

565/2 BUSINESS MARKING SCHEME PAPER TWO

1. a) **Explain five shortcomings of direct production. (10mks)**

- Low quality /substandard /low quantity goods and services since no market orientation /drive to better the quality /increase quantity of goods /services.
- Hinder /Bar invention and innovations there lacks creativity since no desire to easen work or increase scale of production.
- Time wastage due to movement from one job to another / lack of specialization.
- Tiresome/ tedious/ stranaous as one tries to provide all for himself /by himself /jumps from one activity to another.
- Encourages all by my self /individualism hence lacks improvement in the products /modification/unskillful/low-quality outputs.
- No self satisfaction /inability for self provision since no one can create all he/she needs /provides all by and for himself.
- Low living standards due to lack of profit orientation there lacks income to better ones life /provide quality and quantity outfit for him/herself or others.

b) **Outline five differences between a co-operatives society and a private limited company. (10mks)**

Co-operatives	Private company
<ul style="list-style-type: none">- Formed by a minimum 10 members and no maximum.- Aim of formation is to provide serves to members.- Established under co-operatives acts.- Managed by a management committee.- Start operating once issued with certificate of registration.	<ul style="list-style-type: none">- Formed by a minimum of 2 shareholders and a maximum 50 shareholders.- Aim of formation is to make profit.- Established under company act.- Manage by one or two directors.- Start operating once issued with certificate of incorporation.

<ul style="list-style-type: none"> - Registered by commissioner of co-operatives. - Governed by co- operative by-laws. 	<ul style="list-style-type: none"> - Registered by registrar of companies. - Government by articles of association.
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2. a) Explain five measures to undertake in order to increase efficiency of a warehouse. (10mks)

- Ensure proper /adequate /good handling equipment to handle goods well/safety / easily.
- Install safety equipment/ personnel to take care of pests, fire, water leaks etc. to safeguard goods from damages. NB /accept relevant examples.
- Ensure proper inventory system control to monitor stock/ goods movements and avoid theft / pilferages.
- Proper space utilization/use by arranging goods well/orderly to save on floor space.
- Hiring qualified /high level skill /trained /skilled personnel to assist in goods handling /care of the goods . accept training staff motivating staff as a mention
- Enhance security /install cctv cameras to avoid theft of the goods /ensure safety of workers.
- Ensure law compliance /meet legal requirement to avoid conflicts with the authorities/govt/law enforcers who may stop/halt its activities for smooth running.
- Provide sufficient loading and offloading areas to minimize congestion/delays/ breakages due to collision.
- Ensure adequate communication facilities for effective communication within to warehouse.
- Ensure public health requirements are met for smooth operations/public health safety.
- Ensure proper / appropriate buildings to suit or match the type of goods to be stored.
- Ensure linkage to goods/ appropriate /efficient/ reliable transport network system to facilitate movement of goods in and out of the warehouse.

b) Explain five benefits that would accrue to a business that expands its scale of operation. (10mks)

- Research economies – it can afford to research for future development and progress.
- Technological economies – it can hire/purchase modern technology to improve its output/ increase output.
- Staff welfare economies – it can offer welfare services to its own staff / motivates its workers to increase their efficiency.
- Managerial economies – it can get professionals in managerial/ high level skilled workers to improve on production.
- Financial advantages /economies- It can access large sums of money / capital /credit from money leading institutions / wide capital base.
- Risk spreading economies – it can invest in ventures considered non productive in short run but productive in long run. It can wait for better prices in comparison with small firms.
- Advertising economies – it can finance sales activities /advertising campaign / convoys to capture wider markets.
- Reduced operation cost - as average cost of production lowers /decreases with increase in output.
- Personnel /labour economies – it can attract personnel who are professional/ qualified for better operation.
- Marketing economies – it can cater for large volumes of sales at cheap rates.
- Purchasing economies where – it can buy bulk and get large trade & cash discount on stocks/raw materials.

3. a) Explain four features of a monopoly. (8mks)

- Single /sole /only /one seller of the products who has no competition/ acts independently.
- No close substitute goods /no rival supplies of the product since the firm is the sole industry /producer /which would create competition.
- There is price discrimination, based on income ,geographical or time basis.
- Firm is the price maker/prices fixed by supplier who has control over amount and price to sell the product.
- Barriers to entry are present / market is restricted to the sole producer/ difficulty in entry of other suppliers /sellers due to restrictive practices .
- May produce low quality products due to absence of competition.
- Single firm has control over production factors either by locking others out of production.
- Firm has a highly inelastic demand curve – since it influences prices and also output.
- Firm may earn supernormal profits in the long run as a result of sole market exploitation/ lack of competition which may lower prices.

