**CHAMPIONS JET BUSINESS PP 2**

 **MARKING SCHEME**

***1*** (a) Reasons for assigning each worker specific duty in the production process

1. **To increase output per worker, for instance workers become more skilled and faster at their tasks leading to higher productivity.**
2. **To enables workers engage in areas where they are best talented hence producing high quality goods and services**
3. **To encourage invention and innovation as the workers tries to come up with improved methods of production**
4. **To encourage the use of machines hence improving efficiency**
5. **To enables the worker to enrich their skills in a particular area**
6. **To ensures that tasks are accomplished with speed hence saving time**
7. **High quality and services are produced**
8. **To reduce the amount of mental and physical effort used by a worker as he/she gets used to one routine**
9. **To increase the rate/speed of production**

 **Mentioning =1 mk ,explantion =1mk {any 5×2 = 10mks}**

 1 (b) Factors that leads to an increase in a country’s national income.

1. High **laboursupply;-** With skilled labour supply high quality goods and services which generate higher national incomes will be produced.
2. **Amount and quality of capital;-** When capital is of high quality, output will be high hence more national income is earned.
3. **Availability of entrepreneurs;-**A country with sufficient numberentrepreneurs is likely to produce more and increase its level of national income.
4. **Availability of land;-**Land contains all the natural resources required in production, therefore a country with enough land will produce more and increase its level of national income.
5. **Level of technology -** The higher the level of appropriate technology, the higher the output and hence higher national incomes.
6. **Political stability;-**A country with peace and stability is likely to encourage investors who will contribute greatly in increasing the level of national income
7. **Attitude of citizens towards work;-**A country with hardworking citizens will have high levels of national income.
8. **Level of foreign investment;-** Increase in foreign investment increases production thereby raising the level of national income.

**Mentioning =1 mk ,explantion =1mk {any 5×2 = 10mks}**

2 (a) Challenges of young population to country.

1. **High dependency level-**Many of the young people are not working; as such they depend entirely on those who are working for upkeep. This will hinder savings and investments.
2. **High unemployment rate-**With many young people looking for jobs, the country may find it difficult to meet increasing demand for employment leading to unemployment.
3. **High level of social evils and crimes-**Young people who are unemployed may engage in crimes and other vices such as prostitution in order to survive.
4. **Low supply of labour-**Many young people may not have skills required in the job market or they may be too young to work. The country will therefore lack adequate supply of labour.
5. **Increase in demand-**Demand on goods and services required by young people may lead to excess demand that may result in increase in prices
6. **Reduction in savings and investment-**High dependency level results in low savings leading to low investments.
7. **Change in government expenditure structure-**Increase in number of the youth may force the government to divert its expenditure to youth welfare programs

**Mentioning =1 mk ,explantion =1mk {any 5×2 = 10mks}**

2 (b) Causes of business success.

1. **Where there is Proper management of workers. -** When workers are managed properly, they will be motivated to work harder leading to the success of the business.

**ii) Where there is proper location/availability of customers-** A business whose location is accessible and has minimal competition will have more customers hence it will be successful.

**iii) Where there is Availability of raw materials**-Adequate supply of raw materials ensures that the business is operating continuously hence it is able to meet its customers’ needs.

**(iv) When there is Adequate finance-**Money is required in the business to acquire other resources that are required for efficient running of the business.

**(v) Where there is Lack of competition**-A business operating in an area where there is little or no competition is likely to succeed as it will have high sale volume

**(vi) Where there is Commitment to the business-**A business whose owner is committed to the business is likely to be successful since such owners will have enough time to identify and solve any problems arising in the business.

**(vii) Where there is Proper financial management-**Proper management of finances results in business success as it ensures that money is always available and that it is used for the intended purpose.

**Mentioning =1 mk , explanation =1mk {any 5×2 = 10mks}**

**3 (a)**

 **UPDATED BALANCES**

**ASSETS**

**Furniture: 56000+5500 = 61500**

**Debtors: 25000-7300 = 17700**

**Bank: 11000-3000+165000-82000 =91000**

**Cash: 8000-4500+7300 =10800**

**Stock: 18600 (new stock bought)**

**Land: 82000**

**LIABILITIES**

**Creditors: 20000-4500+18600 = 34100**

**10- Year bank loan: 165000 (new loan)**

**CAPITAL: 80000-3000+5500= 82500**

 **Karanja Traders**

 **Balance sheet**

 **As at 31stjuly 2016**

**Shshshsh**

 **Capital 82500**

**Fixed Assets**

**Furniture 61500 Short Term Liabilities**

**Land 82000 143500 Creditors 34100**

**Current Assets**

**Debtors 17700 Long Term Liabilities**

**Bank 91000 10 year bank loan 165000**

**Cash 10800**

**Stock 18600 138100**

 **281600 281600**

 **3 (b)** Reasons for shifting towards making payments using paperless money.

1. **They are less bulky(phones/ Credit cards)hence convenient to carry around.**
2. **They increase the credit rating of the holders, winning confidence of sellers**
3. **It is safe to carry compared to carrying cash/not easily lost**
4. **Some credit cards may be accepted internationally unlike cash.**
5. **Convenience i.e. transactions can be completed quickly and easily from anywhere.**
6. **Cost efficiency i.e. it reduces the cost associated with printing, handling and transporting physical money.**

