

KAPSABET HIGH SCHOOL

Kenya Certificate of Secondary Education
565/2

BUSINESS STUDIES MARKING SCHEME

1. Reasons for the popularity of using internet in product promotion.

- Cost effective since it is cheaper to the trader.
- Wide coverage, hence can reach customers in their various locations.
- Demonstration is possible for technical products through use of animations and videos.
- Feedback is immediate on you-tube, instagram, facebook.
- Non discriminative i.e small and large enterprises can use without discrimination.
- The message can last long hence the customer can refer if need be.
- Readily available to many businesses since it can be accessed everywhere by those with mobile phones.
- Target group – it is appealing to the target group.
- Speed – it can reach the customers within the desired time frame.

5@2 =10mks

(b) Services of Central Bank to Commercial Banks.

- Providing information to commercial banks on financial /banking /economic matters
- It is a banker to commercial banks
- It supervises/monitors the operations of commercial banks
- To provide credit /loans to commercial banks as a lender of last resort
- Providing clearing house facility to commercial banks.
- Buying and selling of foreign exchange from and to commercial banks.

- Mediation /arbitration on disputes that may occur between commercial banks
- To register /licensing commercial banks
- Replacing worn out notes and coins to commercial banks.
- Repatriation of excess foreign currency/ profits on behalf of commercial banks.
- To appoint statutory manager during financial crisis/receivership

5@2 =10mks

2. (a) Trends in business ownership

(i) Globalization

- Process through which business units in different economic systems work together for a common good e.g by sharing information on how they run their activities.

(ii) Franchising: a business unit will grant production rights to another unit to produce similar goods the name of the parent company.

(iii) Privatization: being the transfer of a business ownership to private ownership.

(iv) Amalgamation / merges/formation of trust – Firms combine with other firms to become the business unit completely or partly.

(v) Cartels: Where businesses agree to sell their products under a common selling organ to operate as a monopoly eg. Organization of Petroleum Exporting Countries (OPEC)

(vi) Formation of Holding Companies: Companies holding more than 50% shares of another company known as a subsidiary company.

(vii) Absorption / Take overs: Where a company buys all the shares of another company making the acquired one to cease to exist.

5@2 =10mks

(b)

Kifaru Traders
Three Column Cash Book for the month of April 2020✓

Dr

Cr

Date	Details	F	Discount Allowed	Cash	Bank	Date	Details	F	Discount Received	Cash	Bank
			Sh	sh	Sh				sh	sh	Sh
2020						2020					
April 1	Bal. b/d✓			2500✓ 0		April 1	Bal. b/d✓				15000✓
						April 3	Wages✓			15000✓	
April 6	Rioki✓		20✓		980✓	April 5	Purchases✓			750✓	
	Kombo✓		40✓		1960✓	April 11	Machinery✓				5000✓
April 8	Chebe✓				1000✓	April 15	Drawings✓			1000✓	
April 13	Sales✓				4000✓	April 21	Bank✓	C 1		1000✓	
April 20	Sales✓			20000✓		April 24	Chebe ✓				1000✓
April 21	Cash✓	C 1		1000✓		April 30	Bank✓	C 2		27250✓	
April 27	Kiko✓				3000✓						
April 30	Cash✓	C 2			27250✓	April 30	Bal. c/d✓			1000✓	17190✓
			60	46000	38190					46000	38190
May 1st	Bal. b/d			1000	17190						

$$40 \times \frac{1}{4} = 10 \text{ mks}$$

3. (a) Monetary Policies that the Kenyan Government may use to control inflation

- (i) Open market operations (OMO) whereby the government sells Treasury bills to the public
- (ii) Imposing high interest rates on lending to commercial banks / bank rate
- (iii) Raising liquidity ratio and cash ratio of commercial banks.
- (iv) Use of selective controls where commercial banks are required to lend only to certain sectors of the economy.
- (v) Increasing commercial banks special deposits with the central bank.
- (vi) Increasing margin requirements
- (vii) Requests by Central Bank to commercial (moral suasion). The central bank may appeal to commercial banks to willingly exercise control on their lending with a view of controlling inflation.
- (viii) Directives to commercial banks: The central bank may direct the commercial banks on interest rates to charge on lending. High interest rate would discourage many borrowers.

