**NAME…………………………….**

**Admission number: ……………**

**Class: ………………………………….**

565/2

**BUSINESS STUDIES**

PAPER 2

TERM 1 2014

**MWAKICAN JOINT EXAM TEAM (MJET)**

**BUSINESS STUDIES**

PAPER 2

21/2 HOURS

**INSTRUCTIONS TO CANDIDATES**

1. This paper consists of six questions.
2. Answer any five questions.
3. Write your answers in the answer booklet provided
4. All questions carry equal marks.

(a) Describe any **five** characteristics of human wants. (10mks)

1

(b) Explain **five** ways in which commercial banks help in facilitating business activities in a community.(10mks)

a) Quails traders intends to construct a warehouse .Explain **five** measures that Quails Traders should take to ensure smooth functioning of the warehouse. (10mks)

2

b) Sambaza, an island country in Indian Ocean, has been experiencing low national income Discuss **five** reasons that may have contributed to this problem .(10mks)

(a) Explain **five** factors that have contributed to the popularity of containers in transport. (10mk)

3

B) Kamwe Company limited prefers to sell its products direct to consumers. Highlight **five** circumstances under which this manufacturer may sell direct to consumer. (10mks)

(a) Ndathi has realized that his brother’s one year old business is growing fast. Explain **five** reasons that could be contributing to this scenario. (10mks)

4

(b)Miciri a young entrepreneur has first won a lottery worth ksh.500; 000.He is torn between putting up a soap producing firm and a milk bar. Explain to Miciri **five** factors that he needs to consider before making a decision or what to produce. (10mks)

5

(a) Wamutira a newly employed teacher has joined Tajirika savings and credit co-operative society (SACCOs) ltd. Explain the **five** benefits that she may get from being a member of that SACCO.(10mks)

(b) Yegon had the following transaction in the month of June 2003.(10mks)

June 2 Started business with sh .100, 000 cash and furniture (from home) sh.3000.

3 Opened a bank account with sh. 7000.

6 Bought goods from kamanda on credit sh.500.

7 Sold stock sh.800 and was paid by cheque.

8 Yegon took away sh.100 cash from the business for his daughters fare back to school.

Required:

1. Record the following transactions in the relevant ledger accounts and balance them off. (10mk)

(a) Explain **five** ways in which the government can provide an enabling environment can provide an enabling environment for business enterprise. (10mks)

6

(b) The following is the trial balance Mwingi West shop as at 31st March 2013.(10mks)

|  |  |  |
| --- | --- | --- |
|  | DR  SHs | CR  SHs |
| Stock 1 April 2012 | 181,600 |  |
| Sales and Purchases | 691,850 | 923,400 |
| Carriage inwards | 4,200 |  |
| Carriage outwards | 15,700 |  |
| Return outwards |  | 6,400 |
| Wages and salaries | 102,400 |  |
| Rates and Rent | 30,150 |  |
| Communication expense | 6,240 |  |
| Commission Payable | 2,160 |  |
| Insurance | 4,050 |  |
| Sundry expenses | 3,180 |  |
| Buildings | 200,000 |  |
| Debtors and creditors | 143,200 | 32,640 |
| Outstanding Expenses |  | 48,960 |
| Fixtures | 28,500 |  |
| Cash at bank | 29,700 |  |
| Cash at hand | 1,150 |  |
| 2 years loan |  | 80,000 |
| Loan from k Ball |  | 20,000 |
| Drawings | 79,200 |  |
| Capital |  | 408,880 |
|  | 1,520,280 | 1,520,280 |

Prepare:

1. A trading profit and loss a/c for the year ended 31st March 2013.
2. Balance sheet as at 31st March 2013.

565/2MS

BUSINESS STUDIES PAPER 2

TERM 1 2014

MWAKICAN JOINT EXAM TEAM (MJET)

BUSINESS STUDIES PAPER 2

MARKING SCHEME

TERM 1 2014

(CONFIDENTIAL)

1a) -They are unlimited in number /They are endless such that satisfaction of one leads to another want.

-Are competitive/cannot all be satisfied as the same time since the resources are few/They compete for priority from the available limited resources.

-Some are recurrent such that the satisfied want may require to be satisfied again and again.

-Some are universal /They relate to everyone in the whole world/common to everybody.

-Some are complementary satisfaction of one want may create a need to satisfy another want(s).

-They vary in intensity &urgency. Some wants are felt than others and cannot be postphoned while others are less intense and can be satisfied later.

-Some wants are habitual and they develop in a person from habits that they get used to.

-Some are insatiable/ cannot have full satisfaction of any given want.

-Wants vary from time to time, from one age group to another.

