**MOKASA II 2024**

**MARKING SCHEME**

**BUSINESS STUDIES PAPER 2**

**1(a) Explain five documents used in home trade that are sent by the seller to the buyer**

* Catalogue – catalogue booklet which briefly describe the goods a seller stocks
* Quotation sent when inquiry is specific in nature
* Price list a list of items sold by the seller together with their prices
* Acknowledgement note sent to a prospective buyer to inform him or her that the order has been received and his being acted upon
* Packing note indicate the items packed
* Advice note sent after goods have been dispatched to inform him or her that goods have been dispatched
* Delivery note sent together with goods to show the goods that have been sent to the buyer
* Invoice- sent to buyer demanding for payment for goods delivered
* Proforma invoice sent by seller to buyer before goods are delivered showing how the invoice would look like if the buyer buys the goods/ acts as quotation/when seller doesn’t want to give credit
* Credit note – sent by the seller to buyer to inform him or her that the amount payable by him/her has been reduced/correct an overcharge
* Debit note – sent by seller to buyer to inform him or her that the amount payable by him /her has been increased/correct an undercharge/additional invoice
* Receipt – sent by seller to buyer showing the payment has been made

**(5x2 marks=10 marks)**

**(b)** **Wamae enterprise runs a general merchandise business. The transactions during the month of august 2023 were as follows**:

**2023.**

August 1: The business bought goods worth Ksh 80,000 on credit from silver stores.

August 4: Sold goods on credit to Nandi traders KSH 60,000.

August 8: Sent Nandi trader a credit note for goods returned. Which was valued at sh27, 000.

August 10: Sold goods on credit to Otieno sh60, 000.

August 12: Purchased goods from Nandwa Ltd for sh120, 0000 on credit.

August 15: Purchased goods on credit from Njeri for sh 30,000.

August 16: Sent Otieno a credit note for goods returned worth sh 6000.

August 18: Nandwa ltd sent us a credit note for sh 30,000 for goods returned.

August 19: received a credit note for goods returned to silver store worth 20,000

**Required:**

**Prepare the relevant journals to record the above transactions**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Particulars** | **Invoice number** | **Ledger folio** | **Amount** |
| 1/8/2023 | Silver stores |  |  | 80,000 |
| 12/8/2023 | Nandwa ltd |  |  | 120,000 |
| 15/8/2023 | Njeri |  |  | 30,000 |
|  | Totals posted to purchases a/c (Dr) |  |  | 230,000 |

**Purchase journal**

**SALES JOURNAL**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Particulars** | **Invoice number** | **Ledger folio** | **Amount** |
| 4/8/2023 | Nandi stores |  |  | 60,000 |
| 10/8/2023 | Otieno |  |  | 60,000 |
|  | Totals posted to sales a/c (Cr) |  |  | 120,000 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Particulars** | **Invoice number** | **Ledger folio** | **Amount** |
| 8/8/2023 | Nandi stores |  |  | 27,000 |
| 16/8/2023 | Otieno |  |  | 6,000 |
|  | Totals posted to sales returns a/c (Dr) |  |  | 33,000 |

**Sales return journal**

**Purchases returns journal**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Particulars** | **Invoice number** | **Ledger folio** | **Amount** |
| 18/8/2023 | Nandwa ltd |  |  | 20,000 |
|  | Totals posted to purchases returns a/c (Cr) |  |  | 20,000 |

