

EMUHAYA SUB-COUNTY JOINT EXAMINATION

JUNE, 2025

565/2 BUSINESS STUDIES PP2 MARKING SCHEME

1. a) **Factors that may hinder entrepreneurial development in a country.**
- i) Unfavourable government policy/imposing high taxes which discourages production of certain commodities /increases cost of production.
 - ii) Poor entrepreneurial culture /lack of role models in the society to inspire /motivate potential entrepreneurs.
 - iii) Legal constraints/red tape/bureaucracy making it too complex/expensive/difficult to start/run a business.
 - iv) Inadequate capital/limited access to credit which makes it difficult to start/run business.
 - v) Inadequate natural resource endowment/raw material/land leading to low production activities.
 - vi) Poor education system/training leading to lack of skills to start/run business.
 - vii) Political instability which creates unfavorable environment for business.
 - viii) In availability/poor technology which leads to production of poor quality /noncompetitive goods/services.
 - ix) Insecurity which discourages /scares entrepreneurs from investing/starting businesses.
 - x) Inadequate/lack of market due to low purchasing power/low incomes.
 - xi) Poor transport network/infrastructure which makes it expensive/difficult to access raw materials/market.
 - xii) Unfavorable/negative cultural practices which discourages starting/running businesses.
 - xiii) Unhealthy/stiff competition which makes investment expensive/uncompetitive from cheap/inferior imports.

5x2=10 mks

b) Clauses of the memorandum of association

- i) Name clause: States the name of the company which must end with the word limited.
- ii) Situation clause: States the physical location of the company/registered offices.
- iii) Object clause: States the objective /activities of the company.
- iv) Liability clause: Declares that the liabilities of all shareholders are limited.
- v) Capital clause: Discloses the authorized/registered share capital of company/the total share capital/value of each share/minimum capital.
- vi) Declaration/Association/subscription clause: Contains declaration of directors/promoters about their desire to register a company/their objectives/their personal details/number of shares held by each.

5x2=10 mks

2. a) Measures a company can take to increase productivity of labour.

- i) Competitive/increased remuneration/salaries/wages/allowances to be in line with similar businesses/to match increased standards of living.
- ii) Giving incentives /rewards to boost work output such as paid holidays/certificates/commendation letters/ financial rewards/for improved performance.
- iii) Provision of training /education/capacity building to improve efficiency of the workers.
- iv) Provision of modern /efficient tools/equipment/machinery/technology that leads to improved quality of work/makes work easier.
- v) Allowing workers to be part of the owners by buying shares so as to create interest in the success of the business.
- vi) Improving working relations amongst workers and management to foster unity/increase performance.
- vii) Improving working conditions that makes working comfortable/enjoyable for workers to produce more/better.
- viii) Setting clear goals/targets and providing regular feedback to keep employees focused.

b) Factors which may decrease the level of national income.

- i) Inadequate skilled labour/human resource which leads to production of poor quality/low quantity goods/services that are sold at low price.
- ii) Inadequate natural resources /land which produces low quality /quantity goods/services that are sold at a low price.
- iii) Poor entrepreneurial culture which discourages production/investments in business.
- iv) Use of poor/low technology which leads to production of low quality/quantity goods that generates low income.
- v) Inadequate foreign investment due to lack of enough subsidies/incentives thus reducing production of goods / services.
- vi) Political instability which scares away investors leading to less investment/discourages production of goods /services.
- vii) Negative attitude of citizens towards work which discourages production of goods/services.
- viii) Large subsistence sector. Most goods/services produced are not sold/excluded in computation of national income.
- ix) Natural disaster/pandemics destroys infrastructure /reduces /hinder production activities.

5x2= 10mks

3. a) Essentials of a warehouse

- i) Proper building design to accommodate intended goods.
- ii) Qualified/skilled/competent/appropriate staff for management/efficient functioning of the warehouse.
- iii) Good communication network for easy communication/contact with clients.
- iv) Good transport network to facilitate movement of goods in and out of the warehouse.
- v) Proper inventory control system/recording system to avoid fraud /monitor movement of goods.
- vi) Adequate space to facilitate easy movement of goods/personnel.
- vii) Compliance with legal requirements/law to avoid conflicts with law enforcers that may interfere with its operation.
- viii) Proper/ adequate handling equipment/machines for handling goods safely and easily.