**Naming 1mk**

**Qualification 1mk**

**2x 5=10**

1b) –Accept deposits of money for safe keeping.

-Sources of finance to business people in form of loans which they use to start/run their businesses.

-Issue letters of credit for clients who trade internationally to enable them access goods on credit.

-Offer different means of payment to enable them carry out transactions smoothly e.g credit transfers.

-Advice on financial investment where they give confidential financial reports on their customers.

-Act as referees where they give confidential financial reports on their customers.

-Act as agents to companies intending to sell shares to the public.

-Act as management trustees to properties of a deceased person.

-Offer foreign exchange -services such as bureau de change to facilitate international trade.

**Naming 1mk**

**Qualification 1mk**

**2x5=10mks.**

2a) –Convinient location/accessible to the users.

-Proper adequate handling equipment & machines for ease of operation.

-Spacious enough to allow easy storage, movement accommodation and accessibility of goods by personnel.

-Adequate/special storage facilities for handling/holding different types of goods/preservation against damage.

-Fitted with safety and security equipment to ensure precaution/safety of goods/employees.

-Qualified/competent personnel to facilitate smooth flow of operations.

-Follow the laid down legal procedures to avoid conflict or registration/operate within the law.

-Proper buildings/structures for the type of goods intended to be stored.

-Good communication system to facilitate exchange of information between the warehouse and its clients.

-Efficient transport network to enable the goods to be moved in and out of the warehouse with ease.

**Naming 1mk**

**Explanation 1mk**

**5x2=10mks.**

2b) –Low number of income generating population since most people are dependants.

-Inadequately trained labour/poor quality of labour supply /labour force.

-Low natural resource endowment/low quality &quantity of the natural resource whch are used as raw materials for production.

-Too many foreign firms in the country who repatriate most of income generated.

-Low level of technological advancements/low innovations and inventions leading to poor quality output and low profits.

-Poor terms of trade/low value of exports compared to imports.

-lack of aggressiveness to invest/entrepreneur.

-Lack of peace/security/political stability creates a harsh environment to low national income.

Existence of a large subsistence sector leads to underestimation of the country’s output.

**Naming 1mk**

**Qualification 1mk**

**2x5=10mks.**

3a. –Speedy/ fast **since** there is increase use of machines for handling goods.

-reduced risk of theft of goods on transit as containers are sealed at the exporters premises.

-Allows efficient utilization of space since containers are standardized and hence fit in well.

-less/minimal damage to goods since containers are strong.

-Specifically designed containers can be used for special goods.

-Reduced insurance premiums due to reduced theft/tampering and Pilferage.

-Flexibility of the mode since it can offer door to door services.

- Can carry large quantities of goods at ago.

-Less frequent handling using modern technology helps to reduce labour costs.

**Naming 1mk**

**Qualification 1mk**

**2x5=10mks**

b. –If goods are highly perishable to avoid wastage.

-Where there is need to demonstrate the use of commodities which are technical in nature.

-If the has his own retail outlet.

-Incase his sales are by tender

-Where the government policy requires that such goods be supplied direct to consumers.

-Where competition is stiff /to counter stiff competition.

-Where the market served is small and localized

-Incase of service industry .where the service can only be offered by the producer

**No splitting**

**2x5=10mks**

4a. Availability of enough finance to run its day activities sustain the business to profitability

-Use of appropriate marketing strategies that have led to high sales volumes.

-Ability to cope with and overcome competition e.g. proper pricing.

-Reliance on modern technology reduces cost of production and hence fair prices for goods/services.

-Good infrastructure such as road electricity which increased efficiency in production.

-Proper business location making it accessible to most of the potential customers.

-Favorable government policies e.g. fair taxation which reduces the cost of production.

-Security /political stability give certainty of the days to come and peace of mind.

-Selling appropriate products in the market which appeals most of the people in that area.

-Employing appropriate/trained employees who do the work well since they are skilled in specific areas.

**Naming 1mk**

**Qualification 1mk**

**2x5=10mks**

**b.** –Consumers needs tastes and preferences. The customers must be willing to spend money on the

Product of choice.

-Availability of resources required for production e.g. raw materials.

-Demand /size of the market. Invest in the product that has the highest demand for more/high level

of profits.

-level of competation.Provide goods/services that meet least competatition.

-Profitability. Good /services that will yield maximum profits should be chosen.

-Government policy. Goods /services that are favored /goods/services that are not illegal.

-Cost of production must be the lowest.

-Availability technology should help to reduce the cost of production and maximize profits.

