**MOKASA II JOINT EXAMINATION**

Kenya Certificate of Secondary Education

**565/2 - BUSINESS STUDIES – Paper 2**

**July 2018 – 2 hours**

**MARKING SCHEME**

**Instructions to candidates**

1. *This paper consists of* ***six*** *questions.*
2. *Answer any* ***five*** *questions.*
3. *Answers should be written in the spaces provided after question* ***six.***
4. *All questions carry equal marks.*
5. ***This paper consists of 15 printed pages.***
6. ***Students should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.***
7. ***Students should answer the questions in English.***

**For Teacher’s Use Only**

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| **Question** | **Maximum**  **Score** | **Candidate’s**  **Score** |
|  | 20 |  |
|  | 20 |  |
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|  | 20 |  |
|  | **Total Score** |  |

1. a) Explain **five** ways in which the government of Kenya can promote entrepreneurial

development in her economy. (10marks)

* *Improvement of infrastructural facilities in the economy*
* *Beefing up security in the economy*
* *Enacting laws that favors/promotes registration of businesses*
* *Fixing price controls for basic necessities*
* *Offering incentives to businesses i.e. tax holidays*
* *Extending credit facilities to local entrepreneurial/giving soft loans*
* *Protecting local industries from excessive importation of foreign goods and*
* *services/foreign traders*
* *Creating fair competitive business environment*

b) The diagram below shows supply curves of two producers of maize in different countries. Highlight **five** reasons why producer **P** suppliers more maize than producer **Q** at the same price. (10marks)

25  **Q P**

Price 20

(Usd)

15

10

5

0 200 300 400 500

Quantity supplied (tons)

* *Favorable climate in country P than country Q*
* *Use of modern technology in country P than Q*
* *More access to subsidies in country P than Q*
* *Availability of factors of production in country P than Q*
* *There might be peace and tranquility in country P than Q*
* *Improved infrastructure in country P than Q*
* *Lower cost of production in country P than Q*

1. a) Explain **five** means of written communication. (10marks)

* ***Letters*** *– a form of written communication; business, official/formal, non-formal etc*
* ***Telegrams*** *- is a means of communication provided by the post office, the sender obtains the telegram form from the post office and fills the message on it in capital letters and hand it over to the post office employees at the counter.*
* ***Telex*** *- is a means of communication used to send short or detailed messages quickly by use of a teleprinter. The service is provided by the post office on application.*
* ***Facsimile (Fax)*** *- involves transmission of information through a fax machine. Both the sender and the receiver must have a fax machine.*
* ***Memorandum (Memo)*** *- is printed information for internal messages within an organization. It is normally used to pass information between departments or offices in an organization.*
* ***Notice*** *- is used to inform a group or the public about past current or future events. It is usually brief and to the point. It can be placed on walls, in public places, on trees, in newspapers or on notice boards.*
* ***Reports*** *- are statements/within records of findings recommendations and conclusion of an investigation/research. A report is usually sent to someone who has asked for it for a specific purpose.*
* ***Circulars*** *- are many copies of a single letter addressed to very many people when the message intended for each is the same.*
* ***Agenda*** *- is an outline of the items to be discussed in a meeting. It is usually contained in a notice to a meeting sent in advance to all the participants of the meeting.*
* ***Minutes*** *- are records of the proceedings of a meeting.*

b) Kaptagat traders had the following assets and liabilities on 31st December, 2017

**Sh.**

Creditors 280,000

Equipment’s 1,920,000

Furniture 103,550

Stock 800,000

Debtors 240,500

Bank overdraft 401,950

Cash in hand 291,000

Capital ?

During the first week of January 2018, the following transactions took place.

**2018**

Jan 1. Bought more goods from NCPB on credit for sh. 330,800

2. Purchased a computer and accessories by cheque sh.50,000

4. Paid creditors by cheque sh.200,000

5. Received sh 140,500 by cheque from debtors.

6. Kaptagat traders put in an extra sh.500,000 into the business,

sh.300,000 by cheque and sh.200,000 in cash.

7. Kaptagat traders paid the outstanding bank overdraft using the cash

from the cash till

**Required.**

a). Ascertain Kaptagat traders capital as at 1st January, 2018 (4marks)

*Capital = Assets – liabilities*

*= (1,920,000√+103,550√+800,000√+240,500√+291,000√) - (280,000√+401,950√)*

*= 2,673,100√*

***8√\*½=4marks***

b). Draw up Kaptagat traders Balance sheet as at 7th January 2018 after the above

transactions have been completed. (6marks)

*Kaptagat traders*

*Balance sheet*

*As at 7th January 2018.√*

*Sh. Sh.*

***F.Assets*** *Capital 2,673,100√*

*Equipment’s 1,920,000√ Add. Investments 500,000√*

*Furniture 103,550√ 3,173,100*

*Computer 50,000√*

*2,073,550*

***C. Assets C. Liabilities***

*Stock 1,130,800√ Creditors 410,800√√*

*Debtors 100,000√*

*Cash 279,550 √√ 1,510,350*

***3,583,900 3,583,900***

***Wokings 1 mark & Balance sheet 10√\*½= 5marks***

***Any foreign item cancels a √***

1. a) Explain **five** differences between a public limited company and private limited

company. (10marks)

|  |  |  |
| --- | --- | --- |
| ***No.*** | ***Private Companies*** | ***Public Companies*** |
| *1.* | *Minimum of 2 shareholders and a maximum of 50 shareholders* | *Has a minimum of 7 shareholders and no maximum.* |
| *2.* | *Shares are not freely transferable* | *Shares are freely transferable* |
| *3.* | *Shares cannot be sold at the stock exchange* | *Shares can be sold at the stock exchange* |
| *4.* | *Requires a certificate or registration to start Operating* | *Requires a certificate of trading to start operating* |
| *5.* | *It is not a must for financial statements to be advertised in the media* | *Financial statement must be published in the media.* |
| *6.* | *Require at least one director to run.* | *Requires a board of directors to run* |

b) Explain **five** features of non-bank financial institutions. (10marks)

