

**SCHOOL BASED FORM FOUR EXAMS JULY / AUGUST**  
**MARKING SCHEME BUSINESS PAPER II**

**1. Factors that influence the amount of money kept for transaction purpose**

- The level of income of an individual. The higher the level of income, the higher the amount of money the individual would hold .
- The number of dependants an individual has. The higher the number the higher the amount of money hold
- Possibility of getting credit. The more difficult. It is, the higher the amount of money or individual would hold.
- The interval between income receipts . The shorter it takes an individual to receive income, the less the amount of money the individual would hold.
- Life style of an individual. An individual with expensive life style will hold more for transaction purpose.
- Price level of goods/services. The higher the prices of goods/services the more money an individual would hold .

**(b) Services offered by a wholesaler to a producer**

- Wholesaler prepares goods for resale by branding , blending, package etc
- Wholesaler finances the producer through making payments
- Wholesaler offers storage facilities to a producer thus ensuring continuous production
- Wholesaler advertise goods on behalf of the producer .
- Wholesalers relieve the producer of risks such as fall in prices , bad debts etc
- Wholesaler act as a link between the producer and the retailer

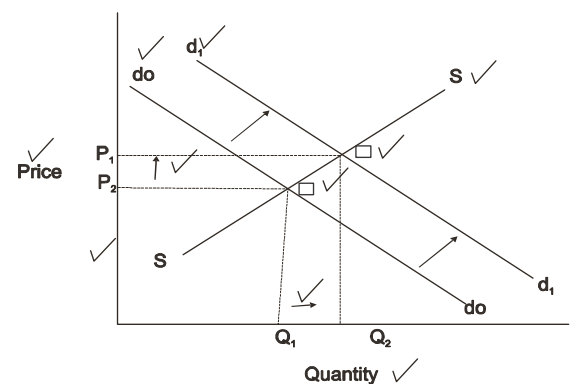
**2.(a) Ways of making face to face communication effective**

- Clarity of message to avoid misunderstanding
- Positive altitude between the sender and the receiver
- Good listening skills to make the receiver get the message being sent
- Proper timing by the sender to make it condusive and acceptable for both
- Making the message brief to avoid unnecessary details
- Use of non-verbal gestures to clarify verbal messages
- Planning by the sender to enhance understanding of the message.

**(b) Causes of business success in Kenya**

- Fair competition in the market
- Good and efficient management of the business
- Use of modern technology in business operations
- Political stability and security in the country
- Availability of skilled manpower
- Favourable government policies and support

**3(a) Effect of the shift in demand curve towards the right on the equilibrium price and quantity**



Shift to the right moves the equilibrium price from  $p_0$  to  $P_1$  which is higher and the equilibrium quantity from  $DO - Q_1$  showing an increase in quantity demand

**12 X 1 = 12mks**

(b) Types of inflation

**Demand pull inflation**

Refers to persistence increase in the general level of prices brought by increase in demand in comparison to supply ie too much money chasing few goods due to excess demand

**Cost push inflation**

Persistence increase in the general price of good services due to increase in cost of production which is transferred to a consumer

**Imported inflation**

Refers to increase in domestic prices due to importation of goods and services , raw materials at higher prices which increase cost of production

**Structural inflation**

Refers to persistence increase in prices due to failure of the economy to meet increase in demand due to unwillingness to adjust to the existing structures eg poor entrepreneurial culture etc **8mks**

**(4a) Characteristics of property insurance**

-It is a contract of indemnity – The owner of the property is restored back to the financial position after the loss.

