**BUSINESS STUDIES**

**FORM 4**

**PAPER 2**

**565/2**

**MARKING SCHEME**

**LARI SUB – COUNTY - TRIAL EXAMINATION**

Q1. a. **Factors that facilitate efficient functioning of public warehouse.**

* + - Should be in a suitable location to facilitate receipt issue of goods.
    - Should have proper building design
    - Should have appropriate equipment for handling goods.
    - Should have safety facilities - necessary for protection of goals against damage.
    - Should have good transport system - to facilitate movement of goods.
    - Good communication system - for easy contact clients.
    - Should have adequate storage space
    - Should have appropriate /qualified staff - fore proper management of the warehouse.
    - Appropriate special facilities for handling goods.
    - Should have proper recording system
    - Should meet the set legal requirements - compliance by law.
    - Should charge fair prices for storage of goods.

(2 x 5 =10mks)

b. **Factors to consider while assessing viability of a business ideas.**

* + - Whether the idea is in line with the objectives
    - Whether there is demand for the product (availability of the market)
    - Whether skills availability - some business require specialized skills to operate
    - Whether there is adequate capital/resources
    - Profitab ility of the business
    - Whether the business is in line with government policies
    - Level of competition
    - Possibility of expansion
    - Society
    - Level of development of infrastructure
    - Impact of the business operations on the environment
    - Availability of raw materials
    - Modern technology - availability and use. (5 x 2 = 10mks)

2 a. Purpose of Public Finance

* + - To provide essential goods and services - public utilities - education, health etc.
    - Redistribution of wealth - by heavily taking the rich and using the money to provide goods and services to the poor.
    - Controlling consumption of harmful products.
    - Promotion of economic stability - by starting projects to create employment.
    - To promote balanced regional development.
    - To raise revenue for the government
    - To create conducive business environment - development of infrastructure.

2. b. **Methods used by the government to protect consumers.**

* By setting standards - through KEBS to ensure commodities are required standard.
* Through weight and measure Act - ensure weighing and measuring equipments are correct and accurate.
* Through licensing - control of the type of business carried out.
* Through good and Drug Act - ensure traders don’t include harmful substances in products.
* Trade description Act/sale of goods Act - ensures traders don’t cheat consumers by providing false descriptions of goods and services
* Public health Act - ensures commodities offered are hygienic
* Price control - Government setting prices especially for essential products to avoid overpricing
* Rent Tribunal Act - ensure tenant not overcharged by Landlords.

(5 x 2 = 10mks)

3. a. Benefits of a firm would enjoy by using modern technology in products.

* Increased output / mass production.
* Low cost of per unit of production.
* High quality products.
* Improved business image.
* Better communication.
* Globalisation / wider market. (5 x 2 = 10 marks)

b. **Trustworthy traders**

**Cash book**

**As at 31st December, 2018**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| DATE | DETAIL | F | D.A. | CASH  (shs.) | BANK (shs.) | DATE | DETAILS | F | D.R. | CASH  (shs.) | BANK  (shs. |
| 1/12/18 | Bal. b/d |  |  | 10000 | 18000 | 2/12/18 | Rent |  |  |  | 3000 |
| 5/12/18 | Sales |  |  | 16000 |  | 12/12/18 | Bank | C |  | 5000 |  |
| 10/12/18 | Debtor |  | 500 |  | 9500 | 20/12/18 | Electricity |  |  | 4000 |  |
| 12/12/18 | Cash | C |  |  | 5000 | 28/12/18 | Nkatha |  | 180 |  | 2820 |
|  |  |  |  |  |  | 31/12/18 | Bal.c/d |  |  | 17000 | 26680 |
|  |  |  | **500** | **26000** | **32500** |  |  |  | **180** | **26000** | **32500** |
| **010/1/19** | **Bal. b/d** |  |  | **17000** | **26680** |  |  |  |  |  |  |

4. a. **Factors considered by a wholesaler on choosing methods of promoting**

**produce (s).**

* Cost: the promoter should choose a cheaper means where applicable
* Nature of the product - for example products that require demonstration due to their technical nature are best promoted through personal selling.
* Target group - in terms of education level, age, income level, occupation and geopgraphivcal location.
* Efficiency: of the method in passing specific message.
* Objectives of the promoting firm- for example, if the objectives to correct the dented image of a product at public relation method would be applicable.
* Methods used by competing firms - a firm should use a method of product that will make it compete favorably with other competing firms.
* Availability of Physical, financial and human resources
* Level of demand for the product
* The law - a firm should use those methods that are compliant to the law.

