**MWAKICAN EXAM BUSINESS STUDIES PP2 FORM 3**

**MARKING SCHEME**

1a) Objectives achieved by establishing firms in different parts

* To reduce rural-urban migration: setting up firms in several parts of the country may curb the influx of people from rural to urban areas. This helps to retain the productive population in the rural areas
* To utilize local resources: Establishing firms in various parts of the country will enhance the use of idle resources in those areas.
* To create employment opportunities in several parts of the country which improves the standard of living
* To provide balanced regional development: creating firms in various parts of the country will ensure that all part grow at the same rate
* To promote development of infrastructure, like roads, power, water, railway and communication in various parts of the country which opens up the country and facilitates production
* To promote development of social amenities: when firms are set in various parts of the country, social amenities such as schools, health will be developed. This improves social welfare of the people
* To reduce social problems. This will help to avoid problems like pollution, crimes, prostitution, drug abuse and theft.
* To promote urban growth hence encouraging growth of commercial activities in various parts of the country
* To reduce congestion in certain areas in order to ease pressure on resources

Mention 1mk

Otherwise 1mk

b) Advantages of advertising to the consumer

* consumers become aware of existence of a product and where it can be found
* Consumers enjoy high quality goods resulting from competitive advertising. Producers seek to maintain very high standards of quality
* Makes it easy for consumers to choose products from a variety offered in the market based on their advertised quality and contents
* Protects consumers from exploitation since they are aware of prices and quality of items and can therefore enforce their rights
* Communicates changes about the product like new product lines, change of name and physical address. This enhances convenience for the customers
* Educates the consumers on the proper use of products where advertising messages involve demonstration of product usage.
* Aiding budget: planning as they are made to know about price and existence of goods.
* Correct misconceptions hence assist in making decisions

2a) Benefits a firm may enjoy by preparing a business plan

* Sourcing for loans/finance/requirement by financers: it can be used to convince financial institutions and investors to fund the firms operations.
* A tool for evaluation: It can be used for structuring the implementation of its goals and objects. It can help to make necessary adjustment/for supervision purposes.
* A tool for management: It can be used for structuring and implementation of the business i.e planning, organizing, directing, staffing, coordinating, budgeting etc.
* Gives the firm a competitive edge. It enables the firm to get a better understanding of the market and competitors.
* Enhances efficiency in the use of resources of the firm. It ensures that the resources available are allocated and used in the best way possible without wastage
* Motivational tool: It inspires the management/ Employees/creates team work in accomplishing the objectives of the firm
* Framework/blue print/ guide for implementing new business thus assisting management in decision. It can help them identify strengths, weaknesses, opportunities and threats on a day to day basis

b) Factors which may bring about decline in demand for wooden furniture.

* Decline in consumers incomes. This may reduce their purchasing power hence les able to afford the furniture.
* Fall in price of substitutes: Furniture made from other materials like plastic and metal may be cheaper.
* Increase in price of wooden furniture: This makes the furniture to be out of reach for most consumers.
* Unfavourable Government policy: The government may have increased tax rates on timber products hence making the furniture more expensive/reduced subsidies
* Unfavorable change in tastes and preferences. Consumers may be purchasing more plastic and metallic furniture
* Decline in population; a decrease in population will lead to reduced numbers of potential and actual customers
* Expectations of future fall in price of wooden furniture: Consumers may be anticipating a fall in price in the future hence currently suspend buying

3a) Circumstances which may make a firm to acquire monopoly status

* If the firm has a secretive production technique: This deprives other firms the use of the technique of production and sale of the product
* If the firm control strategic input: This makes the firm to have the sole access to the input used in the production of the commodity e.g. raw materials
* It the venture requires substantial capital investment: other firms may not be able to raise the capital leaving the field to one firm.
* If the firm has substantial economies of scale; this enables the firm to produce t a lower cost than other firms edging out less efficient firms.
* If the firm is set up as a state monopoly: it is given exclusive rights of production of a particular product by the government thus shutting out competitors.
* If firms merge to become the only firm to eliminate competition.
* If the market is best served by one firm more economically other firms entering the market may make losses due to low sales hence the firm remain dorminant
* If the firm has patent rights/copy right which bars other firms from producing and selling the products.

b) Measures the government can take to reduce unemployment level

* Diversification of the economy by encouraging the establishing of different sectors to create employment opportunities
* Transforming agricultural sector to curb rural to urban migration
* Transforming education to improve on skills. This will make the graduate to acquire relevant skills
* Establishing an employment policy by government to make it easy for people to get jobs in various sectors of the economy
* Setting of a fund to assist unemployed to start income generating activities e.g youth and women fund
* Exporting labour: the government should make t possible for unemployed people to acquire jobs abroad (countries with labour deficiency).
* Encouraging Jua kali sector in order to promote self employment
* Delocalization of industries. This will create employment in the rural areas reducing rural to urban migration
* Population policy to control growth and have a labour force that the economy can absorb
* To improve infrastructure: this will enable people to carry out suitable economic activities which will create employment
* Increase government expenditure: This will expand the size of the economy absorbing more workers
* Reviving collapsed industries: This will increase employment opportunities.
* Attract investments: Local and foreign investments should be encouraged through incentives
* Effective use of natural resources to increase production activities increasing employment

