

**KAKAMEGA CENTRAL SUB COUNTY JOINT EVALUATION EXASM
MARKING SCHEME
BUSINESS STUDIES**

565/1

1. – Technological environment
 - Legal environment
 - Political environment
 - Population environment
 - Economic environment
 - Cultural environment
 - Generic environment
 - Enterprise competition
 - Physical environment
2.
 - i) Labour
 - ii) Capital
 - iii) Land
 - iv) Entrepreneur
3.
 - i) It shows the products the business will deal with
 - ii) It outlines the target market of the business
 - iii) It outlines the resources required to get the business operational
 - iv) It facilitates business evaluation
 - v) It assists the entrepreneur to obtain finance when he/ she presents it to financiers
4.
 - i) Proximity of raw materials
 - ii) Closeness to market / consumers
 - iii) Nearness to power supply
 - iv) Where is a bundant, cheap labour available
 - v) Favourable climatic conditions
 - vi) Favourable government policies
5.
 - i) Containers are expensive and this increases the cost of transporting goods
 - ii) Containers are not suitable for transporting small quantities
 - iii) May not be suitable for goods with irregular shapes
 - iv) Contributes to unemployment since it is capital intensive
6.
 - i) Open and voluntary membership
 - ii) Democratic administration
 - iii) Limited interest on share capital
 - iv) Co-operation with other co-operatives
 - v) Education to members
7.
 - i) Intangible
 - ii) Cannot be stored
 - iii) Quantity cannot be standardized\Inseparable from the provider

8.
 - i) When launching a new product
 - ii) Where demonstrations are required\When the value of product is high
 - iii) Where market is concentrated in one area
 - iv) If the organization can afford to finance the sales force

9.
 - i) If the value of the property is high
 - ii) If the chances of loss through the insured risks are high
 - iii) When the insurance company has insured very many risks.
 - iv) When there is need to spread risks

10.
 - i) Cash sale slip
 - ii) Cash voucher
 - iii) Invoice
 - iv) Credit note

11. Kakamega Trader

Profit and loss a/c

Dr.	For the year ended 31 st Dec2014	Cr
Expenses		Gross profit b/d 60,000
Insurance	8,000	Add dividend received 10,000
Carriage on sales	16000	
General exp	6,000	
Net profit	40,000	
	<u>70,000</u>	<u>70,000</u>
		Net profit b/d 40,000

12. For coordination and harmonization of different activities
 - i) To create team work within the departments
 - ii) To exchange ideas in order to develop human resources
 - iii) To reduce goal blindness among different departments
 - iv) To create a sense of belonging among departmental heads, thus acting as a motivation factor.

13.
 - i) Memorandum of Association
 - ii) Articles of Association
 - iii) List of directors
 - iv) A statement signed by the directors accepting to act as directors
 - v) Declaration hat registration requirements as laid down by the law have been met.

14.
 - i) Check accuracy of posting transactions to the ledger
 - ii) Check the arithmetic accuracy of leger accounts
 - iii) Provide accounts balanced at year end
 - iv) Check that debit and credit balances are in agreement
 - v) Summarizes the information in the ledger accounts
 - vi) Facilitates the preparation of the final accounts

15.

- i) Initial cost of construction is high
- ii) Under utilization of workers and facilities may arise especially during times of low seasons
- iii) The owner meets all the costs of warehouse such as repair and security which increases cost
- iv) May suffer poor management sine they may not employ qualified managementpersonal to run the warehouse
- v) The staff may rise to keep illegal goods

16.

- i) Private ledger
- ii) General ledger
- iii)
- iv) Nominal / General ledger
- v) Purchases / creditors ledger

17.

- i) Show respect to both colleagues and visitors
- ii) Observe courtesy in dealing with people
- iii) Be honest and truthful in performing duties
- iv) Co-operate with other workers, visitors and management
- v) Punctuality
- vi) Loyalty
- vii) Diplomacy
- viii) Judgement
- ix) Initiative

18.

- i) Liabilities
- ii) Assets
- iii) Liabilities
- iv) Assets

19.

Zolo Traders
Trial Balance
As at 30th June 2013

Detail	Dr	Cr
Motor Vehicle	240,000	
Buildings	200,000	
Current liabilities		440,000
Current assets	420,000	
Furniture	60,000	
Capital		480,000
	920,000	920,000

20.