5@2 =10mks

(b) Factors considered in office layout:

- (i) Work flow – the layout should enhance smooth flow within the office.
- (ii) Staff mobility – one should consider a layout that allows easy movement of workers into and out of the office
- (iii) Supervision – an open office layout provides easy way to supervise compared to partitioned.
- (iv) Working Space – Depending on the nature of work, a good layout should provide enough working space.
- (v) Accessibility to equipment – where most of the operations require use of machines and equipment there should be enough space to access them.
- (vi) Communication – Layout should enhance communication between employees
- (vii) Legal requirement – should observe government requirement to avoid conflicts with the law.
- (viii) Confidentiality – where private consultations are required enclosed layout is most convenient

- (ix) Office appearance – to enhance office set up and decorations to reflect status of the business
- (x) Cost – to minimize on expenses of construction to consider the cheapest option.
- (xi) Staff to be accommodated – many staff can be accommodated in an open office layout compared to partitioned office layout.

5@2 =10mks

4. (a) Factors that limit entrepreneurial development in a country:

- (i) Lack of support from the government eg lack of tax incentives or subsidies and failure to provide training facilities for businessmen.
- (ii) Insecurity which may make businessmen fear to invest for losses that may result.
- (iii) Poor economic resources endowment in the country which limits the possible areas of investments.
- (iv) High levels of corruption which makes products made in the country expensive thereby making them uncompetitive in the world market.
- (v) Low purchasing power of the people in the country which limits the size of the market thus discourages would – be entrepreneurs.
- (vi) High cost of energy in the country which makes products in the country very expensive thereby making them uncompetitive in the world market.
- (vii) Low income levels as such many people lack the capital necessary to enable them to venture into business.
- (viii) Limited or no business acumen among the population which hinders people from venturing into business.
- (ix) High levels of taxation making products in the country very expensive thereby making them uncompetitive in the world market.
- (x) Political instability which poses a risk to investments hence few people will be willing to establish businesses for fear of losing their investments.
- (xi) Lack of role models in the community as a result, young people have no one to emulate.

- (xii) Poor infrastructure in the country eg. poor road network, poorly maintained roads, poor rail network and poor means of communication making it difficult to operate smoothly.
- (xiii) High cost of capital due to the high rates of interest charged by banks making many potential businessmen to shy away from borrowing money from banks.

