

BUSINESS STUDIES

POST MOCK term 3 2019

565/2 PAPER 2

MARKING SCHEME

1. a) Five methods and legislations which the Kenyan government has put in place to protect consumers

- (i) Weights and measures act- The government ensures that all equipment used for measuring products are accurate.
- (ii) Food and drugs act- Government ensures that traders do not add harmful ingredients in the processing of their products
- (iii) Sale of goods act/trade description act – This legislation ensures that traders do not give wrong description of their products regarding usage or quality.
- (iv) Public health act – This legislation ensures that hygienic conditions are followed in the production of goods and provision of services.
- (v) Rent and tribunal act- This legislation ensures that landlords do not exploit their tenants by charging them unreasonable rates.
- (vi) Licensing- Through issuance of licenses, the government is able to know the type and nature of business activities carried out by traders (protect consumers from harmful and illegal products).
- (vii) Price control- Refers to a situation where the government set a price on certain product especially essential products, within which no trader can exceed.
- (viii) Setting standards- The government through KEBS ensures that quality standards are adhered to by producers and sellers.
- (x) Consumer safety act – Ensures and prohibits traders from selling harmful products to consumers

(Any 5 well explained x2=10marks)

b) Characteristics of human wants

- (i) Insatiable - meaning that they cannot fully be satisfied because they are endless
- (ii) Vary in urgency / intensity - different human wants have different level of urgency
- (iii) Competitive - since resources are limited and wants are unlimited, they compete with each other in order to be satisfied first.
- (iv) Recurrent- as once satisfied, some wants e.g. food, clothing are felt again and again
- (v) Complimentary- satisfaction of one want e.g. cars given rise to another want e.g. fuel
- (vi) Universal - as all human beings have wants. All human beings require food, shelter and clothing
- (vii) Resources - are required in order to be satisfied
- (viii) Unlimited - as they are too many to be satisfied by the limited resources

(Any 5 well explained x2=10marks)

2. a) Highlight four advantages of a bonded warehouse to the importer (10marks)

- (i) The importer can prepare goods while in the bonded warehouse through packing / branding / grading / blending
- (ii) The bonded warehouse relieves the importer the costs of providing security / costs of security provided by the government
- (iii) The bonded warehouse allows the importer time to look for a buyer / customer / market while goods are still in the warehouse.
- (iv) The bonded warehouse allows the importer time to look for / raise funds to pay customs duties/ storage costs/ risks.
- (v) Goods may improve in quality thus improving in prices / to the advantage of the importer e.g. wines / spirits / tobacco
- (vi) Relieves the importer worries of theft / leakage / storage risks
- (vii) The importer can sell the goods while still under bond in which case the costs of customs duty are passed on to the new buyer.
- (viii) The importer can re-export the goods thus evading duty.
- (ix) Some goods lose weight reducing customs duty if based on weight.

(Any 4 well explained x2=8marks)

b)

Umoja stores

Three column cash book

Date	Details	Disc allowed	Cash	Bank	Date	Details	Disc received	Cash	Bank
2010 Jan 1	Bal b/d		30,000√	105,000√	2010 Jan 1	Purchases		20,000√	
" 4	Luka	200√		9,000√	" 2	Salaries		65,000√	
" "	Mwengesh	400√		19,600√	" 8	Mogi	1,500√		28,500√
" "	Raju	300√		14,700√	" "	Abdul	600√		11,400√
" "	Alice	500√		24,500√	" "	Moses	2,000√		38,000√
" 10	Juma	400√	19,600√		" 10	Office machinery			50,000√
" 22	Sales		45,000√		" 15	Drawings		10,000√	
" 25	Aberi	900√	29,100√		" 18	John	250√	4,750√	
"31	Cash C			11,950√	"31	Bank c		11,950√	
		2,700	123,700	185,550			4,350	123,700√	185,550√
Feb 1	Bal b/d		12,000	57,650					

24 ticks @ ½ (12mks)

3. a) Benefits of expanding railway transport in Kenya

- (i) Has large carrying capacity hence can carry a lot of goods
- (ii) Cheap since charges are low

- (iii) Convenient - follow fixed time table for departure arrival thus users can plan movement/ receipt of goods
- (iv) Safe/ secure as cases of theft / accidents are minimal
- (v) Special wagons from transporting special goods
- (vi) Warehouse at railway stations enable users to store goods awaiting to be dispatched / collected.