* *They give long term loans to fund investment concerns in the economy*
* *They give loans to specific sectors in the economy for development purposes*
* *They don’t offer current account facilities to the members of the public*
* *They do not offer foreign exchange facilities in the economy*
* *They do not engage in clearing house facilities*
* *They lend money to specific sectors*
* *They give advisory services to investors on how to set and run businesses*
* *They do not offer safe custody to valuable items in the economy i.e. title deeds and expensive jewelry*
* *They do not give letters of credit/do not quarantine credit in international trade.*
* *They carry out feasibility study for potential investors.*

1. a) The following figure shows a population structure of a developing country in a given

year

|  |  |  |
| --- | --- | --- |
|  | 80-above  70-74  60-64  50-54  40-44  30-34  20-24  10-14  0-4 |  |
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**MALE AGES FEMALE**

Explain **four** challenges faced by a country with the above population structure.

(8marks)

* *Increased dependency ratio- the young who cannot fit in the job market*
* *The labour supply in the market will be low as many young people may not have attained the working age*
* *More resources are used to feed the young and less is available for savings and investments*
* *More expenditure is diverted to providing goods and services for the young and other vital sectors are neglected*
* *Young people if they are idle tend to engage in social vices such as crime and drug abuse.*

b) Outline **six** benefits Kenya derives from being a member of East African community.

(12marks)

* *Expanded market for goods and services – since it is composed of many countries where it can sell surplus goods*
* *Creation of employment opportunities – due to increased trading/business activities*
* *Fair/lower prices of goods and services – due to reduction/abolishment of tax/competition*
* *Encourage/promote specialization – in areas where countries enjoy comparative advantage/low cost of production*
* *Increased bargaining power – which may improve terms of trade/balance of payments*
* *Free flow of goods/services/factors of production – due to minimal restrictions/flow of factors of production*

1. a) Explain **five** factors that may make a firm to locate near the source of its raw materials.

(10marks)

* *Where the raw materials are bulky/heavy in order to reduce on transport cost*
* *Where the raw materials are highly perishable/fragile*
* *Where the raw materials can easily pollute the environment*
* *Where it is a government policy*
* *Where there is need to save on cost for transport*
* *Where constant supply of raw materials is required*
* *Where there is very stiff competition for raw materials*

b) Explain five benefits that a county government may derive from preparing a proper

development plan (10marks)

* ***Appropriate resource allocation*** *– to where output is highest to ensure maximum*

*utilization of resources.*

* ***Prioritizing of projects*** *– to ensure that more important projects in the county are given*

*priority*

* ***To stimulate effort\motivational tool*** *– to be owned and supported by the citizens to*

*meet their objectives.*

* ***To ensure balanced regional development*** *– to make it possible to distribute*

*development to all parts of the county.*

* ***To avoid duplication*** *– by ensuring that similar projects are put in the same area*
* ***For long term decision making*** *– in areas/sectors of investments*

1. a) Explain **five** challenges faced by a buyer who uses credit cards in making payment for

goods and services. (10marks)

* *It may make one to be tied to debts*
* *One is likely to make impulse purchase/overspend*
* *The interest charged is usually high*
* *The procedure for renewing the card may be long*
* *One may be required to pay a fee to join other credit card users*
* *Holders of such cards may lose money to fraudsters*
* *Some traders may be unwilling to accept credit cards*
* *The buyer may be convicted if he/she defaults in payment if there were no cash in the account*

b) The following balances were extracted from the books of Mutei traders on 31st

December, 2017.

**Shs**

Gross profit 800,000

General expenses 180,000

Buildings 1,250,000

Equipment 380,000

Capital 1,400,000

Furniture 117,000

Insurance 48,000

Stock 25,000

Commission income 125,800

Discount allowed 55,000

Discount received 56,200

Bank Overdraft 79,000

Salaries and wages 320,000

Creditors 90,000

Carriage outwards 60,000

Debtors 65,500

Carriage inwards 34,500

Cash 51,000

**Prepare:**

a). Profit and loss account for the period ended 31st December, 2017.

b). Balance sheet as at 31st December, 2017. (10marks)

***Mutei traders***

***Profit and Loss account***

***For the year ended 31/12/2017√***

***Shs Shs***

*General expenses 180,000 √ Gross profit b/d 800,000√*

*Insurance 48,000 √ Commission income 125,800 √*

*Discount allowed 55,000 √ Discount received 56,200√*

*Salaries and wages 320,000√*

*Carriage outwards 60,000√*

*Net Profit 319,000√*

***982,000 982,000***

***Marking 10√\*½ = 5 marks***

***Mutei traders***

***Balance sheet***

***As at 31/12/2017***

***Fixed Assets Shs Shs***

*Buildings 1,250,000√ Capital 1,400,000√*

*Equipment 380,000√ Add Net Profit 319,000√*

*Furniture 117,000√ 1,719,000*

*1,747,000*

***Current assets Current liabilities***

*Stock 25,000√ Creditors 90,000√*

*Debtors 65,000√ Bank Overdraft 79,000√ 169,000*

*Cash 51,000√ 141,000*

***1,888,000 1,888,000***

***Marking Scheme 10√\*½= 5 marks***

***Any foreign item, cancels a correct √***