**565/2**

**BUSINESS STUDIES**

**PAPER 2**

**June, 2024**

**Time: 2½ hours.**

**KASSU JET JOINT EXAMINATION**

**Kenya Certificate of Secondary Education**

**565/2**

**Paper 2**

**BUSINESS STUDIES**

**MARKING SCHEME**

1. (a) Explain ***five*** importance of a business plan to an entrepreneur. (10 marks)

*-* ***Source of finance*** *– It can be used to convince financial institutions to finance the business operations.*

*-* ***A tool for management/control/coordination*** *– It can be used for structuring/ implementation of the firms activities.*

*-* ***Helps in allocation of resources –*** *Ensures that resources are used in the best way possible.*

*-* ***A motivation tool*** *in accomplishing the objectives of the firm.*

*-* ***Evaluation tool*** *– It can be used to determine whether the firm is achieving its objectives.*

*-* ***Blueprint/guide –*** *For implementing business thus assisting management in decision.*

*-* ***Forecasting tool –*** *By analyzing the strength opportunities threats and opportunities to minimize the impacts of such disruptions.*

*-* ***Proof of commitment*** *– Who will put his/her efforts to the success of the business.*

*-* ***Helps in adaptability*** *– Creates a room to cope with changing economic circumstances.*

(b) Explain ***five*** factors that may hinder development of a country. (10 marks)

* **Low natural resource endowment**

Lack of adequate natural resources such as land, favorable climate, raw materials etc. may be a barrier to development.

* **Poor technology**

Poor technology leads to lower productivity resulting in under-development

* **Inadequate capital**

Capital refers to finances and tools used in production. When capital is inadequate, resources will be under-exploited leading to lower productivity resulting in under-development

* **Poor human resource endowment**

Human resource refers to the country’s workforce. When this workforce is lacking specialized skills, productivity will be extremely low which results in under-development.

* **Unfavourable Political factors**: Refers to factors which are brought about by a country’s political institutions. Where the government is corrupt, corrupt or authoritarian, investors may be scared.

2. (a) Explain ***five*** functions of commercial banks in an economy. (10 marks)

*-* ***Accepting deposits from customers*** *for safekeeping through savings, current and fixed deposit accounts.*

*-* ***Lending money to their customers*** *– to meet their financial needs which is paid with interest.*

*-* ***Safekeeping of valuable items*** *– e.g. title deeds which the customer may fear keeping them in their premises due to insecurity reasons.*

*-* ***Provision of foreign exchange*** *– to their traders who would like to convert their local currencies to foreign currencies.*

*-* ***Offering advice on investment and financial matters.***

*-* ***Offering trusted services*** *– They undertake to manage the estate of their clients on their behalf.*

*-* ***Acting as a guarantor*** *– to their customers who would like to get loans from other financial institutions.*

*-* ***Offering money transfer facilities*** *– Through standing orders/credit transfer/EFT/ cheque.*

*-* ***Acting as intermediaries*** *between saves and borrowers.*

(b) **Outline five differences between co-operatives and partnership. (10 marks)**

|  |  |
| --- | --- |
| **CO-OPERATIVES** | **PARTNERSHIP** |
| * Members have limited liabilities | * Some partners have unlimited liabilities except for limited partners |
| * It is formed by a minimum of 10 members | * Partnerships are formed by a minimum of 2 partners. |
| * They are managed by a management committee. | * It is managed by active partners. |
| * The main objective is to improve the welfare of its members | * The main objective is to make profit. |
| * Membership is open and voluntary | * There are restriction in joining a Partnership |
| * Can be formed under co-operative act | * Its formed based on the provision of the partnership act |
| * It is governed by by-laws. | * Governed by partnership deed. |
| * The main source of capital is members contribution | * The main source of capital is Partners contribution. |

3. (a) Explain ***five*** reasons for government involvement in business. (10 marks)

*-* ***To provide large capital investments*** *that private sectors may not be able to raise.*

*-* ***To protect consumers from exploitation –*** *By traders through overcharging.*

*-* ***To provide essential*** *goods and services at fair prices.*

*-* ***To generate government revenue*** *– through licensing*

*-* ***To create employment*** *to improve people’s living standards.*

*-* ***To safeguard security of the country*** *by undertaking businesses that are risky and sensitive to the state security.*

*-* ***To reduce foreign dominance*** *in the economy by encouraging local participation.*

(b) On 1st September 2020, Kiptala Traders had cash in hand of Shs.100,000

and a bank overdraft of Shs.15,000. The following transactions took place

during the month.

Sept. 2: Bought goods in cash Shs.15,000.

Sept. 5: Received the following cheques from debtors after allowing

2% discount in each case: Larry Kshs.9800 and Moryn

Shs.14,700.

