BUSINESS FORM 4 PAPER TWO MARKING SCHEME

1. ***(a) Advantages of departmental stores***

- Access to specialised goods/ service from the relevant / shops / particular type of goods. Personalised / attention to customers.
- Access to auxiliary / after sales services - which may easily be available within the shops.
- One can save time by shopping under one roof.
- Prices of goods are relatively low = making consumers save/ buy more .
- One can access a variety of goods under one roof.
- Use of credit *i* debit cards - relieving customer the need of carrying cash.
- Access new products which a customer may not have been aware of.

b) Explain five roles played by licensing as a government regulatory tool.

(10mks)

- ✔ Licensing provides the government with a platform to monitor the type of goods moving in and outside the country.
- ✔ Through licensing the government can get the total number of businesses operating in the country
- ✔ Licensing is used by the government a tool to prevent illegal business activities.
- ✔ Licensing ensures that professional standard as stipulated by the government are adhered to against which a license can be withdrawn for a business which does not stick to the standards.
- ✔ Ensures that business people do not provide harmful goods and services to the citizens.
- ✔ Ensures that there is a healthy competition between people involved in the same business activities.

2. **(a) Explain five services that the central bank of Kenya offers to commercial banks.**

- o Accepts deposits for safe-keeping i.e. banker to commercial banks.
- o Licenses the operation of commercial bank Supervises the banking operations.
- o Provide clearing house for interbank transaction.
- o Ask as a mediator / arbitrator for commercial bank in case of any disputes.
- o Lends money to commercial banks.
- o Provide advisory services on banking on economic matters to commercial banks.
- o Provide them with currency
- o Replaces old notes and coins with new ones.

- It repatriates excess foreign currency.

(b)

Dr	Capital a/c		Cr
Bai c/d	24.000	Bank	24,000
	24,000		24,000

Dr	Bank a/c		Cr
Capital	24,000	Purchases	18,000
		Bal c/d	6,000
	24,000		24,000

Dr	Cash a/c		Cr
Sales	18,900	Rent	/150
Sales	5,625	Commission	^900
		Bal c/d	23,475
	24,525		24,525

Dr	Sales a/c		Cr
Bal c/d	24,525	Cash	18,900
		Cash	5,625
	24,525		24,525

Dr	Purchases a/c		Cr
Bank	18,000	Bal c/d	18,000
	18,000		18,000

Dr	Commission a/c		Cr
Cash	900	Bai c/d	900
	900		900

Dr	Commission a/c		Cr
Bank	150	Bal c/d	150
	150		150

3. **a) Describe five channels followed in exporting agricultural product. (10mks)**

a) Farmer marketing board -> foreign consumers
b) Farmer —agent - foreign wholesaler - foreign retailer -foreign consumer
c) Farmer foreign wholesaler foreign retailer foreign consumer
d) Farmer -foreign retailer -foreign consumer
e) Farmer -foreign fanner's representative - foreign wholesaler -foreign retailer - foreign consumer
f) Farmer - foreign consumer

b)

Milka Traders
Trading, Profit & Loss A/c
For the year ended 31 December 2020

	Shs	Shs		Shs	cts
Opening stock Add purchase + C inwards	 360,000 2,000	25,000	Sales	600,000 40,000	 560,000
Less returns out Gas Less C. stock COS Gross profit c/d	20,000	342,000 367,000 22,000 345,000 215,000			
		560,000			560,000
General expenses Carriage out Rent Bad debts Net profit c/d		88,000 3,000 1,000 80,000 48,000 220,000	Gross profit b/d Add disc. Received		215,000 5,000 220,000
			Net profit		48,000

