**BUSINESS STUDIES PP2 MARKING SCHEME**

**1(a) Factors to consider when evaluating a business opportunity**

* The profit margin to be earned from the investment; should be reasonable to cater for expenses/get surplus
* Existing attitude/practices/benefits of the target market; must e in line with people’s attitude/beliefs/acceptable
* Availability of appropriate technology for efficiency/to be cost effective
* Size /availability of market should be big enough to support the business for maximum profit/to sell their goods.
* Possibility of pretesting (trial use)-affordable to allow customers to try out without having to purchase
* Availability of effective channels of distribution to ensure products reaches the customer
* Ability of the product to satisfy immediate need of buyer hence attractive to buyers
* Ease of usage easy for buyers to understand/use
* The level of competition to place the product in the market
* The payback period –reasonable/short to allow investor to recoup the Capital invested
* The risk involved-should be manageable/minimal to avoid unnecessary losses

(b) **Factors that may have caused a decline in the demand for leather jackets include**:

* Decline in consumer incomes. This may reduce their purchasing power hence less able to afford the leather jackets.
* Fall in the price of substitutes. Jackets made from other materials like wool,polyester and cotton may be cheaper.
* Increase in the price of leather. This makes the leather jackets to be out of reach for most consumers.
* Government policy. The government may have increased rates on leather products hence making the jackets more expensive.
* Unfavourable change in tastes and preferences. Consumers may be purchasing more woolen and cotton jackets.
* Decline in population. A decrease in population will lead to reduced numbers of potential and actual customers.
* Expectations of a future fall in price. Consumers may be anticipating a fall in price in the future hence currently suspend buying

**2(a) Barriers to effective communication**.

* Language barriers thus not understanding the message.
* Noise interferes with the reception of the message.
* Poor listening by the recipient thus not achieving the desired objectives.
* Negative attitude creating bias/ which may lead to misunderstanding among the communicating parties.
* Poor timing hence fail to achieve its intended purpose.
* Wrong medium interfering with the communication.
* Unfamiliar non verbal signals/gestures –leading to misinterpretation of message.
* Emotional responses – leading to distortion of message.
* Unclear channel –hence misguiding the direction of the message.
* Age difference leading to misunderstanding/ misinterpretation of the message.
* Visual/ hearing impairment failing communication.

**2(b) Disadvantages of localisation of industries**

* Lead unbalanced development of the economy leaving some areas as marginalised/ due different rates of development.
* Environmental pollution/ degradation due to concentration of waste in industrialised areas.
* Overstretching resources in the area which may lead to depletion of resources.
* Leads to social evils such as crime/ drug addiction due to influx of people to industrialised areas in search of jobs.
* Easy target in case of war/ by enemy which may lead to sabotage of country’s operation /huge losses.
* Rural urban migration leading to congestion/ poor housing as people search for employment.
* Diseconomies of scale due to competition for scarce resources/ increased scale of production.

**3(a) Measures by govt of Kenya to curb unemployment.**

* Diversification of the economy by encouraging/ establishing different industries.
* Transforming education/ training sector to improve skills required in the job market.
* Establishing an employment policy to make it easy for jobseekers to get jobs
* Leading/ assisting in funding to allow unemployed to start income generating activities.
* Exporting labour to reduce the number of people searching for employment.
* Encourage informal / jua kali in order to promote self employment.
* Delocalisation for balanced regional development/ reduces rural urban migration.
* Population policy to control its growth.
* Improve infrastructure to stimulate economic activities.
* Increased government expenditure to expand the size of the economy/ by financing development projects.
* Reviving collapse industries/ projects by injecting funds/ to increase production activities.
* Partner with private sector to create employment.
* Adoption of policies that encourage labour intensive methods of production/ appropriate technology to improve production/ increase the number of people employed for particular job.

**3(b) Reasons for sole traders to join to form a partnership.**

* Distribution of work reducing workload.
* Enjoys a larger capital base from partner’s contribution.
* Shared losses/ debts/ liabilities reduce the risk of closure.
* Effective decision making since there is consultation among partners.
* Enjoy more economies of scale due to increased scale of production.

