**BUSINESS 565/2**

**MARKING SCHEME**

**JULY/AUGUST 2016**

**1.(a) Features of good money material**

(i) Acceptability

Money must be acceptable for it to be used as a medium of exchange

(ii) Divisibility

Money should be divisible into smaller unit/denomination without loss of value

(iii) Portability- Money should b convenient to carry around. It should be light and not bulky

(iv) Durability- Money should be able to last for a long time with minimal physical tear and wear

(v) Stability in value- Money should not lose or gain value at short intervals of time

(vi) Cognizability-Money should have features that are easily recognized by those involved in the exchange

(vii) Homogeneity-Money of the same denomination should be identical to avoid confusion and doubts

(viii)Scarcity- Money must be limited in supply for it to maintain value

(ix) Malleability-Money material should be able to be formed into different shapes and sizes and can also be easily inscribed or printed on.

(x) Complexibility/Not easy to forge-Money should not easily counterfeited or forged. The technique applied in making it should not be easy to copy or imitated

**2. Role of Nairobi stock exchange**

1. Facilitates buying of shares
2. The stock exchange market provides a conducive environment to investors wanting to buy shares in various companies
3. Facilitates selling of share-It creates a ready market for those who wish to sell their securities
4. Provides useful information- It provides timely, accurate and reliable information to investors which enables them to make decisions on the investment to make.
5. Safeguards investors interests-It monitors performances of the already Quoted companies and those found not meeting the expectations are struck off from the register
6. Assist companies to raise capital-it assist companies to raise capital by creating an environment through which such issue new shares to members of the public
7. Raising revenue for the government-The government earns revenue by collecting fees and other dues from activities carried out in the stock market
8. Availing a variety of securities
9. Creation of employment – it has assisted in the creation of employment opportunities for those who facilitate the buying and selling of securities
10. It avails a variety of securities from which investors can choose thus satisfying the needs of different investors
11. Measure of a country’s economic progress-The performance of securities in the stock exchange market may be an indicator of a country’s economic progress

**2. (a) Importance of a business plan**

1. Helps in avoiding occurrence of mistakes-In the process of drawing a business plan, mistakes that would take place in the business are identified and corrected
2. Identification of strength and weaknesses-It helps in revealing the strengths and weaknesses in the business
3. Determination of the amount of finance required-It enables him/her to work out the amount of finance that is required to fund the various activities in the business
4. Appropriate allocation of resources-It enables the entrepreneurs to allocate the available resources in the most appropriate way.
5. Requirement by financiers- It enables the entrepreneurs to raise finances because it is required by financiers before a loan is granted
6. Tool for control-It helps him/her in evaluating the performance of business by comparing the planned activities with actual performance
7. Adaptability- It gives a business room to accommodate any unforeseen changes that may occur in future
8. A motivating factor- It makes the concern parties aware of the direction to be taken by the business hence motivates them to work towards that direction

**(b) Benefits of international trade**

1. Enables a country to obtain what she does not produce
2. Enables a country to access a wide variety of goods and services from other countries
3. It enables a country to obtain goods more cheaply than it can produce them locally
4. A country is able to specialize in the production of goods and services for which they have comparative advantage in terms of resource endowment.
5. A country is able to dispose of its surplus goods and services thereby avoiding wastage.
6. Enables a country to earn foreign exchange which it can use to pay for its imports
7. It earns a country revenue through taxes and licenses paid by imports and exporters in the country
8. Encourages movement of factors of production such capital and labour across borders
9. A country is able to develop through importation of capital goods such as machines
10. A country is able to import human resources, skills and technology that it does not have thereby accelerating development
11. A country may import quality goods and services due to competition among countries
12. A country may be able to export her human resources skills and technology
13. A country is able to get assistance from other countries during times of calamities or wars
14. Enables a country to fully exploit her resources due to widened market
15. It helps in promoting international peace and understanding among the trading countries
16. Promotes employment creation among the citizens of the country

**3.(a) Limitations of national income statistics in measuring standards of living**

1. Different currencies –conversion of these currencies may be tedious
2. Different goods and services-The goods and services that are used in competing national income differ from country to country
3. Disparity in distribution of income- The National income figures do not reflect the distribution of income. The standards of living may differ considerably because of disparity in income distribution
4. Different needs and tastes-The national income statistics may not give a true and fair picture of the standards of living due to different needs and tastes of people living in different countries
5. Inaccurate data-Data being used to measures standard of living may not be accurate
6. A high income could be at the expense of the citizens social welfare
7. Spent consumption patterns and lifestyles are not constant
8. Figures used to measure the standards of living may not reflect depreciation or appreciation of asset
9. Except per capita income population figures may not have been taken into account
10. Higher income per capita may result from an increase in the levels of inflation
11. It may not take into consideration the social problems that goes hand in hand with growth such as crime levels, pollution, development of slums etc
12. An increase in per capita income have been realised at the expense of leisure time

(b)

Excess demand

Excess supply √

P1√

Pe√

P2√

Price √

D

D√

S√

Y

S

Q3

√Q√1

Qe√

Q2√

Q4√

12 ticks x ½ =6mks

(i) Any price above the equilibrium price leads to excess supply i.e. price P1, the quantity demanded is Q1 whereas the quantity supplied is Q3. There is an excess supply of (Q2-Q1) magnitude √1√1