4. **(a) Reasons why a country imposes taxes on citizens**

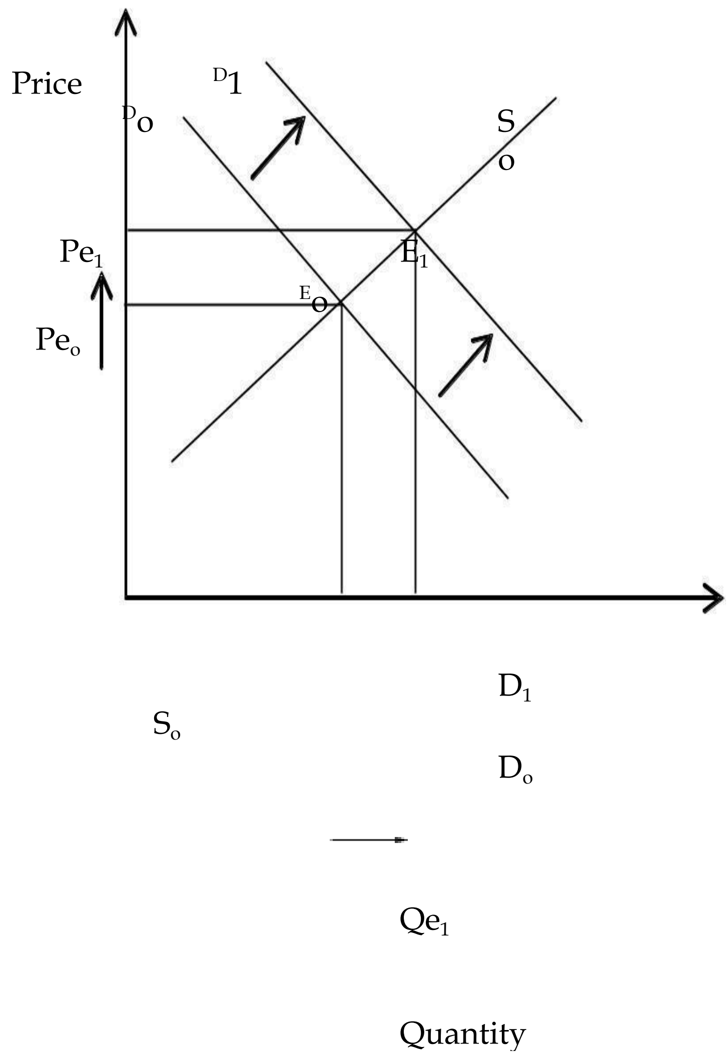
a) Raise government revenue - to cater for various government expenditure
b) Reduce income disparity - by facilitating fair distribution of incomes and resources by taxing rich more

c) Discourage consumption - of harmful products and engagement in illicit activities
d) Control inflation - by reducing money supply through reduction of people's disposable income
e) Correct unfavourable balance of payments- by taxing imported products more to discourage importation
f) Influence business location e.g. high tax on urban centres make entrepreneurs to go to rural areas
g) To subsidize various undertakings for the benefit of the society

b)

	Cooperatives		Public limited cos
1	Formed by a min of 10	1	Min 7 members /shareholders
2	Registered by commissioner of cooperatives	2	Registered by registrar of companies
3	Managed by committee elected by members at AGM	3	Managed by Board of directors
4	Governed by cooperative by – laws	4	Governed by Articles of Association
5	Formed with service motive (to serve members)	5	Formed for profit motive
6	Members have acommon bond	6	Members have nothing in common
7	Controlled by government through the ministry of cooperative development.	7	There is no government control

5. (a) Using a diagram illustrate the effects of a positive shift of a demand curve on the equilibrium point, price and quantity. (10 marks)



b) Features of land as a factor of production

- Basic factor of production. Production cannot take place without land.
- Lack geographical mobility- land cannot be moved geographically from one location to another.
- Uneven in quality – the land quality differs from one place to place.
- Suffers from diminishing returns after some time the quality of land reduces.
- Quality can be improved – use of technology and fertilizers can improve the quality of land.

6. **(a) Benefits that Mmanyi Enterprise may derive from constructing their own warehouse.**

- Bulk buying; they can buy stock in large scale because they have storage facilities
- They can be able to meet market demands since they stock the right quantities required by the customers.
- Seasonal goods can be stocked in order to satisfy customer's seasoned needs
- Variety of goods can be stocked to promote customer's satisfaction
- Security of goods is offered untiln they are demanded.

- ❖ Preparation of goods for sale such as branding, parking, sorting while in the warehouse is made easier.
- ❖ Suitable design- they can construct a warehouse suitable for their own needs
- ❖ Construction of one‘s warehouse is economical

(b) Importance of filing documents in an organization

a) Easy retrieval of documents
b) Keeps office very tidy
c) Safety of documents
d) Documents are kept neat
e) Documents are kept away from unauthorised persons
f) Space is well utilized
g) Information for future reference is kept
h) Filed documents are used as evidence in case of disputes