**2 (a)** **Explain five factors that a school Principal would consider when choosing a means of**

**communication to invite parents for an academic day. (10marks)**

* **The cost –** means of communication he/she can afford
* **Availability of the means -** that is readily available/ accessible in the area
* **Speed/urgency –** if message is urgently required a faster means is chosen e.g. telephone
* **Confidentiality of the message –** if it is secrets a suitable means that will not leak out the message is chosen e.g. written
* **Evidence -** In case the message is required in future for reference for evidence a trader will chose a means that will keep a record e.g. written
* **Number of parents/clients to be reached -** is chosen depending on the number of receivers to be reached
* **Nature of the message -** A suitable means will be chosen depending on the nature/need for details/ need for diagrams
* **The receivers -** A suitable means will be chosen depending on the nature of the receivers e.g. if the receiver is blind, illiterate use verbal communications
* **Distance to be covered -** Suitable means of communication will be chosen depending on the distance between the school and the parent
* **Reliability of the means -** that will deliver the message to the right, at right time, place and manner
* **The desired effect/Impression -**  a means that will achieve the desired behavior or effect or impact in the receiver

1. **(b) Outline five uses of national income statistics in an economy. (10 marks)**

* **Indicators of standards of living.** If the national income is equitably distributed, then the standards of living will be high.
* **Measuring economic growth.** The statistics of one year for a country are compared with previous year to show whether there is increase or decrease.
* **Compairing living standards among countries.** They are used to compare the social economic welfare among countries hence knowing which country is better off and by how much. However, the following challenges may be faced when carrying the comparisons: different in currencies, different goods and services, disparity in income distribution and difference in tastes and preferences.
* **Investment decisions.** They assist the government and other investors to know the sectors to put their money. The statistics provide relevant information concerning the performance of each sector/Invest.
* **Basis of equitable distribution of income.** The statistics can be used to spread income to the hands of majority of the citizens in case a few individuals control the economy.
* **Planning purposes.** The statistics will show the contribution of each sector thus helping the government in allocating the funds to the various sectors.

**3.** **(a) Other than the forces of demand and supply explain other five ways in which prices of products can be fixed in a market. (10 marks)**

1. **Haggling /bargaining**

Buyer and seller negotiate over the price. This process continuous until the two agrees on the prices.

1. **Tendering**

Public is invited to make bids for the supply or sale of a particular product. The person who offers the most reasonable / lowest price usually wins the tender.

1. **Government methods**

Government may impose tax or offer subsidies thus determine price. Government may also set a price level at which a product may be sold.

1. **Recommending or fixing by a producer/Retail price recommendation.**

Producer may determine the prices of their products and recommend or even require that they be sold at those prices.

1. **Auction**

This is a situation where the prices of the commodity is set through bidding ,buyers are given an opportunity to suggest the price one after the other and the one that suggest the highest price called the highest bidder buys the commodity.

**3. (b) Explain five benefits of economic integration to a country**

* Availability of wider market-this enables the firms in the region to produce to their full capacity.
* New markets are created
* Encourages specialization enables a country to produce to produce goods that they can produce cheaply and efficiently.
* Promotes peace –promotes peace as they interact and cooperate
* Common bargaining front- countries involved in economic integration enjoy benefits of common bargaining with non-member countries
* Development of industries is coordinated – this is to avoid unnecessary duplication
* Employment creation – there is free mobility of labour within a wider area
* High quality and cheap products are produced – specialization and competition among member countries, enables the production of high quality and cheap products.

**4 (a) Explain five factors to consider when determining the location of a firm**

* Availability of raw materials
* Market availability
* Availability of human resource /labour
* Appropriate transport and communication network
* Adequate power and water supply
* Government policies
* Availability of auxiliary services such as banking and insurance
* Room for expansion
* Effects of the firm on the environment
* Security
* Terrain of the land
* Climate

**4 (b)** **Outline five differences between a commercial bank and non-bank financial institutions. (10 marks)**

|  |  |  |
| --- | --- | --- |
|  | Commercial Banks | Non-bank Financial Institutions |
| a). | *Offer all types of accounts* | *Offer only two types of accounts savings and fixed deposit* |
| b). | *Provide both short term and medium term finances to their customers* | *Mainly provide medium term and long term finances* |
| c). | *Their finance is not restricted to any sector* | *Their finance is restricted to a particular sector* |
| d). | *May offer foreign exchange services*  *Their Finance is mainly for working capital* | *Do not provide foreign exchange services* |
| e). | *Their finance is mainly for working capital* | *They provide capital for development* |
| f). | *Participate in clearing house as they offer cheque* | *Do not participate in clearing house since they don’t offer* |
| g). | *Offer facilities for safe keeping of valuable items such as title deeds* | *Do not offer facilities for safe keeping of valuable items* |
| h). | *Always in direct control of the central bank* | *Not usually in direct control of the central bank* |
| i). | *May offer overdraft facilities to their customers* | *Do not offer overdraft facilities to their customers* |

