i>Furniture</i>	<i><u>1,500,000</u></i>	<i>Add Net profit</i>	<i>50,000</i>
	<i>5,500,000</i>	<i>Less Drawings</i>	<i><u>60,000</u></i>
			<i>4,890,000</i>
<i>CA</i>		<i>LTL</i>	
<i>Stock 100,000</i>		<i>Bank loan</i>	<i>1,900,000</i>
<i>Debtors 200,000</i>		<i>CL</i>	
<i>Bank 970,000</i>		<i>Creditors</i>	<i><u>340,000</u></i>
<i>Cash <u>360,000</u></i>	<i><u>1,630,000</u></i>		
	<i><u>7,130,000</u></i>		<i><u>7,130,000</u></i>

- a) *Capital invested* = *4,890,000*
- b) *Borrowed capital* = *1,900,000*
- c) *Capital employed* = *4,890,000 + 1,900,000 = 6,790,000*
- d) *Working capital* = *1,630,000 – 340,000 = 1,290,000*