**4**  (a)

1. **CAPITAL INVESTED**

**This is the owners claim in the business =Ksh( 6125000+ 62500) – 75000**

 **= ksh 6112500**

 **(II) BORROWED CAPITAL**

 **= KSH 2375000✓**

 **(III) WORKING CAPITAL = C.A – C.L**

 **C.A = Stock =ksh 125000 C.L = Creditors =KSH425000**

 **Debtors =ksh 250000 + W.C= 2037500-425000**

 **Bank = ksh 1212500 KSH 1612500✓**

 **Cash = ksh 450**

 **TOTALS = KSH 2037500✓**

**(IV) CAPITAL EPLOYED = F .A + W.C**

 **F.A = Premises (ksh 5000000) +Furniture (ksh1875000) ✓**

 **KSH 6875000**

 **C.E = (6875000 + 1612500)**

 **KSH 8487500✓**

**(V) RATE OF RETURN ON CAPITAL EMPLOYED = NET PROFIT /C.E ×100%✓**

 **= 62500/8487500×100%✓**

 **=0.736%✓**

 4 (b) Differences between parastatals and public limited company.

|  |  |
| --- | --- |
| **Public limited company** | **Parastatals**  |
| Owned by shareholders  | Fully owned by government  |
| Directors are elected shareholders  | Directors are appointed by the government  |
| The main objective is to make profit  | Main objective is to offer essential goods and services  |
| Profits realized belongs to the shareholders  | Profits realized belongs to the state  |
| Initially financed through issue of shares  | Initially financed by state or through state guarantee |
| Set up by companys act | Set up by an act of parliament |
| Board of directors elected by shareholders controls the public limited company  | The minister in charge of the ministry appoints board of directors to control the parastatal |

 **5** (a) Fiscal policy measures to control inflation

**Reducing government expenditure;-**A reduction in government expenditure reduces the supply of money in the economy hence reducing inflation

**Increasing income taxes;-**An increase in income taxes reduces the amount of money at the consumer’s disposal therefore reducing the supply of money in the economy which finally reduces inflation.

**Giving subsidies;-**Subsidies reduces the cost of production enabling producers charge a lower price for their products hence reducing inflation.

**Reducing taxes on production -**A reduction in tax on production inputs reduces the cost of production therefore enabling producers charge lower prices for their products hence reducing inflation.

**Producing commodities that are in short supply.** For instance, the government may be involved in production of commodities that are in short supply thereby prices are likely to go down hence reducing inflation

**5** (b) Policies of insurance against ships.

1. **Marine hull policy**; she needs to take this policy to covers the ships against loss or damages as a result of risks e.g. Storm, fire, and capsizing**.**
2. **Marine cargo policy;** she needs to take this policy to cover cargo against loss or damage while being transported by ship
3. **Part policy;** she needs to take this policy to covers for specific perils when the ships are being loaded, off-loaded or serviced.
4. **Voyage policy;** she need to take this policy to cover the ships or cargo on a particular journey**.**
5. **Floating policy;** she need to take this policy to cover her ships while in transit.
6. **Time policy**; she need to take this policy to covers losses arising within a specific period of time.
7. **Fleet policy;** she needs to take this policy to covers a fleet of ships against lo**s**
8. **Freight policy**; she needs to take this policy to cover against losses arising from failure by the hirer of the ship to pay freight charges.

**Mentioning =1 mks ,explantion =1mks {any 5×2 = 10mks}**

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

1. **Cost;-**A more affordable method of sales promotion should be chosen.
2. **Nature of the product;-**Some products because of their nature require to be promoted by specific methods only.
3. **Target group;-**The promoter should choose a method of promotion that reaches his/her target group so as to reduce wastage.
4. **Objectives of the promoting firm;-** A firm should choose a method of sales promotion that will help meet the objectives of the firm.
5. **Methods used by the competing firm;-**Firms should choose methods of promotion that enables them compete favourably with their competitors.
6. **Government policy;-**A firm should use only those methods that are allowed by the law of the land.
7. **Geographical region;-** The firm should choose a method that will cover the geographical area intended.

6 (b) Methods to correct balance of payment disequilibrium by a country

1. **Decreasing the volume of imports**: For instance imposing tax on imports will make imported goods more expensive thereby reducing their demand.
2. **Increasing the volume of exports** – For instance the government may negotiate with trading partners so as to remove or reduce trade barriers i.e. high taxes and quotas placed on the country’s exports hence enabling the country to export more.
3. **Encouraging foreign investment into the country**. By encouraging foreign investments, local people are able to access a variety of goods and services hence reducing imports.
4. **Restricting the outflow of capital:** The government can control the outflow of money through non trading activities. This can be done by controlling donations thereby ensuring equilibrium in the balance of payments
5. **Devaluation of currency:** Devaluation makes a country’s currency cheaper to foreign nations. Exports will therefore become cheaper since foreign importers will pay less to acquire local goods.