- b) The following trial balance belongs to wakili traders as at 30th June 2016.

Wakili Tradres
Trial balance
As at 30th June 2016

Opening Stock	4000✓	Sales	7000✓
Purchases	35,000✓	Less return Inwards 2000)✓	
Less. Return Outwards (4800) ✓		Net sales	68,000
G.A.F.S	34200		
Cost of Sales (C.O.S)	34200✓		
Gross profit c/d	<u>33,800✓</u>		<u>68000</u>
	<u>68,0000</u>		
Expenses		Gross profit b/d	33,800 ✓
Discount allowed 800✓		Discount received	700✓
Sales & Wages 15,000✓			
Rent 3,500✓			
Insurance 2100✓			
Commision 400✓			
Net profit	<u>12,700✓</u>		
	<u>34,500</u>		<u>34,500</u>

Wakili Tradres
Balance sheet
As at 30th June 2016

Fixed Asset		Capital	162,300✓
Motor vehicle	150,000✓	Add Net Profit	12,700✓
Furniture and Fittings	20,000✓	Less: Drawings (6,000)✓	
Current Assets		Net capital	169,000
Debtors	<u>80,000✓</u>	Current assets	
Cash at hand	6000✓	Creditors	12,000✓
		Bank overdraft	3000✓
	<u>184,000</u>		<u>184,000</u>
		24X ¹ / ₂ =	12Mks

Dora traders' three column cash book
For the Month of January 2017

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Date	Details	lf	Dis.	cash	Bank	Date	Details	L F	Dis.	cash	Bank
1/1/2017	Balance ✓	b / d		110,000 ✓		1/1/17	Balance ✓	b / d			50,000✓
2/1/17	Sales✓					3/1/17	Postage✓			4100✓	
5/1/17				40,000✓			Willy✓		40✓	1960✓	
5/1/17	Kamau✓		50✓		2450✓	9/1/17	Yala ✓		120 ✓	5880✓	
5/1/17	Laban✓		196 ✓		9604✓	16/1/17	Bank✓			11000✓	
5/1/17	Tugi✓		56✓		2774✓	26/1/17	bank ✓			141,060 ✓	
13/1/17	Sales ✓				10,000✓	26/1/17	balance c/d✓			4000✓	126 888✓
16/1/17	Cash✓				11,000✓						
21/1/17	Oman✓		2000✓								
26/1/17	Cash✓			18,000✓	141,060✓						
					<u>176,8888</u>						
			<u>302</u>						<u>160</u>	<u>168,000</u>	<u>176,888</u>
				<u>168,000</u>	126,888✓						
30/1/17	Balance	b / d		4000							
						40 X ¼ = 10Mks					

b) **Explain five characteristics of a life assurance policy. (10mks)**

- It has a surrender value – in the event of a insured terminating an assurance contract his entitled to a refund of a proportion of the total premium he/she had paid to the insurance company.
- It has a maturity date – the sum assured is paid to the assured upon the expiring of the agreed period of occurrence of the stated risk e.g death.
- It may be a savings plan where the sum assured is payable either on maturity or to the assured beneficiaries upon his/her death.
- The policy can be assigned to the beneficiaries claims in a life assurance policy can be transferred to a new policy holder.
- Life assurance policy can be used as security for a loan. An assured can obtain a loan against his/ her life assured policy.
- Its value depends on assured's ability to pay premiums. The assured can take a policy of any sum assured provided he/she has to pay the premiums.
- It deals with life – life assurance policy covers the assured life only.
- It's a cover against death – life assurance policy covers ones life until death or for an agreed period of time.
- It's a long term contract- life assurance policy covers along period /duration and may not require annual renewal.