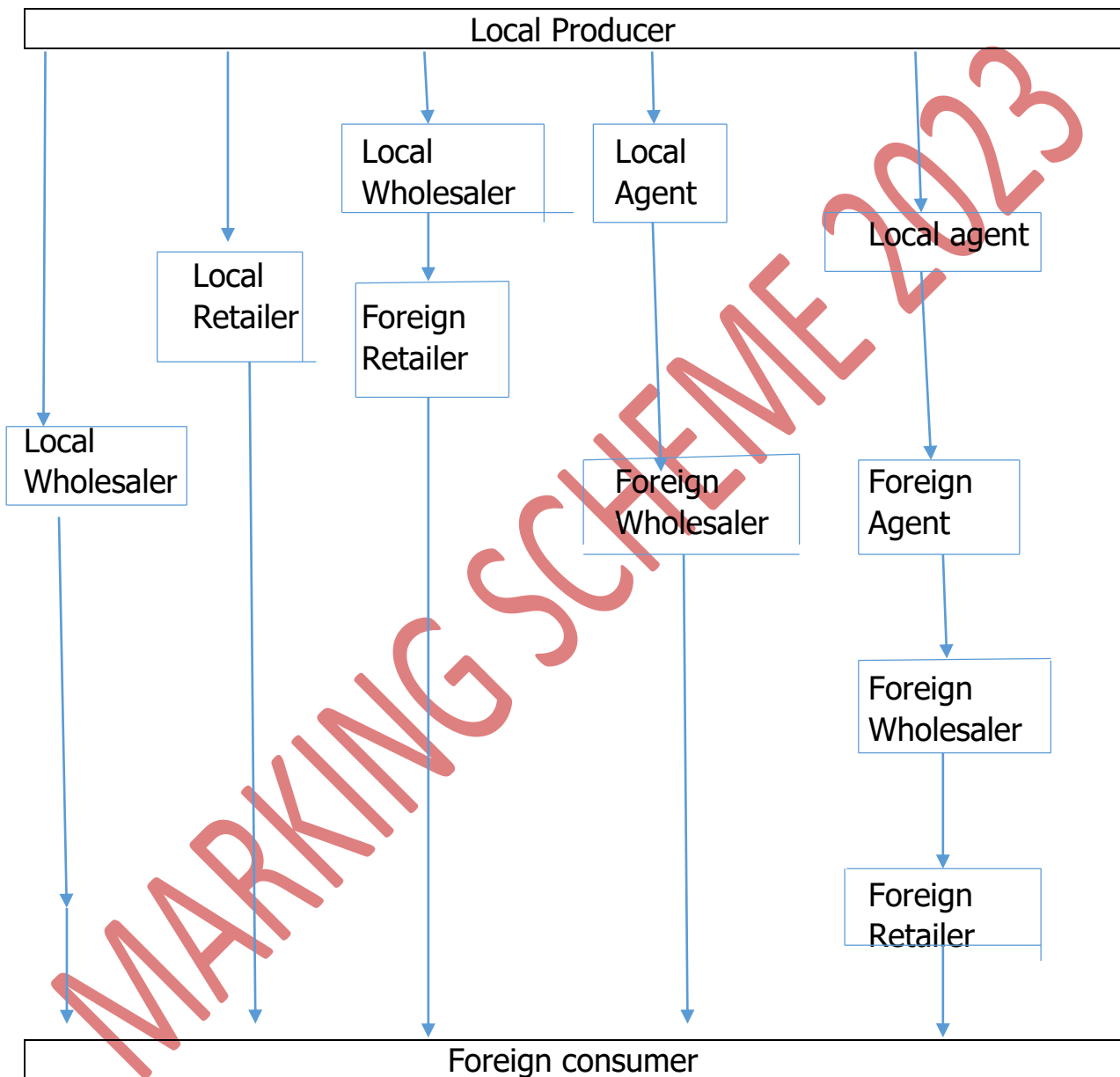
5@2 =10mks

(b) Negative effects of unemployment:

- (i) Loss of income to individuals.
- (ii) Loss of revenue to the governments in form of income taxes since this is the tax paid by those in employment in form of PAYE.
- (iii) Increased in crime rate – when people have no other incomes, they may resort to crime to earn a living.
- (iv) Low consumption index (low demand) form goods and services since people's buying power is determined by their incomes.
- (v) Low standards of living due to reduced/ low income
- (vi) Low rate of wealth creation /low investment since there is no income there will be low savings thus low investment.
- (vii) High dependency ratio – if there are few working people and many unemployed.
- (viii) Stiff pressure on resources such as land.
- (ix) Increase in social evils such as prostitution as people look for income to sustain them.

5@2 =10mks

5. (a) Chains of distribution for exports



N.B. Local producer can be Kenyan producer and foreign consumer can be South African consumer

→ Arrows direction must be shown.

