**SUKELLEMO DEC. 2021**

**BUSINESS STUDIES PP2 - MARKING SCHEME.**

1. **Reasons for operating a public corporation**.

* To prevent consumer exploitation esp. in provision of essential goods and services.
* Provide products in areas where private not willing to provide due to low profit.
* Provide products that require high capital which private may not be able to raise.
* To attract foreign investment which can produce goods that local business may not be able to produce.
* To provide social services that help in stimulating the economy.
* To create employment opportunities by initiating projects like provision of power.
* To prevent foreign dominance by investing in areas where locals may not venture.

(**b) Benefits of relocating industries in different parts of the country.**  
- Curbs rural-urban migration this eases pressure on social amenities which tend to be found   
in areas with a concentration of many firms / urban areas / retain productive population in   
rural areas   
- Creates employment / job to rural dwellers / enabling them to earn an income /   
employment opportunities become available (in various parts of the country) / leading to a   
fair distribution of incomes (across different regions)   
- It avails a variety of goods which enhance consumer choice / living standards / satisfy   
various human wants   
- Promotes (even distribution of )infrastructure / development (across the country) – this is   
required to facilitate the operations of the firms / which open up various areas for   
development / facilitate production / movement of goods / services / factors of production   
- Leads to transfer of (new) technology / skills for better utilization of resources across the   
country / facilitate production of better quality goods /services   
- Leads to development of social amenities / schools / hospitals / security that improve   
welfare of people.   
- Provides market for raw materials / goods / services – this broadens the income sources for   
locals / to avoid wastage / which would otherwise remain idle   
- Attracts auxiliary services / banks / insurance that are of benefit to the society.

1. **(a) Benefits of business to society**.

* Provides goods / services required for the satisfaction of the needs of members of the   
  society   
  - Exploit available resources in the society which would otherwise remain idle / increase   
  productivity
* Creates employment which enable people to earn income / this enable members of the   
  society to afford day to day needs
* Avails variety of commodities / services which enables people to have improved living   
  standards / wider choice
* It leads to improvement in infrastructure such as roads which is required to facilitate trading   
  activities.
* It attracts support like banks / insurance that offer service to the society.
* Leads to better development of technology which leads efficient production of goods
* Encourages improvement of social facilities / amenities, which improves welfare of the society.
* Provides market for raw materials .
* Earns the government revenue through taxes/ which is used to provide public goods

(b) (a) Turnover = Sales - returns inwards.

= 1,155,000 – 30,000

= 1,125,000

(b) Rate of stock turnover = cost of goods sold

Average stock

= 430,000 + 930,000 + 10,000 – 470,000 – 20,000

(430,000 + 470, 000) ÷ 2

= 880,000

450,000

= 1.96 times

(c) Mark up = gross profit = 1,125,000 – 880,000

Cost of sales 880,000

= 245,000

880,0000

= 27.8%

(d) Margin = gross profit

Net sales

= 245,000

1,125,000

= 21.77% or 49

179

(e) Net profit = gross profit – expenses

= 245,000 – (25,000 + 100,000 + 25,000)

= 95,000

1. **(a). Benefits of overpopulation to a country include:**

* Wider market for goods and servicesas result of high population
* Better utilization of resources to cater for increased demand of goods from the population.
* Enhances creativity by the population to earn a living.
* Stimulates investments- business produce more goods which are needed by the population.
* Promotes labopur mobility as people move to look for jobs from one place to another.
* Creates a pool of labour which business can get workers from.

**(b) services that wholesalers may offer to retailers**.

- Availing a variety of goods from different producers - relieving the retailers of the burden of visiting the producers’ premises.

* They break bulk into quantities desired by retailers
* They offer storage / warehousing services – this relieves the retailer from the risks of damage of goods.
* They provide credit facilities which act as a source of capital to retailers.
* They advertise goods relieving them of the cost of advertising.
* They offer transport to the retailers relieving them of transportation costs.
* They inform / advice /educate retailers on available offers for certain commodities this may help retailers improve on the profit margins.
* they may offer services like branding, packing, grading for the retailer saving the cost of doing such.

1. (a)

|  |  |
| --- | --- |
| **Assurance** | **Insurance** |

|  |  |
| --- | --- |
| Has surrender value | No surrender value |
| Long term contract | Short term contract / annual contract |
| Can be assigned to beneficiaries | Cannot be assigned to beneficiaries I third party. |
| Principle of indemnity will not apply. | Principles of indemnity apply. |
| Assured benefits from double insurance. | Insured loses out on double insurance. |
| Principle of subrogation will not apply | Principle of subrogation will apply. |
| It deals with Life | It deals with property |
| Risk is certain | Risk may or may not occur |

(b)

Furaha Traders

Cash book for the month of July 2021

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date | details | F | Disc allowed | Cash | Bank | Date | Details | F | Disc  Rec | Cash | Bank |
| 2021  Jul 1  2  5  23  24  26    31 | Balance  Sales  Debtor  Ngao  Capital  Sales  **Bal. c/d** |  | 2,250  940 | 180,000  21,800  201,800 | 87,750  8,460  10,000  38,000  **9,360**  153,570 | 2021  Jul 1  6  12  27  27  29  31  **31** | Balance  Salaries  Drawings  Debtor  Charges  Creditors  Furniture  **Balance c/d** |  | 180 | 40,000  3,500  118,300  **40,000**  201,800 | 57,500  87,750  2,500  5,820  153,570 |

**31 Bal. b/d 40,000**

1. **(a) Clauses of Memorandum of Association.**

* **The name clause-** It states the name of the company and ends with the word ‘limited’
* **The objects clause** – states the objectives/ activities of the company.
* **The situation clause**- states the physical location of the company’s registered office.
* **The liability clause**- states the extent to which the shareholders are liable to the debts of the company. Shareholders have limited liability.
* **The capital clause-** states the amount of capital that that the company is authorized to raise and values of shares.
* **Declaration clause-** signed by promoters stating that they wish to form the company and undertake to buy shares in the proposed company.

(**b) Factors that may cause an increase in supply of tomatoes.**

* Increase in prices of tomatoes.
* Availability of factors of production such as skilled labour.
* Use of modern technology in producing tomatoes. Like use of equipments and inputs that favours growth of quality tomatoes.
* Favourable government policies that favours consumption of tomatoes.
* Future expectation of reduction in prices of tomatoes.
* Good weather that favour production of high quantities of tomatoes.
* Addition farmers/ producers of tomatoes.
* Increased prices of tomato substitutes.

1. (**a) challenges a business may experience by not preparing a business plan**

* Difficult to raise enough capital save the plan is used for that purpose.
* May not allocate the resources appropriately.
* Business may not detect mistakes on time which can affect its performance.
* Workers may not be motivated sine there is no document to guide the on what is expected of them.
* Determination of finances required may be a problem.
* Coping with future changes to business may be a problem, like expansion.
* May be difficult to identify business weaknesses which cause harm the business.

**(b) Causes of slow economic development.**

* Low natural resource endowment
* Inadequate capital such machines, equipment which makes it difficult exploit resources available.
* Poor technology which leads to production of low quality goods.
* Poor human resource/shortage of skilled labour
* Unfavourable political environment
* Unfavorable social cultural environment.
* Over reliance by a country on donors.