5. a) **State and explain five emerging trends in the Banking industry. (10mks)**

- Customer care departments to offer personalized services / advise to bank clients.
- Use of ATMS/ATM/cards that enables banks to offer services 24 hrs / round the clock / simplify banking activities
- Networking of branches/ interconnecting banks/ branches to offer fast/ convenient /reliable transacting platforms.
- Mobile banks /tents in form of bank branches to avail bank branches in remote areas in specific events /days of the week.
- E – Banking /M-banking enables clients carry out transactions using phones/ remotes computers / internets / online for fast easy and convenient banking services.
- Relaxation on banking condition / Easier credit facilities where requirements for loans have been easened / longer operating hours for banks.
- Account types Bank are offering variety of A/c replacing the older three account types to suit specific clients needs.
- New marketing strategies where they do sales marketing to persuade clients to open accounts.
- Restructuring /Mergers – small banks have been encouraged to join and become one more efficient.

- Adoption of technology to beef security /reduce operation costs/ lay off unnecessary labour force /adopting use of computers to replace manual systems.
- Tele banking for non cash related banking /solve simple queries and transactions.
- Electronic data interchange for business documents like invoice purchase orders etc.
- Points of sale terminal to carry out transactions instantly such that as a debit is made, a corresponding debit is also made.
- Emergence of microfinance institutions to provide banking services e.g Faulu, Fosa KWFT etc. **NB: accept examples of micro finance institutions as expansion.**

b) **Explain five negative effects of rapid population growth. (10mks)**

- High-level of unemployment because the number of people in the labour force may exceed the number of jobs available.
- High dependency ratio- since many people are unemployed they will be dependent on the few people who are employed.
- Decrease in per capita income- due to decrease in income and population increasing leading to low standards of living.
- Reduction in savings and investments- this is because a large proportion of an individual income is consumed leaving very little or no savings hence no investment.
- Strain on social amenities – As a results of growing population the government may find it difficult to provide adequate social services e.g health, education and housing.
- Uneven/ unequal distribution of income- Majority of the people are very poor and few people are very rich.
- Environmental degradation.- Over population leads to an environmental degradation e.g extensive cutting of trees to get building materials or expands their farmhand.
- High population leads to a vicious circle of poverty because most of incomes generated so into consumption hence low saving and investment.
- High rates of rural –urban migration to seek for employment.
- Increase in the rates of inflation.- A very high population leads to increase in the demand for goods and services which does not match with supply. The prices of goods and services will continuously go up resulting in demand pull-inflation.

6. a) **Explain five reasons why a country would carry out development planning before undertaking its projects. (10mks)**

- To prioritize projects/Accord important project first by ensuring crucial projects are carried out first /need based projects are under taken first.
- Proper/appropriate /efficient allocation of resources are put where output is highest /avoid misuse /underutilization of resources /prevent minimal returns by inappropriate allocation.
- Ensure balanced /even regional development to ensure that no region lags behind economically.
- Corrects imperfection in the market/prevent monopolies/oligopolies which contribute to mis allocation of resources.
- To attracts foreign aid/investment from attractive /productive /appealing projects planned for.
- Complementally nature of projects/cater for projects carried out together since they have to be matched to succeed. **NB. Accept relevant examples e.g plant tea and put up a tea factory.**
- Motivational tool when awareness is created it earns support from people / people own the projects and hence work hard for it to achieve goals /surred.
- To – coordinate different bodies and ministries of the govt. so as to achieve reasonable target/allocate funds appropriately /in the most economical way/ help in administration /unity of govt organs.
- To safeguard social interests which would not be catered for by private sectors.
- Sourcing funds- Attract donor funding /aids – A good development plan draws attention / interest of donor funding.
- Enable /help in project evaluation – with proper planning goals are well known from the onset and hence comparison of achieved target via set target is easily.
- To acquire relevant resources – to prevent shortage of manpower /which need long-term planning.
- To influence external trading relations to achieve desirable effects on the economy.

b) **Explain five benefits of adopting the use of an open office layout. (10mks)**

- Enhance sharing equipment's/facilities/machines this saves on costs/ of purchasing many equipment's.
- Easy supervision/control/management of workers as they can all be seen /are all visible /in a common room.
- Cheap to decorate maintain /less costly /not expenses since less floor space is used /sharing of equipment/furniture.
- Easy location /identification of workers as truly are all found in some room.
- Discourages absconding duties /absenteeism due to close supervision/enhanced supervision by management.
- Floor space is saved as no many offices need to be constructed .
- Easy to consult colleagues as they are next/in a common room hence improving working efficiency/preciseness.
- Saves on time since there is less staff movements/ minimal movements.
- Prevents misuse of office equipment/machinery due to the close supervision of workers.
- Boosts/promote/enhance teamwork among employees through consultations and sharing of office equipment.

E N D)