**5 (a) Explain Five Factors that can lead to the success of a Business. (10 Marks)**

1. **Proper management of people (workers)**

When workers are managed properly, they will be motivated to work harder leading to the success of the business.

1. **Proper location/availability of customers**

The business should be located in a place which is convenient for its operations. A business whose location is accessible and has minimal competition will have more customers hence it will be successful compared to a poorly located business

1. **Availability of raw materials**

A business requires adequate supply of raw materials to operate efficiently. Adequate supply of raw materials ensures that the business is operating continuously hence it is able to meet its customers’ needs. Therefore a business with adequate supply of raw materials is likely to be successful.

1. **Adequate finance**

Money is required in the business to acquire other resources that are required for efficient running of the business. These resources may include labour, capital, raw materials land etc. a business that has capital is likely to do well as it is able to finance its operations

1. **Fair/No competition**

A business operating in an area where there is little or no competition is likely to succeed as it will have high sale volume

1. **Commitment to the business**

A business whose owner is committed to the business is likely to be successful. This is because such owner will have enough time to identify and solve any problems arising in the business.

1. **Proper financial management**

Finance refers to money required to fund the operations of the business. Proper management of finances results in business success as it ensures that money is always available and that it is used for the intended purpose

1. **Proper debt management**

Selling goods on credit increases business’ sales volume. However credit should be extended to customers whose chances of paying back are very high. Debt collection should be carefully planned to ensure that they are collected when due. A business with proper management of debt is likely to be successful

1. **Good public relations**

Public relations refers to creation and enhancement of relationships between the business and other people. Good relations enables the business attract and retain customers. Therefore a business with good public relations is likely to be successful.

1. **High level of creativity and innovation**

Creativity and innovation enables the business come up with new ways of doing things e.g. finding new uses of a product, finding markets new markets, identifying a new production methods. Creativity and innovation enables the business improve the quality of its goods and services hence attracting and retaining more customers to ensure business success.

1. **Proper market research**

Proper market research is necessary for the success of the business since it facilitates the identification of new markets for its goods and services.

1. **Good infrastructure/Well developed infrastructure**

Availability of well-developed infrastructure such as roads, communication network and electricity enables the business operate efficiently hence making it successful.

**5. (b) Explain five measures that can be used to control demand pull inflation . (10 marks)**

* Increasing the rate of interest of lending to the commercial banks
* Selling govt. securities on O.M.O

- Increasing the commercial banks cash/liquidity ratio

- Increasing the compulsory deposits from the commercial banks to the central bank

- Putting in place the selective credit control measure

- Directives to the commercial banks

- Request to the commercial banks

- Reducing govt. expenditure

- Increasing income taxes

- Producing commodities that are short in supply

- Restricting terms of hire purchase and credit terms of sale

- Controlling export

**6 (a) Explain five circumstances that may lead to dissolution of a public limited company.**

**(10 marks)**

* When the country’s law changes hence the company activities becomes illegal.
* When shareholders unanimously decides to windup the company in an Annual general meeting
* When the company is insolvent hence unable to pay debts
* When the number of shareholder falls below the minimum required hence going against the act.
* When the project that the company was formed to undertake is complete
* If the company is continuously making losses hence its capital reduces
* If a court of law order to dissolve the company due to illegal act/activities
* Amalgamation/merger – when it combines with another and a new one replaces the one combining creating a new entity.