

BST MARKING SCHEME 2018

1 (a) i) The profit margin, there should be a reasonable profit from the investment to cover all the expenses

- ii) Government policy should be favourable/ easily be met
- iii) Level of competition should be fair to cope with
- iv) Capital should be adequate to start/ easy to raise
- v) Appropriate technology, for cost effective production
- vi) Risks involved, should be minimal/manageable to avoid losses
- vi) Existing believes of the target market, the business product should be acceptable
- viii) Suppliers should be readily available and affordable for continuous production

Any 5*2 = 10 Marks

1 (b).(i) If a firm has a secretive production technique, This denies the firms the use of the techniques /production

ii) If the firm has a key / Major strategic inputs/raw materials, This makes the firm to have sole access t input/raw materials used in the production of the commodity

iii) If the venture require large capital // investment of substantial capital, other firms may not be able to raise the capital ,leaving the field to one firm

iv) If the firm enjoys greater economies of scale ,this _enables the firm to produce at lower cost than other firms

v. If the firm is set as state monopoly, thus shutting out competition

vi. If firms merge/amalgamate /combine/absorption. To become the only firm/supplier.

vii. If the market is best served by one firm more economically, other firms entering the market may make losses due to low sales hence the firm remains dominant

viii, If the firm has patent rights/copy rights, which bars other firms from producing or selling a product

Any 5*2marks =10mks.

- 2 a) i) Large/Wider market, the country gets additional market to sell her goods /services/for disposal of surplus
- ii. Promotion of peace ,member countries have a deeper understanding of each other through interactions
- iii. Increased variety of goods/services which enable citizens to satisfy different needs/give them a wider choice
- iv., this reduces the cost of doing business/improved production Shared research information/common services /eliminate duplication
- v. Creation of employment, due to increased economic activities
- vi. Encourages specialization, as member countries concentrate on what they would produce cheaply/efficiently where they have comparative advantage
- vii) Reduction/abolition of tariffs, which makes prices of goods fair/ improve the volume of trade
- vii). Increased economic bargaining power which may lead to better terms of trade or balance of payment
- ix) Technology transfer, by sharing new methods/improved method of production
- x) Improved infrastructure, to enhance production activities

Any 5*2 = 10Marks

2 (b)

- i)Increased use of electronic bill boards, which have long lifespan
- ii) Digital advertising screens, which are more captivating
- iii) Use of websites, for world wide access
- Iv) Road shows and convoys, which are more entertaining and attractive
- v) Catering for the right of the consumers, to protect them from exploitation
- vi) Gender sensitivity awareness, for public relations

Any 5*2 = 10 Marks

3 (a)

- (i) Railway transport is relatively Secure than road, as cases of theft are rare compared to road.
- ii) Railway transport is relative safe than road, as cases of accidents are rare
- iii) Trains may have special facilities for carrying special types of goods
- iv) Trains are relatively economical than road for transporting bulky and heavy goods
- v) Trains enables transporter to plan for the transport of his or her goods as they follow a fixed schedule
- vi) Where shunting facilities are available train may deliver goods up to/ from the owners' premises

Any 5*2= 10 Marks

3(b)

MUTUNGA TRADERS CASH BOOK

Date	Items	Discount	Cash	Bank	Date	Items	Discount	Cash	Bank
2004 Jan 1	Bal b/d		130,000		2004 Jan 1	Bal b/d			134,000
Jan 1	Sales		215,000		Jan 15	Salaries		40,000	
Jan 5	Debtor	40,000		760,000	Jan 20	Creditor	1,600		
Jan 22	RichuTraders	5,400		84,600	Jan 24	Bank		100,000	
Jan 24	Cash			100,000	Jan 26	Drawings			
Jan 26	Sales			200,000	Jan 31	Bank		155,000	
Jan 31	Cash			205,000	Jan 31	Bal b/f		50,000	377,200
		45,400					1,600		

4 (a) (i) It may discourage people from working more, as any additional income goes to tax.

(ii) Investors may be discouraged from venturing into risky but more profitable businesses as they would attract more tax

(iii) It may reduce output, because people are discouraged from being more productive

iv) It discourages vertical mobility of labor, since increased income attracts more tax

v) Less equitable, as it is based n assumption that people earning same amount of income have similar needs, which is not the case

4 (b)

**BINDII TRADERS
TRADING PROFIT AND LOSS A/C
FOR THE PERIOD ENDED 31/12/2017**

	Ksh	Ksh		Ksh
Opening stock		35,000	Sales	330,000
Add purchases	300,000		Less Sales returns	10,000
Less returns outwards	25,000		Net sales	320,000
Add carriage inwards	15,000			
Net purchases		290,000		
Cost of sales		325,000		
Less closing stock		69,000		
Cost of goods sold		256,000		
G. profit c/d		64,000		
		<u>320,000</u>		<u>320,000</u>
Carriage outwards		30,000	G profit b/d	64,000
Net profit c/d		70,000	Commissions received	36,000
		<u>100,000</u>		<u>100,000</u>

