**3KNT MARKING SCHEME**

**BUSINESS STUDIES PAPER 2 565/2**

**JULY 2017**

|  |  |
| --- | --- |
| 1a.PUBLIC CORPORATION | PRIVATE LIMITED COMPANY |
| Performs specific function | Peforms various function |
| Formed by act of parliament | Formed under company’s Act |
| Initially financed by government | Financed by shareholders |
| Board of directors appointed by government | Board of directors elected by shareholders |
| Political interference | No political interference |
| Owned by government | Owned by individuals /share holders |
| Not necessiful profit motivated | Is profit motivated |
| Profit belong to the govt | Profit belong to shareholders |
| Petition to wind up task in parliament | Petition rests in individual shareholders /court orders |
| Auditing done by govt auditor | Auditing done by private auditors |

1b.

1. Bank rate –can be raised /lowed to discourage /encourage credit
2. Open market operation: selling of securities top reduce credit/buying of securities to increase credit
3. Special deposit/compulsory deposit/minimum reserve required which can be raise3de /lowered to discourage /encourage credit
4. Cash rate /liquidity ratio it can be raised to reduce credit/decreased to increase credit
5. Moral session where the central bank persuaded commercial banks to exercise restrain in lending
6. Selective credit control where commercial banks may be required by the central bank to approve loans only for specified types of projects
7. Directives the central bank can use its authority to instruct commercial banks to lend more/less.

Mention 1

Well explained 2 marks

5x2=10mks

2a.

1. Increased money supply due to credit creation by commercial banks /increased lending by banks /financial institution
2. Increase wages due to trade unions pressure /which is passed on to consumers as higher prices
3. Shortage of good/services meaning demands exceeds supply pushing prices up
4. Importation of goods at high prices from countries suffering inflation passed on to consumers in the country
5. Increased tax on goods like VAT passed on to the consumers as high prices
6. Increased govt expenditure (in excess of tax revenue that increase money supply in the country
7. Increase in cost of inputs /raw materials which is passed to the consumer by producers as higher prices
8. Inflow of foreign funds not matched by In increase in goods and services

2b.

1. Cost: the chosen means should be affordable\
2. Record/reference/evidence where record is required written communication should be chosen /where evidence is not required verbal communication can be used
3. Reliability ensure the means used reaches its destination
4. Availability should be considered as a means that is not there cannot be used
5. Confidentiality of the message secret information may not be passed through some means (accept egs)
6. Accuracy should deliver the message without distotartion /in the right form/correctly
7. Urgency of message if urgent a fast means should be used where message is not urgent a slow means can be used.
8. Recipient consider the level of literary /culture of the recipient.

3a.

1. Lack of enough finances to be used in gathering of required information
2. Inadequate /inaccurate data as expenditure on certain activities may not be recorded
3. Lack of qualified personnel to be used to collect /compile data on expenditure
4. Problems of double counting as it may be difficult to differentiate expenditure on final and intermediate goods
5. Problem of valuing expenditure in the subsistence sector as items are not marketed

3b.

1. Improve /develop roads /railways in rural area for easy movement of goods /people to form industries
2. Tax rebates /holiday /exemption for industries setting up in rural areas to reduce their cost of production.
3. Facilitate access to cheap credit by charging low interest for industries locating in rural areas.
4. Provide land for putting up the industries at reduced rates/free
5. Provide power/electricity for running the industries /industrial operations
6. Provided water for running the industries/ for industrial operator
7. Provide social amenities for those working in industries
8. Provide security to safeguard property /lives of investors
9. Provide training /education facilities in rural areas to develop labour /skills required in the industries

Mention 1

Well explained 2 mks

(5x2=10mks

4a.

* Well groomed –being smart at all times
* Courtesy –show concern and respect
* Humble –willing to serve others
* Trustworthy –always on time
* Respect –consider other people view

NB: all relevant qualities of office etiquette are correct

Thitima traders

Trading profit and loss a/c

For the year ending 30june 2016

|  |  |  |  |
| --- | --- | --- | --- |
| Opening stock | 650,000 | Sales 2000000 |  |
| Purchases | 40 0000 |  |  |
| Loss p returns | 30 000 |  |  |
| Not purchases | 370 000 |  |  |
| G.A for sale | 1 020 000 |  |  |
| Loss closing stock | 120 000 |  |  |
| cost of sales | 900 000 |  |  |
| Gross profit | 1,100,000 |  |  |
|  | 2,000,000 |  | 2,000,000 |
| Rent | 40,000 | Gross profit | 1,100,000 |
| Bad debts | 60,000 | Discount received | 100,000 |
| Discount allowed | 50,000 | Commission income | 60,000 |
| Electricity | 20,000 |  |  |
| Traveling | 30,000 |  |  |
| Insurance expenses | 40,000 |  |  |
| Interest on loans | 70,000 |  |  |
| General repairs exp | 20,000 |  |  |
| Net profit | 930,000 |  |  |
|  | 1,260,000 |  | 1,260,000 |

24x 1/2 =12mks

Decrease in demand

S

D0

Price P0 D1 E0

P1 E1

D O

S

D 1

Q1 Q0 Quantity

Increase in supply

S0

D S1

price

p 0 E0

P1 E1

S0 D

S1

Q0 Q1 Quantity

1. 5b.Breaking bulk of goods diving goods in small quantity that consumers can afford /require
2. Advice consumers on matters concerning the goods eg use of goods
3. Offer credit to customer where they gets goods without money and pay at a later date
4. Stock variety of goods which gi9ves consumers choice
5. They transport /bring goods near the customers enabling them to get goods without traveling long distance
6. They offer consumers after sale services such as repairs /installation /servicing
7. They act as a link between manufacture and consumers meaning any useful information from consumers reach the manufactures through retailers

Mention 1

Well explained 2mks

5x2=10mks

6a.

