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

**ALLIANCE GIRLS 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

ALLIANCE GIRLS SCHOOL KCSE TRIAL AND PRACTICE EXAM 2016

BUSINESS STUDIES PAPER 2

MARKING SCHEME

1. a) Reasons why the govt trains business people.
- (i) Expose them to modern/new/efficient developments/trends in managing/running/operating businesses.
 - (ii) Educate them on how to identify business opportunities.
 - (iii) Expose them to problems facing businesses/solutions to problems facing businesses.
 - (iv) Educate them on proper business ethics/accept examples of ethics.
 - (v) Educate them on how to (best) use available resources/maximize profits/minimize losses.
 - (vi) Inform them of available business opportunities in the country/other countries.
 - (vii) Expose them to govt policies that affect business in the country.

5 x 2 = 10 mks No splitting

1. b) Roles that intermediary play in distribution of goods.

- (i) Provides a link between producers and consumers/reduces the
- (ii) Number of transactions between producers and consumers/producers are linked to various consumers/consumers are linked to various producers.
- (iii) Breaks bulk to allow consumers buy/get goods in convenient sizes/on behalf of producers.
- (iv) Accumulates bulk from various (small-scale) producers/that is convenient to large-scale consumers.
- (v) Provides transport to producers/consumers.
- (vi) Stores goods for producers/until required by consumers.
- (vii) Provides a variety of goods to consumers/from various producers/at one place.
- (viii) Provides finance to the producer by promptly paying the producer.
- (ix) Carries out product promotion on behalf of producers/by passing relevant information about products to consumers.
- (x) Assist in market research by passing information about the market to producers.
- (xi) Take up risks in distribution of goods by
- (xii) Possessing/transporting/storing of goods/on behalf of producers.
- (xiii) Availing goods to consumers at convenient locations/by ensuring steady supply of goods to consumers.
- (xiv) Prepare goods for sale by sorting/grading/branding/accept any example of preparation for sale as explanation.

5 x 2 = 10 mks

1 Mk - mention, 2 mks - otherwise.

2. a) Why many Kenyans are shopping in supermarkets.
- i) Goods are sold at lower prices due buying in bulk/leading to savings for the buyer.
 - ii) Variety of goods therefore the buyer can get most of what he needs/saves time looking for what one needs.
 - iii) Quick/fast shopping since prices are fixed/no time is wasted on bargaining/prices are shown on the goods/there is self-service/orderly arrangement of goods.
 - iv) Goods are packed for the customer to make it easy to carry.
 - v) Additional benefits to the customer from the promotional methods used by the supermarkets, e.g. shopping/smart cards, gifts, free samples, prize winning competitions, special price offers, etc.

- vi) Convenient to shop in due to their location (at the centre of town)/private shopping/one can easily notice what he needs.
- vii) Its prestigious/fashionable since it can be used as a form of recreation.
- viii) (Many supermarkets) accept alternative forms of payment that are more convenient/safe to use (than money)/such as credit/debit cards/accept example of means of payment as explanation.

$6 \times 2 = 12 \text{ mks}$

1 mk - mention, 2 mks - otherwise.

2. ***b) Benefits of the new port at Lamu.***

- i) Employment to people during construction of the port/provision of services at the port/resulting from developments around the port.
- ii) Open up the area around the port for development/accept examples of development as explanation/roads/electricity/water/schools/hospitals/etc.
- iii) Cheap to import goods through sea transport/leading to reduced prices of imports.
- iv) Cheap/easy to export goods through sea/making exports affordable.
- v) Ease congestion at the port of Mombasa leading to faster flow/processing of goods on transit.
- vi) Help connect the country to other countries (in the hinterland)/South Sudan/Ethiopia leading to wider market for the country's products/raw materials for industries in the country.
- vii) Encourage development in the northern part of the country that will utilize resources in the region/through more/improved infrastructure/accept examples of infrastructure as explanation/pipeline/railway line/airports/roads/etc.
- viii) Earn the revenue for govt from handling exports/imports of other countries/South Sudan/Ethiopia/taxation of imports/exports.
- ix) Establishing of settlement schemes for indigenous people/people displaced by the port/proper land ownership.
- x) Supply of power to the residents around the port.
- xi) Enhanced security against theft/robbery/terrorism/that encourages establishment of businesses/tourism.
- xii) Establishment of social amenities/public utilities that benefit the residents/such as schools/hospitals/recreation places/ etc.

$4 \times 2 = 8 \text{ mks}$

1 mk - mention, 2 mks - otherwise.