**4(a) Reasons for government involvement in business.**

* Strategic reason enhance self sufficiency
* Promotion of price stability to protect consumers from exploitation.
* Provision of essential goods/ services at affordable.
* Provision of large capital investment which the private sector may not be able to raise.
* Stimulation of economic development through development projects.
* Creation of employment to improve standards of living of its citizens.
* Income generation through licensing/ taxation.
* Provision of low profit / unprofitable goods which are unattractive to private sector.
* To provide risky goods that may be threat to national security.
* To provide sensitive goods that may adversely affect stability of economy.
* To encourage local participation/ reduce foreign dominance in bid to build local capacity.
* To break monopolistic tendencies by starting competitive businesses.
* To provide regulatory services for smooth operations.
* To avoid wasteful competition thereby promoting efficient use of resources.

Dr 4(b)**Three column cashbook** Cr

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date  2016 | Details | Discount  allowed | Cash | Bank | Date  2016 | Details | Discount  received | Cash | Bank |
| Jan 1 | Bal b/d |  | 123,500 | 225,000 | Jan 15 | muhoro | 18,000 | 192,000 |  |
| 2 | Sales |  | 427,500 |  | 20 | Bank(c) |  | 200,000 |  |
| 5 | Njogu | 24,000 |  | 456,000 | 25 | Electricity |  | 100,000 |  |
| 20 | Cash(c) |  |  | 200,000 | 25 | Water |  | 44,000 |  |
| 31 | Cash(c) |  |  | 12,900 | 25 | Rent |  | 4,000 |  |
|  |  |  |  |  | 27 | Kogi | 11,250 |  | 238,750 |
|  |  |  |  |  | 30 | Drawings |  |  | 150,000 |
|  |  |  |  |  | 31 | Bank(c) |  | 12,900 |  |
|  |  |  |  |  | 31 | Bal c/d |  | 29,100 | 505,400 |
|  |  | 24,000 | 515,000 | 893,900 |  |  | 29,250 | 551,000 | 893,900 |

(40×)=10 marks

**5(a) Legalisations which the Kenyan government has put in place to protect consumers**

* Weight and measure act-ensure equipments for measuring products are accurate
* Food and drugs act-ensure right ingredients in the products/ingredients are indicated
* Sales of goods/trade description act- ensure correct description on usage /quality
* Public health act –ensure hygiene conditions are followed in production/provision of goods/services
* Rent and tribunal act ensure landlords do not exploit their tenants by overcharging
* Trade licensing act guard consumers against unfair repossession of goods
* Establishment of Kenya bureau of standards (KEBs) to ensure standards of goods are maintained

**5(b) Benefits a country may get from liberalizing foreign trade**

* Promoting of peace/understanding-due to interaction among citizens
* Increased mobility of F.O.P-due to minimal restriction
* Increased range/variety of goods /services to satisfy different needs/to choose from
* Encourage specialisation as a country will concentrate in area they have comparative advantage
* Creation of employment due to increased economic activities
* Production of high quality goods/services due to healthy competition
* Increased investments due to expanded markets
* Technology/skill transfer leading to high quality good/services
* Fair prices due to healthy competition
* Wider market of products to sell their surplus

**6(a) Principles of a good tax system**

* Equity-fair/just/should be taxed according to income
* Economical-cheap/easy to administer/cost effective
* Convenient-method of payment/collection should be convenient to tax payer/collector/suited/favourable to collector should know what/when/how to pay/collect
* Flexibility-adaptability to situations/circumstances/conditions/subject to revision
* Simplicity easy to understand/administer
* Elasticity proceeds should be capable of expanding/contracting with change in income/population
* Diversity/widespread-wide range/variety/should net many tax payers
* Difficult to evade should not create loopholes for people to escape/dodge
* Should regulate the economy by encouraging production/proper allocation of resources

**6(b) Meja traders**

**Profit and loss account**

**For the period ended 31st December 2016**

|  |  |
| --- | --- |
| Less expenses | Gross profit b/d 220,000 |
| Carriage outwards 8,000 | Add |
| Salaries 30,000 | Discount received 32,000 |
| Discount allowed 25,000 | Commission 14,000 |
| Rent 16,000 |  |
| Net profit c/d 187,000 |  |
|  |  |
| 266,000 | 266,000 |

( ×10=5

**6(b) Meja traders**

**Balance sheet**

**As at 31st December 2016**

|  |  |
| --- | --- |
| Assets shs | Capital 818,000 |
| Premises 540,000 | +net profit 187,000 |
| Machinery 200,000 | 1,005,000 |
| Furniture 100,000 | Liabilities |
| Cash in hand 70,000 | Creditors 40,000 |
| Stock 70,000 |  |
| Debtor 65,000 |  |
| 1,045,000 | 1,045,000 |

(×10)=5 mks.