Any 5x2=10mks

b) i) Trading, profit and loss a/c

Mali Safi Traders

Trading, Profit and Loss a/c √

For the year ended 31st December, 2023

	Kshs.	Kshs.		Kshs.	Kshs.
Opening stock		40,000√	Sales	627,000√	
Add purchases	349,000√		Less returns inwards	<u>22,000</u> √	605,000
Add carriage inward	<u>10,000</u> √				
	359,000				
Less returns outwards	<u>19,000</u> √	<u>340,000</u>			
C.O.G.A.S		380,000√			
Less closing stock		<u>30,000</u> √			
C.O.G.S		350,000√			
Gross profit c/d		<u>255,000</u> √			
		<u>605,000</u>			<u>605,000</u>
<u>Expenses</u>			Gross profit b/d		255,000√
Advertising		16,000√	<u>Revenues</u>		
Carriage outwards		7,000√	Discount received		40,000√
Discount allowed		25,000√	Rent received		<u>20,000</u> √
Interest on loans		<u>45,000</u> √			315,000
Total expenses		93,000√			
Net profit c/d		<u>222,000</u> √			
		<u>315,000</u>			<u>315,000</u>
			Net profit b/d		222,000√

21 ticks/3=7mks

ii) Balance sheet

Mali Safi Traders
Balance Sheet ✓
As at 31st December, 2023

Fixed Assets					
Land and buildings	650,000✓			Capital	900,000✓
Motor vehicle	500,000✓			Add net profit	<u>222,000</u> ✓
Equipment	50,000✓				1,122,000
Furniture and fittings	<u>40,000</u> ✓	1,190,000		Less drawings	30,000 ✓ 1,09,000
Current Assets				Long term liabilities	
Cash at bank	200,000✓			KCB loan	250,000✓
Debtors	60,000✓			Equity loan	130,000✓
Stock	30,000✓			Current liabilities	
Cash in hand	<u>113,000</u> ✓	403,000		Creditors	<u>121,000</u> ✓
		<u>1,593,000</u>			<u>1,593,000</u>

15/3= 5mks

4. a) **Ways of making face to face communication effective**

- i) Use of non-verbal cues to clarify/reinforce verbal message
- ii) Tone variation to break monotony/sustain interest for the listener
- iii) Clarity of the message to avoid misunderstanding/ambiguity
- iv) Communicating parties being close to each other to avoid shouting/not hearing
- v) Use of simple language/non-technical terms to make it easy for the receiver to understand.
- vi) Good listening /being attentive to enhance understanding of the message
- vii) Positive attitude between communicating parties to avoid prejudice .
- viii) Making message concise and brief to avoid unnecessary details.
- ix) Having courtesy and respect between the sender and the receiver to avoid hostilities

Any 4x2= 8mks

b) Guidelines that promote efficient use of government resources

- i) Economy. Expenditure must be incurred carefully and prudently to avoid any possible wastage.
- ii) Sanction. All public expenditure must be authorized by relevant bodies / parliament
- iii) Equity. Expenditure should be incurred in a way that ensures fair/equitable distribution of income.
- iv) Productivity. More resources should be spent on development projects/projects that yield high returns.
- v) Flexibility. Expenditure should be able to be adjusted to accommodate changing /prevailing economic circumstances.
- vi) Elasticity. Expenditure should be capable of being expanded /contracted in line with the size of the economy.
- vii) Maximum/optimum social benefit. Any expenditure must accord maximum benefit to the majority of the people.
- viii) Accountability. Public funds should be well managed /proper records kept for auditing.
- ix) Surplus. Savings should be spent on emergencies / Expenditure should be less than the revenue collected.