(Any 5 well explained x2=10marks)

b) Uses of national income statistics

- (i) Shows the country average standard of living of the people
- (ii) Used as a tool/ basis of economic planning
- (iii) Helps a country to know the contribution of several sectors of the economy to national growth.
- (iv) Used to show a country's performance in different countries
- (v) Used to show a country's performance in different periods
- (vi) Used to reveal how national wealth of a country is distributed among its citizens
- (vii) Helps investors to make investment decisions from the data collected by undertaking market trends

(Any 5 well explained x2=10marks)

4. (a) Limitations of using posters as a medium of product promotion

- (i) Posters are a silent media of product promotion and may fail to attract the attention of the passers by
- (ii) They have little or no entertainment value-hence they may not hold the attention of passers by
- (iii) Posters are affected by weather conditions and wear very fast
- (iv) Public often destroy them hence may not be seen by many
 - (v) Posters may not pass any message to the blind people hence not valuable to them
 - (vi) Posters are only suitable for literate people –hence have no advertising value to the illiterate

(Any 5 well explained x2=10marks)

(b) Benefits that Kenya may realize if economically viable oil deposits were exploited in Turkana

- (i) There will be savings of foreign exchange which is currently used to pay for imported oil.
- (ii) There will be an increase in the level of employment since many people will be employed in the oil industry.
- (iii) The level of incomes for the people in the country will improve.
- (iv) The government will earn foreign exchange from the exportation of oil.
- (v) The cost of production for goods and services may go down, since the current high cost of imported products make production of goods expensive.
- (vi) The cost of transport will come down, because oil products will be cheaper.

(Any 5 well explained x2=10marks)

5. a) Services offered by commercial banks to their customers

- (i) Safekeeping of valuable items for their clients such as wills, title deeds, jewellery etc.
- (ii) Lending money / loans / overdrafts etc.
- (iii) Receiving deposits from their clients through various accounts that are provided.
- (iv) Facilitates transfer of money through cheques, credit transfer, standing orders etc.
- (v) Trustee services – act as management trustee of property or business of deceased clients.
- (vi) Advisory services on financial and investment matters.
- (vii) Facilitates international payment through letters of credit.
- (viii) Referee services – act as referees to their clients during credit status inquiry.

(Any 5 well explained x2=10marks)

b) Describe five types of unemployment. 10marks

- (i) *Involuntary unemployment; it occurs when people are actively looking for jobs at the existing wage rate but cannot get them.*
- (ii) *Disguised unemployment; occurs when the number of people employed exceeds those that are required and workers full capabilities are not fully utilized*
- (iii) *Frictional unemployment; it occurs when people lose jobs and go looking for new ones*
- (iv) *Residual unemployment; affects people who are physically or mentally challenged as employers may find it difficult to employ them*
- (v) *Structural unemployment; occurs when demand for labor declines due to either changes in the method of production or a decrease in supply of goods and services*

(Any 5 well explained x2=10marks)

6. a) Measures a country may adopt to increase its volume of export

- (i) Engaging in international trade fair/exhibition to promote the home products
- (ii) Devaluation of its own currency to make export cheap
- (iii) Lowering taxes on exports to make them cheap
- (iv) By diversifying on its exports to increase the market.
- (v) Offering subsidies to firms that are involved in production of export goods
- (vi) Reducing the length /procedure for acquiring licenses for exporting products
- (vii) Adopting modern technology to export products to make them fashionable/High quality/more attractive to customers
- (viii) Offering customs drawbacks – The government refunds either in full or part of custom duty paid on imported raw materials if finished product is exported.
- (ix) Lobbying/Negotiate with trading partners for removal of trade restrictions placed on the country's exports

(Any 5 well explained x2=10marks)

(b) Factors that encourage entrepreneurial development in Kenya

- (i) *Improved infrastructure; good roads, adequate security, availability of water, electricity will encourage entrepreneurial development.*
- (ii) *Favorable government policies such as lessening tax burden by providing tax holidays, providing incentives and simplifying procedures and cost of obtaining relevant legal documents required*
- (iii) *Availability of market for goods and services/Expanding market due to devolution of services*

- (iv) *Increased accessibility to education and training/Expanded capacity to provide training for better skills to entrepreneurs.*
- (v) *Availability of resources/Increased accessibility to credit from commercial financial institutions and also from the government through government initiated projects like uwezo fund and women enterprise funds.*
- (vi) *Political stability/absence of political chaos/No inter-clan fighting creates a conducive environment for entrepreneurs to venture into varied investments with confidence.*
- (vii) *Favorable natural conditions/enough rainfall for agro-based businesses.*

(Any 5 well explained x2=10marks)