
KENYA NATIONAL EXAMINATION COUNCIL
REVISION MOCK EXAMS 2016
TOP NATIONAL SCHOOLS

MOI GIRLS ELDORET
BUSINESS STUDIES
THEORY
Paper 2
MARKING SCHEME

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MOI GIRLS ELDORET KCSE TRIAL AND PRACTICE EXAM 2016

BUSINESS STUDIES PAPER 2

MARKING SCHEME

1. (a) Limitations of adoption of new technology
 - (i) Insufficient capital / high cost of acquiring and maintaining new technology.
 - (ii) Some technologies are advancing very fast requiring continuous updating which is expensive.
 - (iii) Adoption of new technology may lead to lay-off / increase in unemployment problems
 - (iv) New technology require hiring new staff or retraining them which is expensive.
 - (v) New technology increases cost of goods in the short-run.
 - (vi) It increases prices of goods thus discouraging potential customers.
 - (vii) Some technologies have side-effects e.g computers affects the eyesight.
 - (viii) Breakdown of some machines may lead to losses or interruption of business operation
 - (ix) Some technology may lead to environmental degradation e.g disposal of waste, which calls for measures which is expensive.

(Any 5 x 2 = 10mks)
- (b) Reasons for trade restrictions
 - (i) Protection of infant or new industries
 - (ii) Expansion of domestic market
 - (iii) Correction of balance of payment deficits
 - (iv) To discourage dumping
 - (v) Creation of employment in the domestic economy
 - (vi) To avoid importation of harmful goods. (Any 5 x 2 = 10mks)
2. (a) Sources of monopoly power
 - (i) Control of an important factor of production which other firms may not be able to access
 - (ii) Legal restrictions. Other firms might not be allowed by the government or law to operate a competing business
 - (iii) High initial capital which other firms might not be able to raise
 - (iv) Size of the market. The market can be small that can only be served by one firm, a new firm coming in will lead to losses.
 - (v) Restrictive practices (5 x 2 = 10mks)
- (b) Factors affecting economic planning processes.
 - (i) Lack of accurate or detailed data
 - (ii) Existence of large subsistence sector
 - (iii) Inadequate qualified personnel
 - (iv) Problems of private sector
 - (v) Transfer of inappropriate development plan e.g from other countries
 - (vi) Reliance on donor funding
 - (vii) Inadequate domestic resources
 - (viii) Failure to involve local people in planning
 - (ix) Natural calamities

(Any 5 x 2 = 10mks)
3. (a) Tools the government can use to arrest runaway inflation
 - (i) Open market operation, this is through sell of securities
 - (ii) Margin requirement; varying of margin requirement e.g lowered margin requirement leads to reduced credit advance to borrowers.

- (iii) Cash ration. Increased cash ratio reduces the amount that the commercial banks are left to lend.
- (iv) Selective credit contro
- (v) Compulsory deposits to the central bank by commercial banks
- (vi) Liquidity ration. Commercial banks may be required to increase proportion of liquid assets.
- (vii) Bank rate. Central bank increases the rate at which it lends to commercial bank;
- (viii) Moral suasion. Urging commercial to restrain lending
1 mk mention, 1 mk explanation
(Any 5 x 2 = 10mks)
- (b) Measures to reduce unemployment
 - (i) Increase government expenditure so as to stimulate aggregate demand
 - (ii) Encouragement of local and foreign investors through offering various incentives
 - (iii) Protection of local industries from foreign competition to maintain acceptable employment level domestically.
 - (iv) Population growth measures
 - (v) Encourage early retirement so that early retirees can start businesses from retirement benefits.
 - (vi) Education reforms that impart appropriate skills
 - (vii) Offering incentives that encourage the use of labour intensive techniques.
 - (viii) Finding market for locally produced goods
(Any 5 x 2 = 10mks)
- 4. (a) Reasons which may make an insurance firm not to compensate
 - (i) When the loss is caused intentionally by the insured
 - (ii) When the insurance company is insolvent
 - (iii) If Mr. Kisuya has no insurable interest in the property
 - (iv) It may be because he had not insured his house against fire
 - (v) Late claim for compensation
 - (vi) Provision of false information about the property / self
 - (vii) Misrepresentation of facts