Sept. 7: Paid the following accounts by cash in each case deducting

a 5% cash discount: Silas Shs.30,000 and Brayo Kshs.12,000.

Sept. 9: Sold goods on credit to Kimutai Sh. 12,000

Sept. 12: Kipsang settled his account of Kshs.20,000 in cash after deducted

2% cash discount.

Sept. 13: The cheque received from Larry was dishonoured

Sept. 14: Made net sales Shs.25,000 where cash Sh. 15,000 was received

and the balance to be paid in later

Sept. 15: Received a cheque from Abdul woth Shs.29,100 after allowing

him a 3% cash discount.

Sept.16: Deposited all cash into the bank account except Shs.16,700.

**Required:**

Prepare a **three** column cashbook and balance it off. (10 marks)

Kiptala Traders

Dr Three column cash book Cr

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Details | L.F | D.Al | Cash | Bank | Date | Details | L.F | D.R | Cash | Bank |
| 2020  Sep1  ,, 5  5  12  14  15  16  Oct 17 | Balance  Larry  Moryn  Kipsang  Sales  Abdul  Cash  Balance | b/f  C  b/f | 200  300  400  900 | 100000  19600  15000  134,600  16700 | 9800  14700  29,100  78000  131600  106800 | 2020  Sep1  ,, 2  7  7  13  16  16 | Balance  Purchases  Silas  Brayo  Larry  Bank  Balance | b/f  c  c/f | 1500  600 | 15000  13500  11400  78000  16700  134600 | 15000  9800  106800  131600 |

4 (a) Explain ***five*** types large scale retailers. (10 marks)

* ***Supermarket***

*This is a large-scale self-selection/self-service store that deals mainly with a wide variety of household goods such as utensils, foodstuffs and clothes.*

***- Hypermarket***

*This is a large shopping complex/center comprising a variety of businesses owned and managed by different people all housed in one building*

***- Departmental store***

*This is a group of single shops operating under one roof with a centralized management. Each shop/department specializes in a particular line of products and is headed by its own department manager.*

***- Chain store***

*This is a large scale business with separate branches selling similar products and are managed and organized centrally. The branch managers are accountable to the head office.*

***- Mail order store***

*This is a type of retail business where business is carried out through the post office, online, telephone or email.* ***Ordering*** *of the goods is done through the post office, online, telephone or email and* ***delivering*** *of goods is done by post or by the available courier service providers.*

(b) Kenya’s trade with Singapore indicates a Balance of payment deficit against Kenya. Explain ***five*** measures that Kenya can take to correct such balance of payment. (10 marks)

* ***Devaluation of the country’s currency***

*This will make the country’s exports cheaper hence increased exports and at the same time making imports expensive leading to low importation of goods.*

* ***Encouraging foreign investment in the country***

*This may help in increasing the level of economic activities in the country hence production of what would otherwise have been imported from other countries. Any surplus produce can also be exported to other countries earning foreign exchange*

* ***Restricting the capital outflow from the country***

*It is done by decreasing the percentage of the profits that the foreigner can repatriate back to their country to reduce the outflow of capital*

* ***Decreasing the volume of imports.***

*This will save the country from making more payments than it receives. It can be done through imposing duty, quotas, use of administrative bottlenecks, foreign exchange control etc.*

* ***Increasing the volume of exports.***

*This enable the country to receive more than it gives to the trading partners. It can be done through use of Export compensation scheme, diversifying foreign markets and products, offering customs drawbacks and lobbying for the removal of trade restrictions.*

5. (a) Rashid Holdings, a Steel selling business intends to promote her products around the country. Explain ***four*** factors that it must consider when choosing an appropriate method of product promotion. (8 marks)

* ***The cost of the promotion***

*The business will consider whether the company can afford it or not since some promotion methods are very expensive making them not be easily affordable to the company.*

* ***The nature of the product being promoted***

*Some products may require demonstration or not. Products which requires demonstration are best promoted through personal selling*

* ***The targeted group***

*One must consider if the method will reach the target group or not. The promotion method must reach the targeted group, if it has to be effective*

* ***The objective of the firm***

*A firm will choose a method which will help in achieving a particular objective. For instance, if the business intends to correct its image tainted by the actions of competitors, it can use Public relations to communicate the correct position about itself.*

* ***The method used by the competitors***

*It is advisable to a firm to choose a method that will enable them compete favourably*

* ***Government policy***

*The firm must take into account the requirement of the law concerning product promotion. This will enable them not use what the law does not allow or approve of*

(b) The following trial balance relates to progressive traders as at 31st Dec 2022

