

FORM THREE MARKING SCHEME BUSINESS PAPER 2 TERM 2 2019

1.a.Reasons against starting a sole proprietorship form of business

- Unlimited liability – the sole proprietor is responsible for all the debts of the business and therefore may lose personal property in case of debts.
- Suffering losses- The sole trader is wholly responsible for the day to day running of the business he/she suffers any losses that arise alone. This is because there is nobody to share with.
- Fatigue –the sole proprietor is responsible for all operations of the business. He/she may be forced to work long hours which may result to both physical and mental fatigue.
- Limited life- the existence of a sole proprietorship is to a large extent tied to the life of the owner .In case of ill health or death of the owner the business may stop running or it may collapse altogether.
- Lack of consultation may lead to poor or wrong decisions being made which may adversely affect the business.
- Limited capital – since the main source of capital is the owner ,the business may not have adequate funds for expansion or even conducting its daily operations.
- Lack of essential skills- a sole proprietor may lack some essential management skills required for the success of the business. *Any five well explained points 5x2=10mks*

b.measures that can be taken to solve unemployment problem in a country.

- Adopting relevant education system
- Population control
- Adopting policies that encourage the use of labour intensive methods of production.
- Population control
- Encourage employment creation in the private sector.
- Diversification of economic activities
- Increasing government expenditure
- Encouraging the use of local resources.
- Encourages direct investment.
- Decentralization of industries. *Any five well explained points 5x2=10mks*

2. a.factors that would be considered in establishing a warehouse for imported goods.

- Modern handling facilities that the warehouse should be fitted with to ease operation.
- Building design so as to conform with international standards of imported goods the skill of personnel to handle the goods.
- Nearness to point of entry.
- Existence of basic infrastructure to enhance smooth operation
- Compliance with legal requirements
- Storage facilities appropriate to type of goods to be handled.
- Documentation for proper control.
- *Any five factors 5x2=10mks*

b. circumstances under which an industry firm may be located near the source of its raw materials.

- **where** raw materials are bulky
- if the firm wants to minimize cost on raw materials as the movement to the firm is minimal
- Where constant supply of raw materials is required for continuous production
- Where raw materials are highly perishable
- Where it is the requirement of the government
- if the market of the product is concentrated near the source of raw material
- where the competition of the raw material is high to ensure easy access.

Any five well explained points 5x2=10mks

3.a.Reasons for use of human portorage.

- Human portege is very flexible because they have no fixed timetables and can pass where they are required

They are readily available

They only require paths to operate hence low construction of way.

They are convenient for short distances.

They create employment opportunities.

b.Decreased in per capita income

Increased dependency ratio.

Reduction in savings and investments

Unemployment

Strain on social amenities

Uneven distribution of income

Environmental degration

Any 5 2x5= 10mks well explained challenges 5x2=10mks

4.a.Reasons for government involvements in business activities.

- To provide essential goods and services
- To protect the public from exploitation
- To provide goods bad services that may be unattractive to private investors.
- to create employment opportunities.

-To enhance efficiency in operations. Any well explained 5 [points 5x2=10mks

b.

**KARIMI TRADERS
BALANCE SHEET
AS AT 31ST DECEMBER 2011.**

	sh	sh		Ksh.	Ksh.
Fixed Assets			capital	600,000	
Motor van	200,00		less drawings	10,000	
Furniture	140,000	340,000	Net capital		590,000
Current assets			Current liabilities		
Stock	160,000		creditors	210,000	210,000
Debtors	80,000				
Account receivable					
Debtors furniture	20,000				
Cash	<u>200,000</u>	<u>460,000</u>			
		<u>800,000</u>			<u>800,000</u>

20 x ½=10mks

5.a.Benefits of an open office plan.

Easy supervision of workers

Low construction cost

Easy location of workers .

Staff movement is minimum hence saving time

Low maintenance cost

Saving of floor space

Cheap to decorate

Any 5 well explained points 5x2= 10mks

b. possible risks that Amina can insure against.

Accidents that cause damage /cost to vehicles /other assets.

Fire – can cause less/damage /burn vehicles/other assets.

Cash in transits – can insure against loss in cash as it being transferred

Pilferage by employees/fidelity guarantee – can insure against loss of cash or goods through theft by the employees.

Occupational hazards /workman's compensation employees can be insured against physical injury emanating from fleet from the business

Theft /burglary of the vehicle/other property through forceful entry/unauthorized access.

Loss of profit/consequential loss due to business interruption

Goods in transit – loss of goods to ./from the business

Loss of a key worker due to injury /death/sickness. 5x2= 10mks

6. a.Factors to consider when choosing a method of product promotion.

The cost of the method – the organization should choose a method that is affordable.

Geographical area of coverage –the organization should choose a method that will reach the customers in their various locations.

Target group /type of consumers /nature of the market. The organization should choose a method that appeals to the relevant target group.

Speed of the medium/method in relation to urgency of the message.

Nature of the product. Nature of the message- the organization should choose the method that would effectively serve the number of consumer available.

The intended ,impression , a firm may choose a medium that can best achieve the desired impression

Methods used by competitors.

Availability of the method

b.channels of distribution of exported agricultural products.

- Local farmer →foreign importer→ foreign consumer

- Local farmer→- local exporter→ foreign importer→ foreign wholesaler→foreign retailer→-foreign consumer

-Local famer→- local exporter→foreign wholesaler→ foreign retailer→foreign consumer

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-Local farmer→ foreign distribution agent→ foreign wholesaler→foreign retailer→ foreign consumer.

-Local farmer→foreign importer→foreign wholesaler→-foreign consumer. 4x2=8mks

NB:DIRECTION MUST BE INDICATED USING AN ARROW