1. Ability to transport bulky goods as the train have large capacity
2. Cheap /affordable transport charges reducing the transport expenses /cost
3. Quick /fast transport of goods helping to avoid delays enabling transport of perishable goods.
4. Safety of goods as it is not prone to accidents
5. Security of goods as chances of theft are minimal
6. Comfort of traders As they move from one town to another
7. Easy loading /off loading of goods due to special loading /offloading facilities at the terminals
8. Ability to transport different types of goods as trains have special facilities for handling special goods.

6b.

Capital A/C

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Details | l.f | Amount | Date | Details | l.f | Amount |
| 2013  May 15 | Bank c/d |  | 120,000 | 2013  May 1 | Cash |  | 20,000 |
|  |  |  |  |  | Bank |  | 100,000 |
|  |  |  | 120,000 |  |  |  | 120,000 |
|  |  |  |  |  | Bal b/d |  | 120,000 |
|  |  |  |  |  |  |  |  |

Cash A/C

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Details | l.f | Amount | Date | Details | l.f | Amount |
| 2013  May 1 | Capital |  | 20,000 | 2013  May 15 | Balb/d |  | 65,000 |
| May 12 | Sales |  | 45,000 |  |  |  |  |
|  |  |  | 65,000 |  |  |  | 65,000 |
| May 16 | Bal b/d |  | 65,000 |  |  |  |  |
|  |  |  |  |  |  |  |  |

Bank A/C

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Details | l.f | Amount | Date | Details | l.f | Amount |
| 2013  May 1 | capital |  | 100,000 | 2013  May 6 | Rent |  | 1200 |
| May 15 | Balb/d |  | 631200 | May 10 | Delivery van |  | 720,000 |
|  |  |  |  | May 15 | Kanyua |  | 10000 |
|  |  |  | 731200 |  |  |  | 731200 |
|  |  |  |  | May 16 | Balb/d |  | 631200 |

Purchase A/C

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Details | l.f | Amount | Date | Details | l.f | Amount |
| 2013  May 3 | Kanyua |  | 24000 | 2013  May 15 | Bal b/d |  | 24000 |
|  |  |  | 24000 |  |  |  | 24000 |
| May 16 | Bal b/d |  | 24000 |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |

Kanyua A/C

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Details | l.f | Amount | Date | Details | l.f | Amount |
| 2013  May 15 | Bank |  | 10,000 | 2013  May 3 | Purchases |  | 24000 |
| May 15 | Bank u/d |  | 14000 |  |  |  |  |
|  |  |  | 24000 |  |  |  | 24000 |
|  |  |  |  | May 16 | Bal b/d |  | 14000 |
|  |  |  |  |  |  |  |  |

Rent A/C

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Details | l.f | Amount | Date | Details | l.f | Amuount |
| 2013  May 6 | Bank |  | 12,00 | 2013  May 15 | Bal c/d |  | 1200 |
|  |  |  | 1200 |  |  |  | 1200 |
| May 15 | Bal b/d |  | 1200 |  | Bal b/d |  |  |
|  |  |  |  |  |  |  |  |

Delivery van A/C

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Details | l.f | Amount | Date | Details | l.f | Amuount |
| 2013  May 10 | Bank |  | 720000 | 2013  May 15 | Bal c/d |  | 720000 |
|  |  |  | 720000 |  |  |  | 720,000 |
| May 16 | Bal b/d |  | 720,000 |  |  |  |  |
|  |  |  |  |  |  |  |  |

Sales A/C

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Details | l.f | Amount | Date | Details | l.f | Amuount |
| 2013  May 15 | Bank ud |  | 45000 | 2013  May 12 | Cash |  | 45000 |
|  |  |  | 45000 |  |  |  | 45000 |
| May 16 | Bal b/d |  | 45000 |  |  |  |  |
|  |  |  |  |  |  |  |  |

Johana traders

Trial balance

As at 15th may 2013

|  |  |  |  |
| --- | --- | --- | --- |
| Details | folio | DR | CR |
| Capital |  |  | 120000 |
| Cash |  | 65000 |  |
| Bank |  |  | 631200 |
| Purchases |  | 24000 |  |
| Kanyua |  |  | 14000 |
| Rent |  | 1200 |  |
| Delivery van |  | 720000 |  |
| Sales |  |  | 45000 |
|  |  | 810200 | 810200 |

9x1/3=3mks