3. ***a) Advantages of public limited company.***

- i) Wide range of capital/large capital base making it easy to expand/from the many shareholders/accept examples of sources of capital as explanation.
- ii) (Shareholders) have limited liability - owners can only lose the capital contributed/their private property cannot be used to pay business debts.
- iii) Specialized/efficient management since they can afford to employ qualified/experienced managers.
- iv) Shares/ownership is freely transferable without affecting the capital of the company/which attracts investors/without seeking permission from other shareholders.
- v) Continuity of the company even where there's death/insanity/bankruptcy/withdrawal of shareholders.
- vi) (Enjoys) economies of scale due to large size/operation/since most are large/accept examples of economies of scale as a naming.

- vii) Employees are efficient/(highly) productive since the company can afford motivation (schemes)/which leads to high quality goods/services/accept examples of motivation as explanation.
- viii) Has a separate legal existence from the owner/(since) it can own property/enter into legal contracts/agreements/sue in its own name.
- ix) Shareholders participate in the running/operations of the company through making major decisions (during the AGM).

5 x 2 = 10 mks

1 Mk - mention, 2 mks - otherwise.

Msafiri traders

Balance sheet as at 31st December 2011

Assets			Liabilities
	KSh	Ksh	
Fixed Assets			Capital 1,840,000
Buildings	1,200,000		Add: Net profit 170,000
Motor vehicle	750,000	1,950,000	2,010,000
			Less: Drawings 100,000
			1,910,000
Current Assets			L/T Liabilities
Stock	280,000		Loan from IDB 600,000
Debtors	190,000		Current Liabilities
Bank	270,000		Creditors 310,000
Cash	130,000	870,000	
		2,820,000	2,820,000

ii) Mark-up

= Gross profit Cost of sales Gross profit = net profit + expenses = 170,000 + 100,000 = **sh270, 000**

Cost of sales = op. stock + purchases + carriage in - returns outwards – closing stock = 230,000 + 900,000 + 150,000 - 50,000 - 280,000 = **sh670, 000**

Mark-up = $\frac{270,000}{670,000} \times 100 = 40.298\%$

½mkx 4 ticks = 2 mks.

Return on capital employed:

= Net profit x 100

Capital employed Capital employed = owner's capital + L/T liabilities. = 1,910,000 + 600,000 = **sh2, 510,000.**

Return on capital employed = $\frac{170,000}{2,510,000} \times 100 = 6.77\%/6.8/7.0\%$.

½ mks x 4 mks = 2 mks.

4. a) Principles of taxation.

- i) Equity - the tax should be charged according to ability to pay.
- ii) Certainty - the tax to be paid should be clearly defined/the tax payer should be informed about the rate of the tax/time of payment/amount to pay/etc.
- iii) Convenience - collection/payment of tax should not be cumbersome/mode of payment/collection should be comfortable to tax payer/collector.

- iv) Economy - administration cost of the tax should not exceed revenue from the tax/lower cost of collection compared to amount collected (from the tax).
- v) Flexibility - it should be possible to revise/vary/change/adjust the tax easily to be in line with changing economic situations/prevailing conditions.
- vi) Diversity - there should be a wide variety of taxes applied to yield enough/sufficient revenue/cover entire (taxable) population/suit different tax payers/ensure equity.
- vii) Elasticity - the tax revenue/collected should be able to respond to changes in national income/realize more income when economy is booming.
- viii) **Simplicity** - (tax system) should be easy to understand/know how it works/easy to apply.
- ix) **Not oppressive** - the tax should not be too high as to discourage (hard) work. **5 x 2 = 10 mks 1mk - mention, 2 mks = otherwise**

. 4. b) Measures to improve productivity of labour.

- i) Provision of training/education/capacity-building to improve efficiency of the workers/improve their ability to perform their duties.
- ii) Competitive/increased remuneration/salaries/wages/allowances to be
- iii) in line with similar businesses/ to cover increased standards of living.
- iv) Provision of efficient/modern
- v) Tools/equipments/machinery/technology that leads to improved quality of work/makes work easier /smooth
- vi) Improving working conditions that makes working comfortable/enjoyable/workers to produce more/better.
- vii) Improving working relations amongst the workers/between workers and management.
- viii) Allowing workers to be part owners by buying shares/ownership in the business/so as to create interest in the success of the business.
- ix) Giving incentives/rewards that boost the work output/such as paid holidays, certificates/commendation letters, material/financial rewards/etc/for improved performance.