(5 x 2 = 10mks)

b. **Bidic Limited Trading Profit and Loss Account.**

Bidii Limited

Trading account

For the period ending 31st December, 2014

Opening stock 15,700.00 Sales 84,000.00

Add purchases 58,000.00 Less returns in 9,000.00

Less returns out 1,500.00 57,300.00 Net sales 75,000.00

GOGAFS 73,000.00

Less closing stock 13,000.00

60,000.00

Gross profit c/d 15,000.00

75,000.00 75,000.00

ii. Mark up = GP = GP x 100

COGs

iii. Rate of stock turnover

= C.O.Gs

Average stock

= 60,000.00

(Opening stock + closing stock)/2

= 60,000.00

15,700 + 13,000/2

= 60,000.00

14,350.00

= 4(times) (3 marks)

5. a. **Benefits of having intermediaries in the chain of distribution.**

* Provide vital link between producers and consumers
* Providing consumers with a variety of goods from various producers.
* Engaging in product promotion , thus stimulating demand.
* Passing /providing information between the producer and consumers in the market , new products in the market.
* Provide credit facilities/finances.
* Sharing risks/talking risks associated with trading of goods with producers.
* Transport and storage/warehouse of goods.
* Provide variety of goods from different producers which buyer choose from.
* Facilitate stability of prices by ensuring a regular supplly of goods.
* Availing goods to consumer/ensuring consumers have easy access to the goods they need. (5 x 2 = 10mks)

5. b. **Differences between private and public limited company and Private**

**Company/public company.**

|  |  |  |
| --- | --- | --- |
| No. | PRIVATE COMPANY | PUBLIC COMPANY |
| a. | Minimum of 2 and maximum of 50 shareholders | Minimum of 7 and no max. (infinite) shareholders |
| b. | Not quoted at stock market | Quoted at stock market |
| c. | Shares are not freely transferable/ restrict transfer of shares. | Shares are freely transferable in the stock market |
| d. | Managed by one or two directors | Managed by board of directors |
| e. | Commences business immediately after issue of certificate of registration. | Commences business only after the issue of certificate of trading |
| f. | It has no authorized minimum share capital | Has an authorized minimum share capital authorized by the government |

(5 x 2 = 10mks)

6. a. **Five accounting documents that are used in home trade.**

(i). Invoices - provide information on goods bought or sold on credit.

(ii). Debit notes

(iii) Cash Sale Slips - provide information on cash sales or cash purchase.

(iv). Receipts - serves as an evidence that cash has been received or paid out.

(v). Credit note - provide information on sale of returns or purchase return /correct overcharge ins the invoice.

(vi). Payment vouchers - provide information on payments of petty cash.

(viii). Remittance advice notes: provide information on payments made by cheque.

(ix). Statement of account: give summary of all transactions that have been carried out between the buyer and the seller over a period of time usually one month.

(5 x 2 = 10mks)

b. **Errors that cannot be revealed by a trial balances.**

* Error of total omission: occurs when a transaction takes place and nothing about it is recorded in the books of occurs.
* Error of original entry - ocuurs when a transaction takes place and an amount other than the correct one is recorded in the affected accounts.
* Error of commission: occurs when the entry is made in the wrong account of the same class with correct amount
* Compesating errors: errors whose effects cancels out.
* Complete reversal of entries : occurs when a transaction takes place, and entries are made on the opposite sides of the accounts affected.
* Error of principle - this is where a transaction is recorded in the wrong account of a different class from the coirrcet one, e.g repair of machinery debited in the machinery account. (5 x 2 = 10mks)