- There must be insurable interest in the property to be insured
- The insured must suffer direct financial loss in the event of risk happening
- It has no surrender value – No refund incase of termination of a contract .
- It is a short term contract – i.e for a specified period of time usually one year and subject to renewal
- Premiums charged depends on the value of the property
- The policy cannot be assigned to the next of kin

**(b) Measures that the government may take to improve the volume of exports**

- Reduction of bureaucracy / red tape to simplify the procedures
- Export compensation schemes : refunding a specific percentage of the value of goods/services exported
- Creation of export processing zones where the producer / exporter enjoy variety of products
- Financing those producing for exports by availing credit /loans to exporters
- Diversification of exports to cater for different markets
- Devaluation of the currency to make the exports cheaper

**5(a) Advantages of an open plan office layout**

- Saves on space because there is no partitioning
- Enables the employees to communicate easily and exchange ideas
- Easier to decorate the room /office
- Improves on interpersonal relationships
- Resource are evenly shared among the employees
- Economical to construct ie it is not expensive to construct

(b) Dr		Capital A/c	Cr
2016	Shs	2016	shs
July 10 <sup>th</sup>	Bal c/d 300000	July 1	Bank 300000
		Bal b/d	300000

Dr		Bankl A/c	Cr
2016	Shs	2016	shs
July 1	Capital 300000	July 2	Cash 100000
		6 <sup>th</sup>	Drawing 10,000
		8 <sup>th</sup>	Computer 20,000
		10 <sup>th</sup>	Bal c/d <u>170,000</u>
			300000
	<u>300000</u>		
	Bal b/d 170000		

Dr		Cash A/c	Cr	
2016	Shs	2016	shs	
July 2 Bank	100000	July 10 <sup>th</sup> Musa	12000	
		Bal c/d	88000	
	<u>100000</u>		<u>100000</u>	
Bal b/d	8800			

Dr		Purchases A/c	Cr	
2016	Shs	2016	shs	
July 4 <sup>th</sup>	Musa Trader	53000	July Bal c/d	53000
	Bal b/d	53000		

Dr	Musa Traders		Cr
2016	Shs	2016	shs
July 4 <sup>th</sup> Cash	12000	July 4 <sup>th</sup> Purchases	53000
10 bal c/d	41000		
	<u>53000</u>		<u>53000</u>
		Bal b/d	41000

Dr		Drawing A/c		Cr	
2016		Shs		2016	
				shs	
July 5	Bank	<u>10000</u>		July 10 <sup>th</sup>	Bal c/d
		<u>10000</u>			<u>10000</u>
	Bal b/d	10000			

Dr		Computer A/c	Cr	
2016	Shs	2016	shs	
July 8 <sup>th</sup>	Bank	<u>20000</u>	July 10 <sup>th</sup>	bal c/d <u>20000</u>
		<u>20000</u>		<u>20000</u>
	Bal b/d	20000		

$20 \times \frac{1}{2} = 10mks$

6(a) **Circumstances under which a partnership can be dissolved**

- When there are changes in law ie where the operations of the partnership are illegal
- Where there is persistent losses in operation making it difficult to meet its financial obligations

- Incase one or some of the partners request for the dissolution and therefore abiding to their wish
- Incase the partnership business is temporarily and has accomplished the purpose
- Where there is continued disagreement among the partners
- Where the court order for the dissolution due to loss of contractual capacity of the partner or insufficient funds for a partner to settle the debts

SAGANA TRADERS  
PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD OF 31ST MAY 2014

Dr	Shs		Shs
Salaries	28000	Gross Profit	36000
General expenses	53000	Commission received	12000
	<u>81000</u>	Net loss	<u>33000</u>
			<u>81000</u>

SAGANA TRADERS  
BALANCE SHEET  
AS AT 31<sup>ST</sup> MAY 2014

Shs	shs	shs	shs
<u>Fixed Assets</u>			
Premises	95000	Capital	390000
Motor vehicle	113000 208000	Less Drawings	55000
<u>Current Assets</u>		Less Net Loss	33000 302000
Stock	25000	<u>Current Liabilities</u>	
Debtors	70000	Creditors	60000
Bank	55000	Bank overdraft	8000 68000
Cash in hand	12000 <u>162000</u>		
	<u>370 000</u>		<u>370000</u>