4a) Features differentiate public company and a partnership

|  |  |
| --- | --- |
| Public company | Partnership |
| * Ownership minimum of 7 shareholders * shareholders have ltd liability * Managed by a board of directors * Regulated by Articles of association, memorandum and companies act * Pay corporation tax * Can sue or be sued under its name as legal entity * No maximum shareholding * Capital raised from the sale of shares from general public * Mandatory by law to publish financial statement/trading results * Has perpetual continuity | * Ownership is a minimum of 2 partners * shareholders have unlimited liability safe for one * Management is by partners themselves * Regulated by partnership deed/partnership act * Pays income tax * Individual partners can be sued/ Has no legal entity * Maximum of 20 partners /50 for professionals * Capital raised from partners contributions * Not mandatory by law to publish financial statements/Trading results * Has no perpetual continuity |

b) Challenges of a country with a large population of young people

* High rate of unemployment – demand for jobs will be more than available jobs.
* Rate of crime/social evils may rise – As the youth remain idle, they are likely to result to crime as they look for means of survival
* Pressure on goods and services associated with young people
* Due to increased population the demand for goods and services may outstrip supply.
* dependency ratio will rise: Economic active population will shoulder a bigger economic burden
* Reduced savings and investment: Investment will decline as a result of high rate of consumption by young people.
* Low percapita income: since National income is spread over a large non-contributing/ non-productive population leading to low standard of living
* Problem of raising government finance: This may force the government to divert resources meant for other sectors to cater for the young
* Low labour supply: many young people may not have attained the working age as they are below 18years

5a) Circumstances which would make a farmer to use wholesalers

* Where the producer lacks adequate facilities: He will use wholesalers who have these facilities
* Where goods require breaking bulk: If the consumers require goods in small quantities and they are produced in bulk.
* Where the market is expansive: the producer may not be able to reach all customers and may use wholesalers
* Where the producer would want to get feedback on the market status: The wholesales may reach more customers and may therefore gather information and pas it to producer
* Where the producer would want to engage wholesalers to assist with advertising so as to save on costs and reach a wider market
* Where the producer requires ready cash: wholesalers can buy in cash and pay promptly enabling him to raise required capital
* Where marketing risks are many: the wholesalers can bear some of the risks
* Where the producer needs to concentrate on production and then the distribution can be handled by wholesalers
* Where the producer needs to maintain fewer records by dealing with wholesalers who are few

b) Factors helping in choice of an appropriate means of transport

* Nature of the commodity to be transported: some goods are such that they can only be transported using certain means e.g perishable goods
* Cost: one should be able to meet the cost of the means of transport chosen
* Speed/urgency: choose a means that is certain to deliver without fail
* The distance to be covered: some means of transport may not take goods to faraway place and some are not convenient over short distance
* Security: choose a means that is less prone to damage, loss or theft
* Value of goods/services: if the goods are of a higher value they may require a means that is more secure
* Availability of the means
* Reliability of the means

6a) Risks wholesalers may be exposed to

* Accidents: that can cause damage or loss vehicles and other assets
* Fire can cause loss to vehicles and other assets
* Loss of cash in transit: can insure against loss of cash in transit from bank to the business premises
* Pilferage by employees: can insure against loss of cash or other valuable through theft by employees
* Occupational hazards: employees can be insured against physical harm while on duty
* Injury to third party: Emanating from the fleet or the business
* Theft/Burglary: Through forceful entry of unauthorized access
* Loss of profits/ consequential loss: due to business interruption
* Loss of goods in transit: loss of goods from business as they are being transported
* Death of a key worker: This may be due to injury absences death or sickness

6b) (i) Differences between assets and liabilities

|  |  |
| --- | --- |
| Assets | Liabilities |
| * Resources owned and controlled by the business * Must have been acquired in the past * Classified as fixed or current * Future economic benefit associated with the net expected benefits to be received by the business entity | * Resources the business owes other people * Paid for in future * Classified as long term or short term * Owed to outsiders |

b) **KIWA TRADERS**

**Balance sheet**

**As at 31st June 2013**

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| --- | --- |
| Assets shs sh  Fixed assets  Premises 50,000√  Furniture 7,000√  Bicycle 3,000 √ 60,000√  Cureent assets  Stock 10,000√  Debtors 2,000√  Cash at hand 4,000 √ 16,000√  76,000√ | Capital + liabilities sh  Capital 51,000√  Long term liabilities  Loan 20,000√  Current liabilities  Creditors 5,000√  76,000√ |

12x1/2 =6mks