- i) Increased price

- ii) Likelihood of delay
- iii) Perishable goods will go bad
- iv) Goods may get damaged due to several handling
- v) Delayed feedback to the manufacturer

$$\begin{aligned} 21. \text{ Capital} &= \text{O.c} + \text{investment} - \text{drawings} + \text{profit} \\ &= \text{Sh } 250,000 + 68,00 - 92,000 + 180,000 \\ &= \text{Shs } 406,000 \end{aligned}$$

22.

- i) Increase in population
- ii) Positive taste towards the product
- iii) Increase in incomes of the people
- iv) Increase in price of complementary goods
- v) Future expectation in the increase of the price

23

- i) Perfect competition
- ii) Monopoly
- iii) Monopolistic competition
- iv) Oligopoly

24.

- i) Number of income generating population
- ii) The country's natural resource endowment
- iii) Country's level of technological advancement
- iv) Political stability of the country
- v) Citizens attitude towards work
- vi) Country's infrastructural development

25.

- i) Economics
- ii) Commerce
- iii) Accounting
- iv) Office practice.

**KHWISERO SUB-COUNTY JOINT EVALUATION EXAMS
BUSINESS 565/2
MARKING SCHEME**

1. (a) Features of ordinary shares
 - i). Unit of capital- holders are owners of the company
 - ii). Earn dividend-as a return on investment
 - iii). Usually irredeemable-they form a permanent source of capital
 - iv). No fixed rate of return-dividends paid depend on the amount of profit earned /vary from year to year
 - v). Have a greater risk-holders stand to lose most incase of losses /insolvency
 - vi). Have full voting rights-on all decisions to be made/passed during AGM
 - vii). Refunded shares capital last in the event of dissolution/winding up of the company (5x2=10mks)
- (b) Reasons that may limit Kenya’s ability to exploit her natural resources
 - i). Inadequate capital- to finance production activities
 - ii). Inadequate skilled labour-to be employed in speacialized /complicated work/that can be creative /innovative.
 - iii). Unfavourable government policies-that discourage investment in certain areas.
 - iv). Poor technology-which limits value addition in production processes
 - v). Lack of market-due to stiff competition/high levels of poverty.
 - vi). Poor entrepreural culture- which limits ability to start business/take risks (5x2=10mks)
2. (a) Differences between central Bank and Commercial Banks

Central Bank	Commercial Bank
i). Banker to the government/commercial banks	(i) Banker to individuals/other businesses
ii). Issue of currency/print/mint money	(ii) Circulate currency/Do not print /mint money
iii). Set up by an Act of parliament	(iii) Set up under the companies act
iv). Manages the countries foreign exchange reserves	(iv) Only allowed to buy/sell foreign exchange on behalf of the central bank
v). Financial/economic advisor to the government	(v) Provides financial advice to individual/other businesses
vi). Credit control/Regulates amount of money in the circulation economy	(vi) Do not control credit/only act of directions by central bank on credit control

(5x2=10mks)

- (b) Factors that may lead to under-population in a country
 - i). Low birth rate-leading to fewer live children being born each year
 - ii). High death rate-leading to a large number of people dying in a very short time/every year
 - iii). Low fertility rate-among women in the child bearing age
 - iv). High infant mortality rate-due to a high number of child deaths
 - v). Epidemic /natural calamity-which may claim a large number of people if not controlled
 - vi). Large scale wars/conflicts-leading to heavy losses of life over a prolonged period (5x2=10mks)
3. (a)

**Jumbo Traders
Balance Sheet
As at 31st Dec 2014**

ASSETS			CAPITAL AND LIABILITIES		
FIXED ASSETS	Sh	sh		Sh	Sh
Land and building	50,000√		Capital	94,000√	
Plant and machinery	20,000√		Less Drawings	4,000√	90,000
Motor vehicles	30,000√	100,000			
			Long-term liabs		
Current assets			10 Year Loan	20,000√	
Stock	10,000√		6 year ICDC Loan	10,000√	30,000
Debtors	6,000		Current Liabs		
Cash at Bank	10,000√		Creditors	7,000√	

Cash at hand	2,000√	<u>28,000</u>	Rent owing	<u>1,000</u> √	<u>8,000</u>
		128,000			<u>128,000</u>

(14x ½ =7mks)