Any 5x2= 10mks

5. a) Negative effects of inflation

- i) Reduction in profits. Price increase reduces sales volume hence firms profits.
- ii) Wastage of time. Individuals /firms waste a lot of time shopping for reasonable prices.
- iii) Decline in standards of living due to reduced purchasing power/increased cost of living.
- iv) Loss to creditors who lend when the value of money is high and receives less at repayment time due to inflation /fall in money value.
- v) Economic retardation. Price fluctuations makes investors fear taking risks/new investments.
- vi) Loss of confidence in monetary system. Less use of money as a medium of exchange /store of value.
- vii) Discourages savings as more money is spent on consumption leaving very little for saving.
- viii) Increased conflicts between employers and employees due to increased pressure from employees demanding for increased/better remunerations/salaries/wages.
- ix) Creates unemployment as firms lay off employees due to increased cost of production.

- x) Adverse effect on the balance of payment as inflation makes exports more expensive and imports from countries not experiencing inflation becomes cheaper and attractive leading to more imports than exports. Any 5x2= 10mks

b) Three column cash book.

Kasongo Traders

Three column Cash book

For the month of April 2025

DATE	DETAILS	FOLIO	DISCOUNT ALLOWED	CASH	BANK	DATE	DETAILS	FOLIO	DISCOUNT RECIVED	CASH	BANK
2025 April 1	Balance	b/d		150,000		2025 April 1	Balance	b/d			10,000
April 2	Sales				180,000	April 4	Salaries				50,000
April 10	Adan		25,000	225,000		April 15	Cash	C			20,000
April 15	Bank	C		20,000		April 20	Wanyama		1,500		28,500
April 17	Kamau			33,000	45,000	April 25	Drawings				15,000
April 21	Atieno		10,000		90,000	April 26	Furniture			20,000	
April 28	Duale		2,000		18,000	April 29	Makori		500	9,500	
April 28	Mwangi		3,200		28,800	April 29	Kirwa		1,750	33,250	
April 28	Barasa		1,400		12,600	April 29	Kiptoo		900	17,100	
April 30	Cash	C			298,150	April 30	Bank			298,150	
						April 30	Balance	c/d		50,000	549,050
			<u>41,600</u>	<u>428,000</u>	<u>672,550</u>				<u>4,650</u>	<u>428,000</u>	<u>672,550</u>
April 30	Balance	b/d		50,000	549,000						

40x¼= 10mks

6. a) **Factors that leads to decrease in demand for oranges**

- i) Unfavorable pricing/Increase in price. Priced at a value that consumers cannot afford.
- ii) Decrease in consumers' income which lowers consumers' purchasing power.
- iii) Increase in price of complementary goods which discourages consumers to buy oranges since they are consumed together with unaffordable/ highly priced complementary goods.
- iv) Anticipation of future increase in supply which makes consumers to buy less now.
- v) Decrease in price of substitutes makes consumers prefer cheap substitutes to oranges.
- vi) Unfavorable tastes/preferences /fashions. Makes more consumers to shift preference to other fruits.
- vii) Inequitable distribution of income among consumers. Since only few people will earn more, majority earning less will not afford oranges.
- viii) Decrease in population lowers the number of consumers hence few oranges consumed.
- ix) Unfavorable government policies/high taxation /decrease in subsidies leads to increase in price of oranges thus making them unaffordable.

Any 5x2=10mks

b) Describe five accounting documents used in home trade.

- i) Receipt: Is a document issued by seller to the buyer upon payment for goods/services.
- ii) Invoice: Is a document sent by the seller to the buyer demanding for payment for goods sold on credit.
- iii) Consignment note: Is document that supports hire of carriage services/shows transport charges.
- iv) Bank deposit slip: Is a document that shows evidence of payment into the account.
- v) Credit note: Is a document issued by the seller to the buyer to correct an overcharge in an invoice which had been issued.
- vi) Debit note: Is a document send by seller to the buyer to correct an undercharge in an invoice which had been sent.
- vii) Payment voucher: Is a document issued by cashier and signed by payee to validate payment for services /goods rendered.
- viii) Statement of account: Is a document send by seller to the buyer showing details of transactions for a specific period of time with a running balance shown with each entry.
- ix) A.I.E (Authority to Incur Expenses).Is a document with instructions allowing one to spent institutional funds up to a certain amount.
- x) Remittance advice note: Is a document that accompanies the cheque issued for settlement of a debt.

Any5x2=10mks