
**KENYA NATIONAL EXAMINATION COUNCIL
REVISION MOCK EXAMS 2016
TOP NATIONAL SCHOOLS**

**MANG’U HIGH SCHOOL
BUSINESS STUDIES
THEORY
Paper 2
MARKING SCHEME**

SCHOOLS NET KENYA
Osiligi House, Opposite KCB, Ground Floor
Off Magadi Road, Ongata Rongai | Tel: 0711 88 22 27
E-mail: infosnkenya@gmail.com | Website: www.schoolsnetkenya.com

MANG'U SCHOOL KCSE TRIAL AND PRACTICE EXAM 2016

BUSINESS STUDIES PAPER 2

MARKING SCHEME

1. (a) Wrong / inaccurate data for population and income figures give wrong percentage income.
- Changes in value of money due to devaluation increases per capita income but does not reflect improvement in peoples welfare.
 - Income distribution if there is inequitable income distribution the welfare standards have not improved even with increased in per capital income.
 - Social costs – Rural urban migration for those working in industrial sector may cause stain on family relationships but increase per capita income.
 - Increase in number of high priced / valued goods that raises per capita income but not improvement in standards of living.
 - Increase no per capita as a result of over working / little recreation leads to poor standards of leaving.
 - Per capita income is got from arithmetical calculations which may not reflect a true picture of rise / fall in standards of living / welfare standards.(Any 5x2=10mks)
- (b)
- Low standards of living
 - Dependency burden
 - High level of unemployment
 - Rise in social problems
 - Strain on social amenities
 - Food shortage (5x2)well explained =10mks)

| 2. (a) | <table><tr><th>Monopolistic</th><th>Perfect compensation</th></tr><tr><td>(i) Firms produce / cell similar but differentiated products.</td><td>(i) Firms produce / cell homogeneous products</td></tr><tr><td>(ii) Have their own price and out put policy</td><td>(ii) They are price takers & output adjustors</td></tr><tr><td>(iii) Faced with normal demand curve</td><td>(iii) Perfectly elastic demand curve</td></tr><tr><td>(iv) Spend a lot of money in advertising</td><td>(iv) Firms do incur cost of advertising</td></tr><tr><td>(v) Firms operate at excess capacity</td><td>(v) No excess capacity</td></tr></table> | Monopolistic | Perfect compensation | (i) Firms produce / cell similar but differentiated products. | (i) Firms produce / cell homogeneous products | (ii) Have their own price and out put policy | (ii) They are price takers & output adjustors | (iii) Faced with normal demand curve | (iii) Perfectly elastic demand curve | (iv) Spend a lot of money in advertising | (iv) Firms do incur cost of advertising | (v) Firms operate at excess capacity | (v) No excess capacity |
|---|---|--------------|----------------------|---|---|--|---|--------------------------------------|--------------------------------------|--|---|--------------------------------------|------------------------|
| Monopolistic | Perfect compensation | | | | | | | | | | | | |
| (i) Firms produce / cell similar but differentiated products. | (i) Firms produce / cell homogeneous products | | | | | | | | | | | | |
| (ii) Have their own price and out put policy | (ii) They are price takers & output adjustors | | | | | | | | | | | | |
| (iii) Faced with normal demand curve | (iii) Perfectly elastic demand curve | | | | | | | | | | | | |
| (iv) Spend a lot of money in advertising | (iv) Firms do incur cost of advertising | | | | | | | | | | | | |
| (v) Firms operate at excess capacity | (v) No excess capacity | | | | | | | | | | | | |

(Matching differences Any 5x2=10mks)

- (b)
- To improve efficiency
 - Generate revenue for governments
 - Reduce control by the government
 - To reduce government expenditure
 - Attract foreign investors / private investors (Explained 5x2=10mks)
3. (a)
- Where the producer does not require specialized storage for safety of goods
 - Where goods do not require bulk breaking
 - Where the gods do not need to brand, pack, blend, preparation before they reach customers.
 - Where the customers are concentrated in one area.
 - Where the produce wants to save on time. (No splitting Any 5x2=10mks)

(b)