5 x 2 = 10 mks

1 Mk - mention, 2 mks - otherwise.

5. a) Ways in which the price of a product can be determined in a market.

- i) (Forces of) demand and supply - the willingness /ability of buyers/consumers to buy and the willingness/ability of sellers/producers to sell/the quantity demanded and the quantity supplied sets the equilibrium/exchange price/the price at which the quantity demanded equals the quantity supplied.
- ii) Auctioning/bidding - where buyers bid/compete for the product (by suggesting the prices they are willing to pay) and the product is sold to the highest bidder/at the highest price.
- iii) Haggling/bargaining - sellers and buyers argue/bargain/haggle/discuss various possible prices until they agree/compromise on the price at which the product is exchanged/sold.
- iv) Tendering - prospective sellers quote/suggest the price at which they are willing/able to sell and the buyer selects the lowest/appropriate price (at which he buys the product).
- v) Price fixing by the producer/seller - the producer/seller fixes/sets/recommends the price at which the product should be sold.
- vi) Price fixing by the govt - the govt sets the price at which all sellers offer the product to the market/buyer.

5 x 2 - 10 mks

1 mk - mention, 2 mks - otherwise.

5. b) Benefits of mobile phone money transfer services.

i) Confidentiality - a secret PIN is used to access information on the account

- i) Ease of use - as the agent assists in carrying out the transaction/can be used even by illiterate people/easy to understand.
- ii) Fast transfer of money to the receiver/without delay.
- iii) Convenience - the agents (where money can be deposited/withdrawn) are located close to the user/the service is easily accessible to the users/agents/phones are found throughout the country/even in remote places/one can send/receive money at any place.
- iv) Affordability - the charges for sending/receiving money is low/affordable.
- v) Security/safety - sending money is quite safe/reliable (so long as the correct pin/receiver's phone number is used)/it's more safe than carrying cash/one needs a pin to send/receive money.
- vi) Acceptability - many people accept it as a way of transferring money/means of payment.
- vii) Facilitates m-banking - money can be withdrawn/transferred the mobile phone through bank ATM machines/transferred to/from bank accounts.
- viii) No account maintenance fee for keeping money in the mobile phone.
- ix) Short/simple procedure to register for the service.

5 x 2 = 10 mks 1 mk - mention, 2 mks - otherwise.

**Nyati Traders 3-column cash book
For the month of June 2011**

Date	Details	Disc. All.	Cash	Bank	Date	Details	Disc. Rec.	Cash	Bank
2011		shs	shs	shs	2011		shs	shs	Shs
June 1	Bal. b/d		25,000	56,200	June 8	Salaries		24,000	
June 2	Sales		42,000		June 18	Tulei	5,000		95,000
June 5	Butala	4,500		70,500	June 24	Cash			26,000
June 9	Tr Kivuitu	1,800	43,200		June 29	Elect		8,750	
June 12	Sales		46,500		June 30	Bank		24,950	
June 24	Bank		26,000		June 30	Bal. c/d		25,000	130,650
June 30	Cash			124,950					
		6,300	182,700	251,650			5,000	182,700	251,650
July 1	Bal. b/d		25,000	130,650					

$\frac{1}{2}$ mk x 20 ticks = 10 mks.

6. b) Differences between oligopoly and perfect competition situations

market

Oligopoly	Perfect competition
i) Sellers are few/two.	i) Sellers are many.
ii) The seller determines/set price/are price makers.	ii) The seller does not set/determine price/have no control over price/are price takers.
iii) <i>Product sold/produced is differentiated/made different by colour/name/quality/shape/etc.</i>	iii) Product sold/produced is homogeneous (in colour/shape/quality/etc).
iv) <i>Barriers/restrictions to entry (in the market)/exit.</i>	iv) No barriers to entry/exit/free entry/exit.
v) <i>Price wars exist/used to determine price.</i>	v) No price wars/all firms sell at same/uniform price.
vi) <i>Extensive advertising/promotion of the products.</i>	vi) No need for Promotion/advertising/there's perfect knowledge about the market.
vii) <i>Govt has control over the firms.</i>	vii) No govt control/influence.
viii) <i>Factors of production are immobile/not easily switched from production of one product to another.</i>	viii) Factors of production are (perfectly) mobile/can easily be switched from one production to another/more profitable lines.
ix) <i>Transport costs are incurred.</i>	ix) No transport costs are incurred.

2 mks x 5 well matched and explained points = 10 mks.