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| **565/2 -** | **BUSINESS** | **- Paper 2** |
|  | **STUDIES** |  |
|  | 2ℎrs |  |

**MARKING SCHEME**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Question** | **1** | **2** | **3** | **4** | **5** | **6** |
| **Total****Marks** |  |  |  |  |  |  |

**1.(a). Explain five ways in which the internal environment may contribute to the success of a business**

✔ A proper/good business structure-formal arrangement of functions/relationships of people directed towards achieving success in different goals

✔ Employment of qualified/skilled adequate personnel when the correct labour force is required

✔ Proper allocation/availability of financial resources/capital/finances are allocated to activities based on percentage contribution to the organization success.

✔ Positive business culture .productivity is enhanced when culture matches the expectations/beliefs/values of the staff.

✔ Innovativeness/inventors/creativity/research through continuous improvement on methods of production to increase the out put

✔ Good objectives/setting good objectives that are simple /measurable/

achievable/specific

✔ Good management style-through planning/directing/organizing, coordinating, controlling activities of the business

✔ Motivated, supportive owners-arising from fair returns from capital invested

(any 5×2)

**(b).Limitations of the use of containers**

✔ Specialized equipment which are expensive. The method calls for specialized equipment for handling goods which are lacking/expensive to buy/use/maintain

✔ Organization personnel skills needed for the method may be lacking /training may be expensive

✔ Volume of the business may not be large enough/warrant the heavy investment

✔ High initial capital needed for the system may not be easily available.

✔ Special harbor is required to anchor the special vessels

✔ The method requires updating of existing ports/reconstructing port which is quite expensive

**2.(a) Five implications of ageing population in a country**

✔ Low labour supply/shortage of labour/man power

✔ High dependency burden as majority are 65years and above

✔ Strain on economic resources to carter for the welfare of the aged eg health and homes

✔ Low standards of living /low per capita income since national income is spread over a large non-productive population.

✔ Rigidity to change

✔ Less progressive/low/savings and low investment

**(b) Circumstances under which personal selling would be the most appropriate.**

✔ When launching a new product: requires a lot awareness creation, persuasion and convincing

✔ When a product is tailored to meet customers specifications, due to varying tastes and preference of the consumers

✔ When demonstration is required: Technical goods whose operations needs to be demonstrated/explained

✔ When the value of the product is high: This is to avoid the risk of losing the item if the other methods are used.

✔ When the organization can afford to finance the sales force which is normally very high.

✔ Where the market is concentrated in one area in one area, this reduces the cost of accessing the market to a great extent.

**3.(a).Describe FIVE accounting documents that are used in home trade.**

✔ INVOICE –it is sent to a buyer by a seller demanding payments for goods supplied, shows details of goods supplied, it is a source document for sales/purchases journal/day book

✔ DEBIT NOTE-it is sent by a seller to a buyer to correct an undercharge, it is used when the invoice shows lesser amount than what is actually owed.it is a source document for general journal.

✔ CREDIT NOTE-a document sent by the seller to the buyer to correct an overcharge ,used when goods are returned to the seller ,it’s a source document for sales/purchases journals

✔ RECEIPT-it is a document issued by the seller to the buyer when payment is made ,it is a source document for cash payment journal

✔ Consignment note-to support hire of carriage services ,shows transport charges

✔ Payment voucher-it is used to validate payment of goods and services, its a source document for petty cash book, where receipt is not available

✔ Statement of accounts.it is sent by a seller to a buyer showing details of transactions for a given period of time

NYAMINDI TRADERS BALANCE SHEET

AS AT 30TH JUNE 2014

FIXED ASSETS capital 245

100

Equipment 15 000 Long term liabilities

Furniture & fitting 63500 3 yr loan from kcb

100000

213500 current liabilities

CURRENT ASSETS Bank overdraft 21000

Stock 80,000 creditors 43000

Debtors 90 000

64,000

Cash 25,500

195,500

409,000 409,000

**4.(a) Characteristics of monopolist competition that makes it different from monopoly**

✔ Many independent buyers and sellers. Therefore there is no major influence in terms of price and quantity of product

✔ Close substitutes: the products are close substitute, but differ by branding, names, shapes, colour and scent

✔ Free entry and exit: no barriers for new firms that wish to join or leave

✔ Wide knowledge of the market: buyers and sellers are all aware of the price/output and factor condition of the commodity

✔ Firms set their own prices :Firms set their own prices depending on the cost incurred and demand in the market

✔ No firm controls the factors of production. firms acquire factors of production at the prevailing market price/condition

**(b) .Explain five factors that have hindered economic development in less developed countries.**

✔ Cultural beliefs and attitudes. Some culture prevents people from adopting modern methods of doing things

✔ Low level of savings. Leading to low investment hence low productivity and low income

✔ Political instability:-discourages potential investors from investing

✔ Unequal/ disparity in income distribution:-much of the wealth is in the hands of few individuals while majority are poor

✔ High rates of unemployment: due to low levels of economic activities

✔ Overreliance/dependence on foreign aids: leading to political blackmail/vulnerability

✔ High levels of illiteracy leading to ignorance/limited exposure

✔ Poor plans/policies: due to inadequate data/being over ambitious

✔ Frequent diseases/epidemic/pandemic out break

✔ Balance of payment deficit/poor terms of trade: due to high value of imports/low value of export

✔ Poor/underdeveloped infrastructure, which hinders mobility/production

**5. (a) Explain five importance of entrepreneurship in Kenya.**

✔ Develop new ways of using local resources thereby saving foreign exchange which would be used to import such commodities.

✔ It increases participation of indigenous Kenyans in the economic activities of the country.

✔ It encourages savings and promotes investments by the local Kenyans. This lead to use of local resources leading to more effective use of capital.

✔ It becomes the training ground for business managers and other entrepreneurs. A pool of skilled workers forms the basis for future industrial expansion.

✔ It improves the standard of living for Kenya as many people will be employed.

✔ It creates employment as many people will be involved directly or indirectly in production activities.

BIDEN ENTERPRISES

3 COLUMN CASH BOOK

FOR THE MONTH OF MARCH 2016

DR CR

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|  | 8000 | 100,000 | 167,600 |  |

**6(a) Differences between public limited company and public corporation**

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| --- | --- | --- | --- |
|  | **PUBLIC LIMITED COMPANY** |  | **PUBLIC CORPORATION** |
| 1 | Established under a company‘s act |  | Established under the act of parliament. |
| 2 | They are profit driven as they provide goods and services |  | They are service driven as they are formed to provide essential services that are in public interest. |
| 3 | Board of directors are elected by shareholders during the AGM. |  | Board of directors are appointed by the government |
| 4 | Financed by shareholders through the sale of shares to the public |  | Financed by the government. |
| 5 | Formed, owned and operated by shareholders |  | Formed, owned and operated by theCentral government |

**(b)** Explain various methods used by the Kenyan government to improve its exports. (10mks)

✔ Removing or reducing trade barriers which discourage exports trade.

✔ Offering custom drawbacks – refund manufacturers’ custom duty paid if they import raw materials. Manufacture and export the finished products rather than exporting raw materials that are cheap.

✔ Use export compensation schemes. Exporter is allowed to claim from the government a certain percentage of the value products export to enable exporter charge less hence increasing demand in the world market.

✔ Assisting exporter to get new markets for their products through commercial attaches.

✔ Joining trading blocks like COMESA in order to widen market

✔ Carrying out product promotional activities abroad on behalf of the exporter.