BUSINESS STUDIES MARKING SCHEME P2

1. a) Explain five factors to consider when choosing an office equipment

   i. ***Cost;*** *this refers the initial, maintenance and running cost of the equipment. Organization will choose an equipment they can afford based on amount of capital available.*

   ii. ***Adaptability;*** *this is the ability of the equipment to cope with future changes and development. An organization will choose an equipment that will adjust to any future changes without becoming obsolete.*

   iii. ***Possibility of hiring rather than buying;*** *one has to consider the cost and convenience of buying an equipment as opposed to hiring. If hiring is expensive than buying, then the organization will have to buy.*

   iv. ***Durability;*** *this refers to the lifespan of equipment. The organization will acquire an equipment that will last long.*

   v. ***Effect on staff morale;*** *this refers to staff attitude towards the equipment. The organization will acquire an equipment that will motivate the staff to use. Staff members should be involved in deciding which equipment to acquire.*

   vi. ***Availability of complimentary resources;*** *this refers accessories required in order to operate the equipment. i.e the availability of power, spare parts etc.*

   vii. ***Availability of manpower;*** *this the personnel required to run and operate an equipment. A business should consider the availability and cost of skills required.*

   viii. ***Availability of room;*** *where the equipment will be kept safely.*

   ix. ***Security of the equipment;*** *one has to consider whether the available resources are adequate to offer enough security for the equipment*

b) Explain the causes and remedies of the following types of unemployment.

(10 marks)

i. Seasonal unemployment*; it is experienced whereby products loses demand and responsible labor force is laid off.*

Solution; introduction of variety of economic activities

ii. Structural unemployment*; it occurs where jobs are available but one does not have the required skills to handle the jobs.*

Solution; provision of relevant education training opportunities to ensure necessary skills required by the labor market.

iii. Disguised unemployment; *occurs where the number of people employed exceeds those that are required. The workers full capability is not completely utilized.*

Solution; initiating more projects that would create more jobs.

iv. Residual unemployment; *occurs when the physically or mentally challenged members of population are not offered job opportunities by employers.*

Solution; ensuring the implementation of policy of affirmative action.

v. Involuntary unemployment*; it occurs where people are actively searching for job opportunities at any existing wage rate but couldn't find.*
Solution; initiate economic activities that could spur economic growth to create more job opportunities.

2. *a)* Importance of insurance to an economy

i. *Creation of employment. Insurance provides employment to individuals as actuaries and sales persons.*
ii. *Creating confidence in investors. Compensation in the event of occurrence of loss encourages investors to invest in risky ventures.*
iii. *Revenue to the government. The government receives revenue from license fee and taxes from the insurance profits.*
iv. *Continuity of business. Business that could close down because of loss due to event of a risk will continue to operate because of compensation from the insurance companies.*
v. *Spreads risks. Pooling of risks ensures that the few who suffer loss are indemnified.*
vi. *Encourages savings. Endowment assurance is a savings plan to the assured.*
vii. *Investments. The excess of the total premiums over claims can be invested by the insurance firms*.

b)

Dr Three column cash book Cr

Date	details	l/f	D.A	Cash	bank	Date	Details	l/f	D.R	cash	bank
2019 1/3	Bal b/d			95000		2019 1/3	Bal b/d				15000
3/3	sales				22000	2/3	purchases			70000	
6/3	sawnda		1800		40200	9/3	kiprop		1120		12880
20/3	Hanifa		5500		49500	11/3	salaries			14000	
24/3	Bank	c		26000		24/3	cash	c			26000
	Cash				15800	27/3	Drawings			7000	
						28/3	Bank			15800	
						28/3	Bal c/d			14200	73620
			7300	**121000**	**27500**				**1120**	**121000**	**127500**

	Bal b/d			4200	3,620						

3. *a)* Explain five sources of monopoly power

i. *Ownership or control of strategic raw materials; the firm may therefore refuse to sell or allow access to raw materials by other firms to prevent competition thereby becoming a monopoly.*

ii. *Patent rights for a product or production process; the firm therefore denies potential competitors the technology or use of production process or technique. This patent right therefore gives the firm monopoly power.*

iii. *Large initial capital investment; the cost of establishing an efficient production plant in relation to the size of the market may be such that only one firm may be able to survive in the market as it may be the only firm capable of raising the funds.*

iv. *Size of the market; sometimes the size of the market may be such that it can only support one firm.*

v. *Government protection; the government may set up a firm and gives it exclusive rights to produce and sell a particular good or service to the public at affordable prices. Such a firm is occasionally cushioned by the government from competition and occasionally get government subsidies.*

vi. *Mergers and acquisitions; a group of firms may decide to merge into one large firm by combining their operations. The new firm is able to enjoy numerous advantages arising from its large size.*

b) Difference between partnerships and cooperative societies

Partnerships	Cooperative societies
Formed by a minimum of 2 partners	*Formed by a minimum of 10 members*
The maximum number of partners is 20 but can be 50 for professional partnerships	*The is no set maximum for the number of members to form the society*
Some partners have unlimited liabilities	*All members have limited liabilities*
The day-to-day management of the partnership is left to the active	*The management of the society is an elected committee of 9 members who are assisted by employed professionals*

partners assisted by employed professionals	
It can be dissolved due to retirement or exit of a general partner	*The retirement or exit of a member cannot lead to the dissolution of the society*
Formed through drafting of a partnership deed	*Formed through drafting of by-laws that are submitted to the commissioner of cooperatives for consideration*

