

BUSINESS PP2

MARKING SCHEME

1.(a) Explain FIVE factors that are likely to lead to high birth rate in Kenya. (10marks)

- Ignorant/opposition of family planning methods by some people/communities.
 - Religious beliefs which encourage large families.
 - In some countries children are viewed as a source of cheap labor.
 - Many families having many children where they strive to get a male child.
 - Early marriages prolonging the woman's reproductive life.
 - Some cultural beliefs/practices taking children as security during old age hence many children.
 - People want to have many children in areas with a high mortality rate so that if some die others will be left.
- (2 x 5 = 10 marks)

b)

Date	Details	Fol	Disc Allo	Cash	Bank		Date	Details	Folio	Disc Rec	Cash	Bank
March 1	Capital			870,000	250,00		March 3	Salaries				101,500
2	Sales			60,000	0		13	Furniture				86,000
7	Henry		4000				17	Maria		800	34,200	
20	Sales				76,000		22	Wages			25,000	
24	Bank	C1		32,000	165,00		24	Cash				32,000
29	Alvin		1000	17,000	0		25	Drawing	C1		4000	
31	Cash	C2					31	Bank	C2		112,40	
					112,40			bal	c/d		0	383,900
	bal	b/d			0						24,000	
			5000	196,000	603,40					800	196,00	603,400
				24,000	383,90						0	
					0							

2. a) Explain FIVE characteristics of property insurance.

(10marks)

- It is a term contract-renewable regularly.
- It is a contract of insecurity-owner is compensated upon occurrence of risk.
- Policy cannot be assigned -policy cannot be transferred.
- Has no surrender value
- Insured must have insurable interest in the property.
- The policy can be used as security to obtain loan.
- Uncertainty of risk-the risk may or may not occur.
- There is minimum limit to the amount of compensation-it can be up to the value of the property insured and the sum insured in case of under insurance.

b) Explain FIVE services that the Central Bank of Kenya may offer to commercial banks.

(10marks)

- Advising commercial banks on commercial matters.
- Accepts deposits by being in custody of the reserves received from commercial banks.
- Supervising the operations of commercial banks.
- Providing a central clearing house where commercial banks settle debts due to each other.
- Being the lender of the last resort to the commercial banks.
- Foreign Exchange-Buy and sell foreign currency to and for commercial banks.
- Replaces old currency and issue new notes and coins.
- Arbitration in case of disputes between commercial banks.
- Licensing the operations of commercial banks

3. a) Explain FIVE differences between an open office and an enclosed office (10marks)

	Open Office		Enclosed Office
a	All staff work in one large room	a	Each staff is allowed a room from where they work.
b	There is no confidentiality in consultations and discussions.	b	Discussions and consultations are done in confidence.
c	Senior staff sits together with the juniors hence no status conferred.	c	Confers status on top level staff as they are located in their own offices.
d	Office equipment and machines cannot be misused.	d	Office equipment and machines like telephones are easily misused since they are located in particular offices.
e	Disruption and noise from colleagues is high due to overcrowding.	e	Little noise and disruption from colleagues since each staff work from own offices.
f	Has fewer partitions hence cheap to construct.	f	Has more partitions hence costly to construct.
g	It's easy to supervise the staff since they are all in one room.	g	It's difficult to supervise the staff since they are in different rooms.
h	Promotes teamwork among employees.	h	Encourages laxity in office.
i	Discourages absenteeism by employees.	i	Encourages absenteeism by employees.
j	Equipment and machines are easily shared in the office.	j	Equipment and machines are not easily shared in the office.
k	Easy to locate workers	k	Difficult to locate workers

b.

Nkatha Traders
Trading, Profit and Loss Account
For the period ended 30th June 2021✓

For the period ended 30 th June 2021✓				
	<u>SHS</u>	<u>SHS.</u>		
Opening stock		32,800✓		
Purchases	228,200✓		<u>SHS.</u>	
Add Carriage in	9,100✓		Sales	362,500✓
Less Returns out	16,400✓	<u>220,900✓</u>	Less Returns Inwards	9,900✓
GAFS		253,700✓		
Less Closing stock		<u>29,500✓</u>		
COS		224,200		<u>352,600</u>
Gross Profit c/d		<u>128,400✓✓</u>	Gross profit c/d	128,400✓
		<u>352,600✓</u>	Discount received	2,700✓
Discount allowed		5,400✓		
Carriage outwards		17,500✓		
Rates and insurance		11,600✓		
Wages and salaries		41,800✓		
Net profit c/d		54,800✓✓		
		<u>131,100</u>		131,100

(20 ticks × 1/2 = 10mks)

4. (a) There has been a decline in the demand for wooden furniture. Explain FIVE factors that may have caused this trend. (10 marks)

- Decline in consumers' income reducing their purchasing power / hence less able to afford the furniture.
- Fall in the price of substitutes / furniture made from other materials e.g. plastic metal – may be cheaper making them more affordable.
- Increase in the price of a wooden furniture – This makes the furniture to be out of reach for most consumers.
- Unfavorable government policies – hence making the furniture more expensive / unaffordable.
- NB – mention of a specific government policy accept
- Unfavorable / dislike / change in taste / fashion / preference – making them repulsive / unattractive / undesirable.
- Decrease / decline in population – which lead to reduced numbers of potential and actual customers.
- Low season – lead to few buyers / low sales.
- Expectations of a future fall in price – hence customers will suspend / postpone buying.