**PROGRESSIVE TRADERS**

**TRIAL BALANCE**

**AS AT 31ST DEC 2022**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **Dr** | **Cr** |
| Purchases/sales | 349,000 | 582,000 |
| Debtors/Creditors | 51,000 | 62,000 |
| Motor vehicle | 600,000 |  |
| Drawings | 30,000 |  |
| Returns | 22,000 | 19,000 |
| Carriage in | 10,000 |  |
| NCBA loan |  | 170,000 |
| Furniture and fittings | 45,000 |  |
| Discounts. | 25,000 | 36,000 |
| Stock 1/1/2022. | 40,000 |  |
| Carriage outwards | 7,000 |  |
| Rent |  | 24,000 |
| Advertising | 13,000 |  |
| Land and Buildings | 500,000 |  |
| Access Bank loan |  | 210,000 |
| Interest on loans | 48,000 |  |
| Cash at bank | 150,000 |  |
| Cash in hand | 28,000 |  |
| Capital |  | 815,000 |
|  |  |  |
| **Totals** | **1,918,000** | **1,918,000** |

Additional information.

Stock as at 31st December 2022 was valued at Kshs.30,000

Required.

(i) Prepare a trading, profit and loss account for the year ended 31st December 2022. (7 Marks)

**PROGRESSIVE TRADERS,**

**TRADING, PROFIT AND LOSS ACCOUNT √**

**FOR THE YEAR ENDED 31/12/2022**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | | | Cr | | |
| sh. Sh. | | | Sh. Sh. | | |
| Opening stock |  | 40,000 |  |  |  |
| +Purchases | 349,000 |  | Sales | 582,000√ |  |
| +Carriage inward | 10,000 |  |  |  |  |
| -Purchases return | (19,000)√ | 340,000 | Sales returns | 22,000√ |  |
| **COGAS** |  | 380,000√ | Turnover |  | 560,000√ |
| -Closing stock |  | (30,000)√ |  |  |  |
| **COGS** |  | 350,000√ |  |  |  |
| Gross profit c/d |  | 210,000 |  |  |  |
|  |  | **560,000** |  |  | **560,000** |
|  |  |  |  |  |  |
|  |  |  | Gross profit b/d  Discount received |  | 210,000  36,000 |
| Carriage out  Discount allowed |  | 7,000  25,000 | Rent received |  | 24,000 |
| Advertising |  | 13,000 |  |  |  |
| Interest on loans |  | 48,000 |  |  |  |
| Net profit c/d |  | 177,000 |  |  |  |
|  |  |  |  |  |  |
|  |  | **270,000** |  |  | **270,000√** |

(ii) Develop a balance sheet for Progressive traders as at 31st December 2022. (5 Marks)

**PROGRESSIVRE TRADERS**

**BALANCE SHEET**

**AS AT 31/12/2022**

|  |  |
| --- | --- |
| Assets **Sh**. **Sh**  Fixed assets  Land 500,000  Motor vehicle 600,000  Furniture 45,000  1,145,000  Current assets  Stock 30,000  Debtors 51,000  Bank 150,000  Cash in hand 28,000 259,000  1,404,000 | Capital + liabilities **Sh Sh**  Capital 815,000  Add profit 177,000  Less Drawings (30,000) 962,000  Long term liabilities  NCBA Bank loan 170,000  Access Bank loan 210,000 380000  Current liabilities  Creditors 62,000    1,404,000 |

6. (a) Explain ***five*** factors influencing the type of goods and services to be produced. (10 marks)

* **Profitability;-**

Emirates enterprise manages should consider investing in viable sectors as

businesses tend to produce those goods and services that yield more profit

* **level of competition;-**

Firms tend to produce those products whose market competition is minimum i.e. those that are scarce in the market

* **Availability of resources;-**

A firm will produce those products whose required resources it has. These resources may include labor, raw materials, equipment etc.

* **Government policy;-**

A firm will produce those products which are favored by the government i.e. those which are lowly taxed and legal

* **Market demand;-**

Firms will produce products whose demand is high in order to ensure high sales volume

* **Cost of production;-**

A firm will produce those products whose production cost is low

(b) Outline ***five*** features of monopolistic competition market structure. (10 marks)

*-* ***There are many sellers and buyers*** *who operate independently.*

*-* ***They are no barriers to entry*** *into or exit from the market.*

*-* ***Products sold are close substitutes*** *but by are differentiated in terms of branding, packaging, colour etc.*

*-* ***No single firm has control over the factors of production*** *– All firms acquire the factors at the prevailing market rates.*

*-* ***Wide knowledge of the market*** *– Buyers and sellers are aware of the prices, quantities and other market factors.*

*-* ***Firm are independent*** *– in terms of pricing and output decisions.*