4. *a)* Reasons for continued existence of small firms in an economy.

   i. *Need for personalized services such as hair cutting makes them to thrive.*

   ii. *Flexibility. Small scale firms can be changed when need arises.*

   iii. *Less capital requirement. They require relatively less capital to start and operate unlike large firms.*

   iv. *Ease management. Small firms are easy to manage and control compared to large firms.*

   v. *To keep away from rigorous legal process associated with starting of large firms.*

   b) Channels for distributing imported machinery from Germany (10marks)

   i. *Foreign Manufactures → local Agent → local Wholesaler → local Retailer → Local consumer*

   ii. *Foreign manufacture → local Wholesaler → local Retailer → Local consumer*

   iii. *Foreign manufacturer → local Manufacturer's representative → local wholesaler local Retailer Local consumer*

   iv. *Foreign manufacturer → local Wholesaler → Local consumer*

   v. *Foreign manufacturer → local retailer → Local consumer*

   vi. *Foreign manufacturer → Local consumer*

5. *a)* Explain five reasons for government involvement in business.

   i. *To attract foreign investment by initiating major business projects*
   ii. *To prevent foreign dominance of the economy by investing in areas where the locals are not able to.*

iii. *To provide goods and services which are too sensitive to be left in the hands of the private sector e g fire arms.*
iv. *To provide essential goods and services in areas where private individuals and organizations are unwilling to venture due low profits or/and high risks.*
v. *To provide essential goods and services which private organizations are unable to provide due high initial capital required.*
vi. *To prevent exploitation of the public by private business persons especially in provision of goods and services like sugar, transport and communication*

b) Documents sent by the buyer to the seller in home trade.

i. *Letter of inquiry. A request by a prospective buyer for information about the goods dealt in by a seller.*
ii. *Order. List of goods a potential seller is required to supply the buyer with.*
iii. *Goods received note. Sent to inform the seller that goods sent have been received.*
iv. *Goods returned note. Sent to the seller to inform him/her that goods have been returned*
v. *I owe you. Is a written acknowledgement of debt.*

6. a) Trends in Product promotion

i. *Use of the social media/facebook/*
ii. *Event sponsoring*
iii. *Use of website/internet to advertise product worldwide, which has increased the coverage*
iv. *Encouraging gender sensitivity and awareness in product promotion to bring about gender balance*
v. *Use of electronic billboards in advertisement to increase their visibility even at night*
vi. *Intensifying personal selling by the business to reach more customers*
vii. *Use of road shows- Development of promotion convoys to move from one place to the other with music and dancers to attract more prospective customers*
viii. *Catering for the rights of the youths when carrying out product promotion and even involving them in carrying out the promotion*

ix. *Catering for the interest of those with special needs when carrying out advertisement*

x. *Advertisement through mobile phones by sending them s.m.s about the product*

b) *)* KAZI NZURI

TRADING, PROFIT & LOSS ACCOUNT

Dr. FOR THE PERIOD ENDED 31ST MARCH 2016 Cr.

Cost of sales:		Ksh.		Ksh.
Opening stock		200,000	Sales	4,000,000
Add purchases	2,400,000		Less returns inwards	40,000
Add carriage in.	28,000	2,428,000		3,960,000
C.O.G.A.S		2,628,000		
Less closing stock		100,000		
		1,528,000		
Gross profit c/f		1,332,000		
		3,860,000	3,860,000	
General expenses		120,000	Gross profit b/f	1,432,000
Rent		46,000	Discounts received	36,000
Telephone		20,000		
Salaries		360,000		
Net profit		922,000		
		1,468,000		1,468,000

KAZI NZURI TRADERS

BALANCE SHEET

AS AT 31ST MARCH 2016

		Ksh.		Ksh.
Fixed Assets:			Capital	1,850,000
Land & Buildings		2,000,000	Add Net profit	922,000
Motor vehicles		400,000	Less Drawings	80,0000
		2,400,000		2,692,000
Current Assets:			Short term Liabilities:	
Stock	100,000		Creditors	240,000
Debtors	300,000			
Bank	120,000			
Cash	12,000	532,000		
		2,932,000		2,932,000