(b) Explain the procedure of making an insurance claim.

(10 marks)

- Notify or inform the insurer of the occurrence of the risk insured leading to the loss.
- Fill the official claim form from the insurer giving the details of the event and the circumstances leading to the occurrence of the event.
- The insurer carries out an investigation to determine the cause of loss and the amount.
- The insurer prepares assessment report indicating the extent of damage and loss suffered.
- The amount of compensation is determined from the report and compensation paid.

NOTE: (i) No splitting of marks.

(ii) Wrong procedure in a given step award following steps zero

5. (a) Other than bidding, explain FIVE other methods of determining the price of a product in a market.

(10 marks)

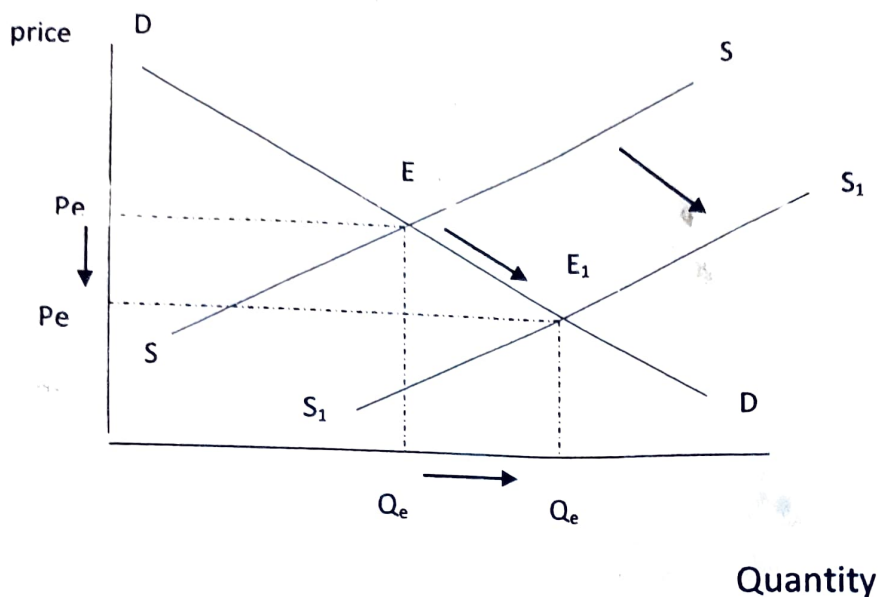
- Bargaining/haggling terms of exchange is negotiated/argued/debated between buyers and sellers
- Price control the price is set by the government beyond which the seller cannot exceed/ below which the buyer cannot go
- Auction price are determined by the highest bidder
- Recommended retail price /retail price maintenance/producers price fixing where the producer /manufacturer suggests/proposes/endorse the price of commodities
- Price collusion/cartels where different players conspire to fix the price
- Taxation/subsidy which increase/reduce the selling/ buying price
- Private treaty a sale of property at a price agreed on by the seller and buyer without any intervening agency

(b) Explain FIVE differences between private limited companies and partnerships forms of business units.

(10marks)

	Private company		Partnership
1.	Have a minimum of 2 shareholders to 50 members	1.	The business is owned by two or more persons with a maximum of twenty for ordinary partnership
2.	The business can be managed by one director or two if big	2.	The business is managed by active partners jointly
3.	Do not allow the transfer of shares	3.	They do not deal with shares but members contribution
4.	All members have limited liabilities	4.	One partner has unlimited liability except other who have limited liabilities.
5.	Separate legal entity	5.	No separate legal entity

6. (a) Explain clearly with aid of a diagram the change of equilibrium as a result of increase in supply of a commodity. (10marks)



- (b) Explain FIVE uses of national income statistics. (10marks)

- Used to measure the standards of living of people in a country. When per capita income is high the standards of living are high and vice versa.
- Used to measure the rate of economic development. When national income is high the rate of economic development is high.
- Used to compare the standards of living in various countries through the use of per capita income figures since when its high in one country than the other, the lifestyles are high in that country than the other.
- It helps the government in economic planning as it provides useful information on various sectors that is required by planners. / for resource allocation.
- Used to compare the living standards in one country in various years since a year with a high national income shows higher standards of living.
- Used to attract investors by providing useful information about different sectors
- Used to determine per capita income by dividing the National income by the total population.