(b)

Public corporation	Public Ltd. Company
- Formed under Act of parliament	- Formed under companys' Act
- Owned by shareholders	- Owned by state/public / government
- Board of directors appointed by the government	- Managed by board of Directed elected by shareholders
- Has unlimited liabilities	- Liabilities limited by share capital contribution
- Profits if any go to state/government	- Profits are shared by shareholders
- Not required by law to publish final accounts	- Are required by law to publish final accounts
- Initial capital is provided by state / government	- Raise capital through sale of shares to the public
- Performs specific functions	- Performs various functions
- Provide essential services	- Are profit motivated/oriented
- Appointments are political/ political influence	- Has minimal political interference
- Winding depends on government	- Winding is made by shareholders
- Audited by private Auditors	- Audited by the government

No splitting

Any (5 x 2 = 10mks)

For correct matching of differences

5. (a)

Dr.		Equipment A/C	Cr.	
April 1 Bal b/d	<u>200,000</u> ✓		April 30 Bal c/d	<u>200,000</u> ✓

Dr.		Furniture A/C	Cr.	
April 1 Bal b/d	<u>82,000</u> ✓		April 30 Bal c/d	<u>82,000</u> ✓

Dr.		Stock A/C	Cr.	
April 1 Bal b/d	<u>140,000</u> ✓		April 1 Trading A/c	<u>140,000</u> ✓

Dr.		Cash A/C	Cr.	
April 1 Bal b/d	20,000✓		April 30 Bal c/d	32,000✓
30 sales	<u>12000</u> ✓			<u>32,000</u>
	<u>32000</u>			

Dr.		Bank A/C	Cr.	
April 1 Capital	<u>30,000</u> ✓		April 30 Bal c/d	<u>30,000</u> ✓

Dr.		Capital A/C	Cr.	
April 30 Bal c/d	445,000✓		April 1 Bal b/d	415,000✓
	<u>445,000</u>		" 4 Bank	<u>30,000</u> ✓
				<u>445,000</u>

Dr.		Creditors (Mutai)	Cr.	
April 19 Purchases Return	3,000✓		April 1 Bal b/d	27,000✓
Bal c/d	<u>53,000</u> ✓		10 Purchases	<u>29,000</u> ✓
	<u>56,000</u>			<u>56,000</u>

Dr.		Purchases A/C	Cr.	
April 10 Mutai (Creditor) a/c	<u>29,000</u> ✓		April 19 Trading a/c	<u>29,000</u> ✓

Dr.		Purchases Return	Cr.	
April 30 Trading a/c	<u>3,000</u> ✓		April 19 Mutai (Creditor a/c)	<u>3,000</u> ✓

Dr.		Sales a/c	Cr.	
April 30 Trading a/c	<u>12,000</u> ✓		April 30 Cash a/c	<u>12,000</u> ✓

24 ticks x ½ = 12mks

- (b) Ways of improving efficiency of labour
- (i) Improve their working conditions
 - (ii) Make them part of owners through shares
 - (iii) Introduce them to advance technology

- (iv) Set performance contracts
 - (v) Regular review of salary and fringe benefits
 - (vi) Give yearly bonuses to hardworking employees
 - (vii) Regular communication with employees
- (Any four well explained points 4 x 2 = 8mks)

6. (a) Benefits of filing
- (i) Neatness in the office
 - (ii) Reduce loss of documents
 - (iii) Easy retrieval of information
 - (iv) Minimise damage
 - (v) Increase confidentiality of information
 - (vi) Ensure proper storage for future reference
 - (vii) Help save on space
 - (viii) Safeguard
- (b) Impleation of production activities on the environment
- (i) Air pollution because toxic omissions
 - (ii) Water pollution due to refuse from production units
 - (iii) Noise pollution from production firms
 - (iv) Destruction of the landscape
 - (v) Creation of green house effect because of too much smoke
 - (vi) Solid waste pollution which leave bid sites to watch
 - (vii) Social evils and crimes which come as a result of bring people together.