(i)(a) Working capital =current assets –current liabilities

$$=28,000\sqrt{-8,000\sqrt{}}$$

$$=20,000\sqrt{ \quad (4x \frac{1}{2} =2mks)}$$

(b) Capital employed =Fixed assets + working capital

OR

=capital + long term Liabilities

$$CE=FA+WC=100,000+20,000$$

$$=120,000$$

4x ½ =1mk

OR

$$CE=C+LTL=90,000+30,000$$

$$=120,000$$

(c) Borrowed capital =long term liabilities

$$=20,000+10,00\sqrt{}$$

$$=30,000\sqrt{}$$

(4x ¼=1mk

(b) Limitation of oral communication

- i). No record- for future reference
- ii). Costly/expensive- where sender and receiver are far apart
- iii). May not be suitable for confidential messages since unauthorized person may listen in
- iv). Limited reach-especially where the audiences is large/widespread
- v). Inappropriate gestures/body language-may lead to message being misinterpreted /communication being ineffective.
- vi). Not suitable for technical/complicated messages e.g technical drawings/charts (4x2=8mks)

4. (a)Ways in which insecurity negatively affects running of business activities

- (i) Scare away investors-leading to low/poor investments
- (ii) Fear/mistrust-among communities/people may impede interaction /movement
- (iii) economic losses- due to destruction of property/investments
- (iv) May cause shortages-since goods/services may not flow freely /reach markets
- (v) Low production/productivity-due to difficulty in accessing inputs/raw materials/destruction of inputs
- (vi) High costs of doing businesses-since investors have to finance their businesses/investments/insure their businesses /workers (5x2=10mks)

(b) Principles of Insurance

- (i) Insurable interest-exists where due to occurrence of a risk the insured is bound to suffer financial loss personally.
- (ii) Indemnity-Is the restoration of the insured to his/her former financial position before the loss occurred
- (iii) Utmost good faith/uberimae fidei-Puts an obligation to both insured and insurer to disclose all the material facts relating to the insurance contract
- (iv) Proximate cause-The cause of loss should have a direct/fairly close connection with the actual /real risk insured against
- (v) Contribution-Incase one insures property with two or more insurers to cover the same risk, the insurers will share propörtinately /pro rata when it comes to compensation
- (vi) Subrogation-One insured is compensated fully the insurer acquire all the rights in the destroyed property

Stating -1mk

Explanation-1mk

NB Where the principle has not been stated the candidate will not earn any mark

5. (a) Circumstance under which a firm may locate near the source of raw materials

- (i) if they are bulky /heavy-making it costly difficult to transport to the factory.
 - (ii) If they are highly perishable to avoid losses /them going bad/being damaged
 - (iii) Government policy –where the firm may have no alternative but to comply
 - (iv) Stiff competition-so as to access them first/faster before other firms
 - (v) Where the market for its goods is also concentrated near the source so as to serve/access the buyers easily /cheaply
 - (vi) If it is a subsidiary company/firm which relies on waste from primary firm as the source of its inputs (5x2=10mks)
- (b) Errors that a trial balance may not show
- (i) Error of omissions-no record/ entry of transaction is made in the ledger accounts
 - (ii) Error of commission-a transaction is recorded in the wrong account but of the same class with the correct account in which the entry should have been made (NB: Accept an illustration as explanation)
 - (iii) Error of principle- a transaction is recorded in the wrong account and also of the wrong class from that in which the entry should have been made (NB accept an illustration as explanation)
 - (iv) Error of compensation-the effect of the error in the different accounts is such that it cancels out the other. (NB Accept on illustration as explanation)
 - (v) Error of complete reversal of entries-where an account to be debited is credited and the one to be credited is debited
 - (vi) Error of original entry-where transposed figures of the correct amount are entered as debit and credit entries in the correct accounts.(NB Accept an illustration as explanation) (5x2=10mks)
6. (a) Benefits of filing documents
- (i) Tidiness /cleanliness –since papers are well arranged
 - (ii) Proper storage-for future reference
 - (iii) Safety-against loss/damage by pests/bad weather
 - (iv) Security-against theft
 - (v) Saves time-as it aids in quick retrieval when needed
 - (vi) Confidentialty –since documents are kept away from unauthorized access (5x2=10mks)
- (b) Measuree the government can take to reduce income inequalities
- (i) Equitable development-its expenditure should be spread fairly across all sectors/regions of the economy/country
 - (ii) Creation of jobs-to enable as many people as possible to earn income from employment
 - (iii) Fair taxation policies-to ensure that those who earn more are taxed higher/more than those who earn less
 - (iv) Affirmative action-in order to assist economically marginalized groups/people/regions to uplift themselves economically
 - (v) Provision of loans-to assist /encourage people to start businesses to earn an income
 - (vi) Social welfare-provide a living income to the old/aged unemployed
 - (vii) Provide social amenities /schools/hospitals-free at subsidized costs to the general public (5x2=10mks)