16 ticks * ½ = 8 marks

Bindii
Balance Sheet
As at 31/12/2017

Assets	Ksh	Ksh		Ksh
<u>Fixed assets</u>			Capital	783,250
Land		464,250	Add N. profit	70,000
<u>Current assets</u>			Net Capital	853,250
Stock	69,000		<u>Current Liabilities</u>	
Debtors	65,500		Creditors	105,500
Bank	200,000			
Cash	60,000	494,500		
		<u>958,750</u>		<u>958,750</u>

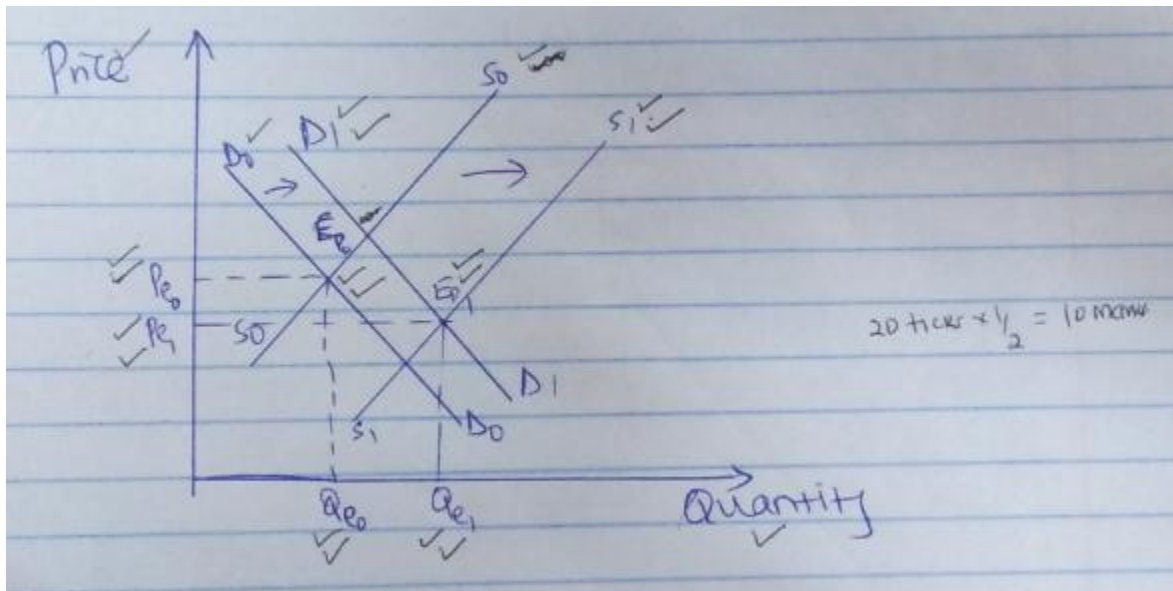
8 ticks* ½ = 4 Marks

5 (a)

- i) Democratic administration, decision are made by members on one man one vote basis
- ii) Voluntary/Open membership, members can join freely or may exit freely
- iii) Limited interest on share capital, capital paid is made for running the cooperative affairs rather than generating interest
- iv) Promotion f education to members , cooperatives have a duty to educate their staff/members on cooperative activities through seminars/workshops
- v) Political/religious neutrality, cooperative societies are not supposed to favor/identify with political/religious groups
- vi) Payment of divided /distribution of surplus based on contribution.
- vii) Service to members , formed to cater for members interest/welfare
- viii) Limit on number of shares one can buy to avoid control by one or few members

Any 5*2 = 10marks

5 (b)



6 (a)

i) Increasing bank rate Increase in the rate of interest on lending to commercial banks by the central bank.

i) open market operations ,Selling government securities in open market operations (omo)

iii) Increasing liquidity ratio/cash ratio Increase in commercial banks cash or liquidity ratio.

iv) Increasing compulsory deposit Increasing compulsory deposits by commercial banks with central bank.

v) Institution of selective credit control measures. Issuing of directives by central bank to commercial banks to charge higher lending interest rates.

vi) Moral persuasion – the central bank appealing to commercial banks to be more strict in lending money

Any 5 *2 = 10 Marks

6. (b)

<u>Single shop</u>	<u>Tied shop</u>
-Sell goods from different manufacturers	-Sell goods from one particular manufacturer
-The shop is owned by the owner	- Shop is owned and controlled by the manufacturer
- Shop is designed by the owner	The manufacturer designs the organization of the shop and the front appearance
-Owner fixes own prices which are not standard in all shops	-Prices in all shops are standardized by the manufacturer
- The shop owner promotes his own products	- Product promotion is done by the manufacturer