**MARKING SCHEME**

1. Five advantages of chain stores in Kenya

* They buy goods in large scale which enables them to obtain good trade /quantity discount
* They are able to sell their goods at low prices thus attract more customers
* The cost of running a chain store is controlled and managed at the head office enable and costs to be shared among the various branches
* Slow moving goods in one branch can be transferred to another branch where demand is higher
* The identical goods/similar shop fronts /window displays publicise the businesses/make it easy for customers to identify the business with ease
* They serve a wider market because they are spread all over the country
* Goods are sold on each cash basis, hence reducing bad debts

(b) Uses of national income statistics

* To indicate the economic growth of a country
* To measure standard of living of citizens of a country
* To compare standards of living in different countries
* To calculate the per capita income in a country
* To compare the standard of living between different years in a country
* To assists the government in economic planning
* to attract foreign aid and investment in the country

2. (a) Differences between a public limited company and a cooperative

|  |  |
| --- | --- |
| Public ltd company | Cooperative |
| (i) Formed by a minimum of 7 shareholders  (ii) It is registered under the companies act  (iii) Sell shares and debentures to the public to raise capital  (iv) Shares are freely transferable from one person to another  (v) Management is by Board of Directors | -Formed by a minimum of 10 members  -It is registered under cooperative societies Act  -Raise capital through members contribution  -Shares are not freely transferable as members have a common interest  Management is by a management commitees |

(b) Five reasons why many countries tent to prefer free trade

* People can enjoy quality goods and services due to increased competition
* Countries tend to specialize in what they can produce best and cheaply
* Consumers are able to access a wide variety of goods/services
* It leads to creation of a wider market for goods/services
* It allows free movement of factors of production from one country to another
* It creates many opportunities for investment in different countries
* Consumers can be able to enjoy cheaper goods/services due to competition.
* It promotes peace and understanding among the countries involved

3.(a) Factors that hinder occupational mobility of labour

* age: age limit may make it difficult from changing from one job to another
* Cost required for retraining. If the cost involved is high /expensive, it will be difficult to change
* Length/time required for retraining where the length of time required for is long occupational mobility may be difficult
* Government policy. The government may not allow for the change to take place
* Talent where the job require a special talent it would be difficult for occupational mobility of labour to take place
* Low pay/salary/renumeration hence not attract occupational mobility of labour

(b) Five possible reasons for the trend in the supply of cabbages

* Increase in price of other related products encouraging producer/farmers to produce more of other products/decrease supply of cabbages
* Increased cost of production making farmer to produce less carbages
* Difficulty of getting the required factors of production such as land
* Decrease in the price of cabbages discouraging producers from production more cabbages
* Unfavourable government policy discouraging farmers from producing cabbages
* Future expectation of farmer decrease in price of cabbages hence making them to produce less of cabbages
* Unfavourable weather conditions/natural factors causing a fall in the level of production
* Withdrawal of farmers from the industry because of other reasons making the level of production to be low
* Use of poor methods of production leading to reduction in the level of production

4. (a) Lack of accurate and detailed data

Existence of large substistence sector

Lack of qualified personel

Problem of private sector

Transfer of inappropriate development plan

(b) Purchases Journal√

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Details | Invoice No. | Folio | Amount Kshs. |
| 2015  March 1 | Oyoo  Kotolo  Mercy  Mwangi  Total creditors for the month transferred to purchases a/c (DR) |  |  | 130,000√  140,000√  50,000√  25,000√  345,000 |

Sales Journal √

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Details | Invoice No. | Folio | Amount Kshs |
| 2015  Mar 2 | Janet  Njiru  Neville  Ronny  Total debtors for the month transferred to sales a/c (CR) |  |  | 40,000√  20,000√  10,000√  10,000√  80,000 |

Purchases ledger √

Oyoo a/c

|  |  |
| --- | --- |
| Dr | 2015  Mar 1: Purchases 130,000√ |

Kotolo a/c

|  |  |
| --- | --- |
| Dr | 2015  Mar 1 Purchases 140,000 |

Mercy a/c

|  |  |
| --- | --- |
|  | 2015  Mar 1: Purchases 50,000√ |

|  |  |
| --- | --- |
|  | 2015  Mar 1:  Purchase 25,000 |

Mwangi a/c

Sales ledger√

Janet a/c

|  |  |
| --- | --- |
| 2015 Ksh  March 2: Sales 40,000√ | Cr |

Njiru a/c

|  |  |
| --- | --- |
| 2015  March 2 Sales 20,000√ |  |

Neville a/c

|  |  |
| --- | --- |
| 2015  March 2 sales 10,000√ |  |

Ronny a/c

|  |  |
| --- | --- |
| 2015  Mar Sales 10,000 |  |

5. (a) Some goods improve in quality in the warehouse e.g wine and tobacco

Importer can prepare the goods for sale while in the bonded warehouse

Goods in the bonded warehouse are secure

The owner can look for the market for the goods before paying the duty

Gives the owner time to look for money to pay for customs duty

Some goods lose weight while in the warehouse so the duty paid becomes lower if it is based on weight

The burden of paying the duty passes to the buyer if goods are sold while still in the bonded warehouse

(b) They supervise and monitor people to whom they have given loans

They offer advisory services to their clients in matters such as business opportunities and record keeping

They encourage savings by advancing a loan to an individual member of a certain group depending on the amount of money he/she has saved in the group

Encourage clints to carry out business activities. this they do by sometimes giving a small amount of loan on condition that the loanee wouls get a bigger amount if he/she invests the small loan wisely

Provision of finance to small scale organized groups

6.(a) Flucttuating exchange rates may pose challenge especially in valuation of exports and imports

No accurate records of expenditure are kept mainly in the private sector

Problem of double counting

Differentiating between final expenditure may be difficult

Subsistence sector is not calculated accurately due to lack of records

(b) Furniture reduces to Kshs.210,000

Cash increases to Ksh.420,000

Increases to Ksh.150,000

Debtors increase to Ksh.150,000

(ii) Stock increases to Ksh.240,000

Cash reduces to Ksh. 315,000

Creditors increases to Ksh.315,500

Cash reduces to Ksh.300,000

Capital reduces to Ksh.885,000

Migingo Traders

Balance sheet

As at 31st December 2014

|  |  |
| --- | --- |
| Fixed assets  Furniture 210,000√  Motor van 300,000√ 510,000√  Current assets  Stock 240,000√  Debtors 150,000√  Cash 300,000√ 690,000√  1,200,000 | Capital 885,000√  Current liabilities  Creditors 315,000√  1,200,000 |