(ii) Any price below the equilibrium price (Pe) leads to excess demand i.e. at price P2, the quantity demand is Q4, whereas the quantity supplied is Q3. Thus there is an excess demand of (Q4-Q3)√1√1 **total 10 mks**

**4. (a) Cause of unemployment in Kenya include the following**

1. Rural urban migration leading to urban unemployment
2. Poor land tenure system which allows large tracts of land to remain idle since the owner hold them rspeculative reasons
3. Employment of expatriates/foreigners who take up jobs that would have been done by local people
4. Poor education system which gives students the impression that they can only be gainfully work in offices
5. Use of inappropriate methods of production/capital intensive as opposed to labour intensive leading to loss of jobs
6. High rate of population growth compared to economic growth
7. Low levels of incomes that limits demand for goods and services i.e lack of aggregate demand
8. Seasonality of some economic activities leading to seasonal to seasonal unemployment
9. Inadequate co-operate factor inputs (i.e land, capital and entrepreneurship) that limits scale of operation of firms and subsequent limitation in expansion of job opportunities
10. Retrenchment of workers by employers leading to joblessness
11. Labour immobility where same workers are unwilling to move to areas where jobs are available

**(b) Mailing services facilitating communication**

(i) Speed post

This is a service offered by the post office to send correspondence and parcels to a destination in the shortest time possible

To deliver the mail, the post office uses the quickest means of transport available

(ii) Poste Restante

This is a service offered by the post office to travelers who may wish to receive correspondence while away from their post box

It is a service aimed at helping travelers who may not have a fixed address

(iii)Express mail service

This is a service offered by the post office for mails that are urgently and require to be given priority in sorting and delivery.

(iv) Registered mail- This is a service offered by the post office and other service providers such as R.P.S, Securicor etc for sending articles of value for which security handling is required

(vi) Business Reply service

This is a service used by firms that intend to encourage their customers to reply to their letters promptly

(vi) Franking Mail services

This is a service offered by a post office to their customers with a licence to use a franking machine to affix stamp images on letters and parcels

It facilitates the stamping of letters where an organization sends a large of mail

(vii) Courier services

These are services provided by business organization by delivering letters , parcels and documents to their customers.

They use fast means of transport by road and air to deliver mail

(viii) Insurance mail

This is a service that gives assurance of compensation in case of loss or damage of the valuable item while under the care of the post office

5. (a) Boflos Traders

Petty cash books

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Receipts | Date | Details | Vouch No. | Totals shs. | Staff tea | Telephone | Postage | Stationery | Travel | Miscellenious |
| 300 √  4,700√  5000  254 | 2013  Feb 1  Feb 1  Feb 1  Feb 2  Feb 3  Feb 5  Feb 10  Feb 15  Feb 16  Feb 18  Feb 20  Feb 24  Feb 26  Feb 28  Feb 28  March 1 | Balance b/f  Cash  Sugar  Telephone  Stamps  Correcting fluid  Travelling  Postage  Entertainment  Fare  Bread  Duplicating ink  Onyonka  Entertainment  Balance c/f  Balance b/f | 001  002  003  004  005  006  007  008  009  010  011  012 | 360  510  500  400  220  200  260  400  296  300  1000  200  4,646  354√  5,000 | 360√  296√  656√ | 510√  510 | 500√  200√  700√ | 400√  300√  700√ | 220√  400√  620√ | 260√  1000√  200√  1460√ |

(20 x ½ =10mks)

(b) Procedure of obtaining an insurance policy

1. Filling a proposal form obtained from the insurance company
2. Determination of the premium to be paid by the insured
3. Payment of the first premium
4. Issuing of a cover note (binder)
5. Issuing of a policy (5x2=10mks)

6. (a)

Mwamoturi General Stores

Trading profit and loss account

For the period ended 31st December 2012

|  |  |
| --- | --- |
| Opening stock 20,000√  Purchases 80,000 √  CGAFS 100,000√  Less closing stock 10,000√  Cost of sales 90,000√  Gross profit c/d 60,000√  150,000√  General expenses 25,000√  Insurance 10,000√  Salaries and wages 40,000√  Net profit c/d 50,000√  125,000 | Sales 150,000√  150,000  Gross profit b/d 60,000√  Rent income 50,000√  Commission received 15,000√  125,000  Net profit b/d 50,000 |

(ii) Mark up = gross profit 12x ½ =6mks

Cost of sales

 3 x ½ = 1 ½ mks

=66.67%

Current Ratio= Current + Assets (CA

Current liabilities (CL)

= 

=200%

=2:1

Rate of stock turnover (ROSTO)

ROSTO = cost of sales √

Average stock

=



=6 times (3 x ½ =1 ½ mks)

Rate of return on capital (ROC)

ROC= Net profit x 100

Capital invested

= 3 X ½ = (1 ½ MKS)

(B) Reasons why a government imposes taxes on commodities

1. Raising government revenue for providing goods and services
2. Discouraging consumption of certain commodities
3. Discouraging importation of products in order to protect local industries
4. Reducing inequality in income distribution by taxing the rich more
5. Controlling inflation by reducing peoples disposable income
6. Influencing location of business
7. Correcting unfavourable balance of payments whereby high taxes discourage importation thereby improving the balance of payments (any 4x2=8mks)