Any 4 @ 2 = 8mks

(b) (i)

Nerea Traders
Trading Profit & Loss a/c
for the period ended 31st December 2015.✓

	Sh.	Sh.		sh.	sh
Opening Stock		100000✓	Sales	900000✓	
Add Purchases	600000✓		less returns	80000✓	
Add carriage in	40000✓		Net sales		820000
Less returns out	<u>20000✓</u>				
Net purchases		<u>620000✓</u>			
Cost of goods avail.		<u>720000✓</u>			
Less C/stock		<u>100000✓</u>			
Cost of sales		<u>620000✓</u>			
G.P c/d		<u>200000✓</u>			
		<u>820000</u>			<u>820000</u>
Expenses					
Carriage out		3000✓	G.P b/d		
200,000✓					
Rent		60000✓			
Interest on loan		18000✓			
General expenses		7000✓			
Net profit		<u>112000✓</u>			
		<u>200000</u>			<u>200000</u>

18 x 1/3 = 6 mks

(b) (ii) Return on Capital employed

$$(a) = \frac{\text{N.Profit}}{\text{Capital employed}} \times 100$$

$$\begin{aligned}
 \text{C. employed} &= \text{F.A} + \text{W.C} \\
 &= 240000 + 50000\checkmark \\
 &= 290000\checkmark \\
 \text{W. Capital} &= \text{CA} - \text{CL} \\
 &= 120000 + 100000 - 170000 \\
 &= 50000\checkmark \\
 \text{ROCE} &= \frac{112000\checkmark}{290000} \times 100 = 38.62\%\checkmark
 \end{aligned}$$

$$\begin{aligned}
 \text{(b) Current ratio} &= \frac{\text{C.A}}{\text{C.L}} \\
 &= 220000\checkmark : 170000\checkmark \\
 &= \underline{1.29: 1\checkmark}
 \end{aligned}$$

$$\text{(c) ROSTO} = \frac{\text{Cogs}}{\text{A.S}}$$

$$\begin{aligned}
 \text{A.S} \quad \frac{\text{O.S} + \text{C.S}}{2} &= \frac{100000 + 100000}{2} \checkmark = 100000 \\
 &= \frac{620,000\checkmark}{100000} \\
 &= 6.2 \text{ times}\checkmark
 \end{aligned}$$

$$12 \times \frac{1}{2} = 6 \text{ mks}$$

6. (a) Circumstances under which a country may restrict international trade.

- (i) Where there is need to protect local infant industries which may not withstand competition from established foreign industries.
- (ii) Where there is need to control dumping to prevent adverse effects on the economy.

- (iii) Where balance of payment continues to deteriorate to reduce payment on imports.
- (iv) Where goods are harmful for consumption in order to protect the health of consumers.
- (v) Where goods involved are a security risk to the country to ensure peace and stability.
- (vi) Where it is necessary to counter the actions of trading partners as a retaliatory measure.
- (vii) Where there is need to avoid imported inflation rising from overpriced imports.
- (viii) Where it is politically expedient to do so in order to promote good governance in another country.
- (ix) Where there is need to safeguard local employment which may be lost through entry of cheap imports.
- (x) Where there is need to avoid overdependence on imports which may lead to political black mail.
- (xi) Where there is need to avoid overexploitation of resources which may cause their depletion.
- (xii) Where there is need to build reserves of strategic commodities to avoid shortage in meeting local demands.

N.B. Circumstance must come out clearly.

5@2 =10mks

(b) Types of Direct Taxes

- (i) Personal Income Tax – Tax that is imposed on income earned by individuals eg. PAYE
- (ii) Corporation Tax – levied on profits of companies
- (iii) Stamp duty – tax paid in areas such as conveyance of land or securities from one person to another.
- (iv) Estate / Death duty – imposed on property transferred after the owner's death.
- (v) Wealth tax – levied on personal wealth that goes beyond a certain limit eg. value of land, houses

- (vi) Capital gains tax – imposed on the gains realized on sale of real assets eg. land
- (vii) Capital transfer tax – imposed on transferring ownership of capital.

5@2 =10mks

MARKING SCHEME 2023