Bumala Traders

Trading Profit and Loss Account

For the year ended 31/12/2011

| | Shs | shs | | Shs | shs |
|--------------------|---------|---------|-----------|---------|---------|
| Opening stock | | 60,000 | Sales | 720,000 | |
| Purchases | 340,000 | | L>Returns | 20,000 | 700,000 |
| Less returns | 18,000 | | | | |
| 322,000 | | | | | |
| G.A.S | | 382,000 | | | |
| Less closing stock | | 52,000 | | | |
| COS | | 330,000 | | | |
| GP c/d | | 370,000 | | | 700,000 |
| | | 700,000 | GP b/d | | 370,000 |
| Rent | 16,000 | | Commuss | 9,000 | |
| Add curved | 6,000 | | Add due | 5,000 | 14,000 |
| 22,000 | | | | | |
| Advertising | | 24,000 | | | |
| Insurance | 30,000 | | | | |
| Less Advance | 4,000 | | | | |
| 26,000 | | | | | |
| Salaries | | 21,000 | | | |
| Profit c/d | | | | | |
| 291,000 | | | | | |
| | | 384,000 | | | 384,000 |

Bulala Trades
Balance sheet
As at 31/12/2011

| F.A | shs | shs | | Shs | shs |
|----------------------|---------|---------|----------------|---------|---------|
| Formative / Fittings | 100,000 | | Capital | 288,000 | |
| Premiers | 400,000 | 500,000 | Less Drawings | 40,000 | |
| CA | | | Add net profit | 248,000 | 539,000 |
| Debtors | 54,000 | | | 291,000 | 539,000 |
| Stock | 52,000 | | C.C | | |
| Insure prepaid | 4,000 | | Creditors | 64,000 | |
| Commis due | 5,000 | | Rent accrued | 6,000 | |
| Cash | 15,000 | 130,000 | Salaries | 21,000 | 91,000 |
| | | | | | |
| | | 630,000 | | | 630,000 |

4. (a)
- The high rate of interest charged on these loans.
 - Not many people have accounts with commercial banks
 - Involves lengthy formalities
 - Many people fear the consequences of failing to repay the loans.
 - Many people do not recognize property that they can offer as security for the loans.
 - High population
 - The rural population is too high as compared to cultivable land.
 - Shortage of capital – due to shortage of capital old methods of cultivating are adapted.
 - Inadequate irrigation facilities – This results into low agricultural production
 - Lack of skills – Most of the farm workers are untrained or insufficiently trained.
 - Seasonal changes – Farming depends on changes in seasons.
5. (a)
- Facilitates buying/ selling of shares
 - Creation of employment

- Raise revenue for the government
- Measuring a county's economic progress
- Safeguarding investors interests
- Assist company to raise capital
- Promotes the culture of saving
- Avails a variety of countries
- (b) - Increased job opportunities
- Widens the market for local products
- Saves foreign exchange, which could have been fused towards to import goods from non-member countries
- Earns the government revenue taxation
- Leads to specialization
- Helps development of infrastructure to member countries.
- Creates congestion, hence quality goods / services.

6. (a)

| Nakhulo Traders | | | | | |
|--|---------------|----------------|--------------|---------------|---------------|
| Trading profit and loss Account | | | | | |
| For the year ended 31 st Dec 2011 | | | | | |
| | Shs | shs | | Shs | shs |
| Opening stock | | 60,000 | Sales | 208,000 | |
| Purchases | 161,000 | | Less Returns | <u>27,000</u> | 181,000 |
| Add coming inward | <u>11,000</u> | | | | |
| | 172,000 | | | | |
| Less Returns out | <u>25,000</u> | <u>147,000</u> | | | |
| | | 207,000 | | | |
| Less closing stock | | <u>72,000</u> | | | |
| COS | | 135,000 | | | |
| GP c/d | | <u>46,000</u> | | | |
| | | <u>181,000</u> | | | 181,000 |
| Telephone | 5,000 | | GP b/d | | 46,000 |
| Prepaid | 1,100 | 3,900 | Dis received | | 7,500 |
| Water bills | 2,100 | | Net loss | | 1,300 |
| Add due | 1,300 | 3,400 | | | |
| Depreciation on equip | | 12,500 | | | |
| Carriage out | | 10,000 | | | |
| Salaries | | 22,000 | | | |
| Electricity expenses | | 2,000 | | | |
| Insurance | | <u>1,000</u> | | | |
| | | <u>54,800</u> | | | <u>54,800</u> |

- (b)
- Indirect taxes cannot be evaded as payment is made with purchases
 - They stimulate effects as people shift to maintain their living standards
 - They are more broad based (cover more people)
 - They are cheaper to administer
 - Indirect taxes are more equitable since all consumer tend to pay an equal amount per unit consumed.