-Modern technology/improvement in technology may reduce the costs of production

**Naming 1mk**

**Qualifications 1mk**

**2x5=10mks**

**5a. –**she would be encouraged to save/develop a saving habit since payment is on check –off system.

-She would get a variety of loans based on her needs e.g. education ban, Emergencey

loan, development loan

-Receive divideds at the end of every year from the profits of the society’s investments.

-She would be educated on co-operatives affairs and also investment opportunities available.

-Her loans and contributions would be insured which minimizes the risks of losses.

-She would earn interest fro m her savings if they gets to certain amount.

-she would get banking services if the SACCO operates front office banking facilities e.g. bankers’

cheque;salary advance etc.

-Easy loan term conditions to members i.e. no need for a security /collateral to acquire a loan.

-incase she dies the loans are waived off and savings doubled

**Naming 1mk**

**Qualification 1mk**

**2x5=10mks**

**5b.**

Dr. Capital A/C Cr.

|  |  |
| --- | --- |
| June 8 Bal c/d 13000    13000 | June 2 Furniture 3,000  Cash 10,000  13,000 |

Dr. Cash A/C Cr.

|  |  |
| --- | --- |
| June 2 Capital 10,000      10,000  Bal b/d 2900 | June 3 Bank 7,000  8 drawings 100  Bal c/d 2,900  10,000 |

Dr. Furniture A/C Cr

|  |  |
| --- | --- |
| June 2 Capital 3000    3000  Bal c/d 3000 | Bal c/d 3,000    3,000 |

Dr Bank A/C Cr

|  |  |
| --- | --- |
| June 3 cash 7000  7 sales 800  7800  Bal b/d 7800 | Bal c/d 7800    7800 |

Dr Purchase A/C Cr

|  |  |
| --- | --- |
| June 6 Kamanda 500  500      Bal b/d 500 | Bal c/d 500  500 |

Dr Kamanda’s A/C Cr

|  |  |
| --- | --- |
| Bal c/d 500    500 | June 6 purchases 500    500 |

Dr Sales A/C Cr

|  |  |
| --- | --- |
| Bal c/d 800  800 | June 7 Bank 800  800    Bal b/d 800 |

Dr Drawings A/C Cr

|  |  |
| --- | --- |
| June 8 cash 100  100    Bal b/d 100 | June 8 Bal c/d 100  100 |

20 x ½=10mks.

**6a)** –Giving economic incentives such as lowering taxes so as to encourage establishment/growth of businesses (Accept examples of incentives as a qualification).

-Improvement of infrastructure such as roads and communication to facilitate movement of goods/labour in and out of the market/firms.

-Enforce laws/favourable legistlation to guard against loss that may arise from thuggery and lawlessness.

-Provision of credit at favorable terms to enable access to capital cheaply and easily.

-Promote use of appropriate technology to enhance productivity and effective utilization of resources.

-Ensure security/political stability for a peaceful atmosphere which attracts more business investors.

-Deliberate trade promotional campaigns to facilitate marketing of final products.

-Creating a pool of qualified personnel/through various training institutions such as the public universities.

-passing favourable policies that support and encourage potential investors.

Naming 1mk

Qualification 1mk

2x5=10mks

**6b.**

Mwingi West Shop

Trading, Profit AND Loss Account

For the year eneded 31st marh 2013.

|  |  |
| --- | --- |
| Opening stock 181600 | Sales 923400 |
| Add: purchases 691850 |  |
| Add: carriage inwards 4200 |  |
| 696,050 |  |
| Less Return Outwards 6,400 |  |
| Net purchase 689650 |  |
| COGAFS 871250 |  |
| Gross profit c/d 52150 |  |
| 923400 | 923400 |
| Carriage outward 15700 | Gross profit b/d 52,150 |
| Wages and salaries 102400 | Net loss 111730 |
| Rent and rates 30150 |  |
| Communication expenses 6240 |  |
| Commission payable 2160 |  |
| Insurance 4050 |  |
| Sundry expenses 3180 |  |
|  |  |

Mwingi west shop

Balance sheet

As at 31st march 2013

|  |  |
| --- | --- |
| Assets | Capital & liabilities |
| Fixed Assets | Capital 408,880 |
| Buildings 200,000 | Less: Net loss 111,730 |
| Fixtures 28,500 228500 | Less drawings 76,200 |
| **Current assets** | 220950 |
| Debtors 143200 | **Long term liabilities** |
| Cash at Bank 29700 | Loan from k.Ball 20,000 |
| Cash in hand 1150 174050 | 2 years loan 80,000 |
|  |  |
|  | **Current liabilities** |
|  | Creditors 32640 |
|  | Outstanding expenses 48960 |
| 402550 | 402550 |
|  |  |
|  |  |
|  |  |
|  |  |

30 x 1/3=10mks