Name………………………………………………..Index number……………………

565/1

BUSINESS STUDIES Candidate’s signature………………….

Paper 2

March/April 2018 Date……………………………………

2 Hours 30Mins

**MARCH /APRIL EXAMINATIONS**

BUSINESS STUDIES

Paper 2

2 hours 30 Mins

FORM FOUR

**MARKING SCHEME**

 1. a) ) Explain **five** acceptable codes of behavior in an office (10marks)

1. **Courtesy;** one should be polite and pleasant
2. **Respect**- one show regard to others.
3. **Punctuality**- one should have the ability to keep time in attending duties and appointments.
4. **Loyalty**- being committed and devoted to his or her work.
5. **Accuracy** - by performing duties with excellence, precision and correctness.
6. **Honesty** – being sincere by telling the truth.
7. **Cooperation** – one should work with other people without malice, friction or selfishness.
8. **Initiative** – one should be able to make proper decisions and be creative in ideas.
9. **Judgment** – be able to consider all possibilities and come up with right decisions.
10. **Diplomacy** – one should be able to convince other people tactfully*.*

 b) Most Government enterprises have no major competitors in their operations. Explain five ways in which they acquire this status. **(10 marks)**

* Internal economies of scale
* Control of an important input in production
* Ownership of production rights
* Restrictive practices
* Financial factors
* Additional costs by other firms

2 .a) ) Explain five methods used by the Government to protect consumers against exploitation by traders.  **(10 marks)**

* Setting up standards-KEBS
* Weights and measures act-correct equipment for weighing and measuring
* Licenses
* Food and drugs act-
* Public health act
* Price control
* Rent and tribunal act
* Trade description act/ sale of goods act

 b) ) Explain five measures that can be taken by a government to reduce cost push inflation. **(10 marks)**

* Impose price control-on fuels,electricity.Fixing an upper limit for prices of fuel,electricity so as to control increase in cost of production.
* Controlling wages/salaries-harmonizing wages/salaries and checking on trade union pressure to avoid increase in wages that could lead to increase in the cost of production leading to cost push inflation.
* Subsidizing production –so that producers incur less in production
* Reducing tax on production-tax imposed on raw materials
* Improve efficiency of production

 3. a) Explain five documents that are sent by the seller to the buyer in home trade.

 **(10 marks)**

* Booklet which briefly describes the goods a seller stocks. It is normally sent when a buyer sends a general letter of inquiry. It contains terms of sales, after sale services offered by the seller, deliver services to be used, packing and posting expenses incurred.
* Quotation

 It is sent to prospective buyer specifying the conditions under which the seller is willing to supply goods and services.

* Price list

 This is simply a list of items sold by the tractor together with their prices.

* Acknowledgement note

 Document sent to a prospective buyer to inform him/her that the order has been received and it is being acted upon.

* Packing note

 Document showing the items packed in a particular container in which goods are being delivered. It may contain quantities of goods packed, the means of delivery and quantities of goods packed.

 It helps the buyer to make a spot check on the goods when they arrive.

* Advice note

 Document sent by the seller to the buyer after goods have been dispatched to inform him/her that goods have been dispatched. Sent through the fastest means available so as to reach before goods. It is used to inform the buyer that the goods are on the way so that in case of any delay in delivery the buyer can make inquiries and also to alert the buyer so that the necessary arrangement can be made for payments when goods arrive.

* Invoice

 Document sent by the seller to the buyer demanding payment for goods delivered. There are two types; cash invoice which is sent when payment is expected immediately after delivery and credit invoice which is issued when a buyer is allowed to pay at a later date. An invoice shows the details of goods sold and it is also used as source document in recording transactions in the books of accounts.

* Pro-forma invoice

 Sent by the seller to the buyer before goods are delivered showing how the invoice would look like if the buyer buys the goods.

* Statement of account

 Statement that is sent by the seller to buyer giving a summary of all transactions that has taken place between the seller and buyer over a specified period of time.

* Credit note - Used to correct an overcharge.
* Debit note – Used to correct an undercharge.

b) The following transactions relate to Nanyuki Traders for the Month of February 2016.

Feb 2: Sold goods on credit to Nairuko shs. 12,000

Feb 6: Bought goods on credit from Shamala Traders shs. 25,000

Feb 12: Nairuko returned goods worth shs. 2000

Feb 20: Goods worth shs. 6,000 were returned to Shamala Traders

Prepare the relevant ledger accounts, balance them off as at 29th February 2016 and post the balances to a trial balance. (10 marks)

Dr Sales a/c Cr Dr Nairukoa/c Cr

Bal c/d 12000Feb 2 Nairuko 12000 √T Feb 2 Sales 12,000 Feb 12 return in 2000

 Feb 29 bal c/d 10,000

 12,000 12,000 12,000 12,000

 Feb 29 bal b/d 12,000 Feb 29 bal b/d 12,000

Dr Purchases a/c Cr Dr Shamala a/c

CrFeb 6 Shamala 25,000 Feb 29 Bal c/d 25,000 Feb 20 Returns in 6,000 Feb 6 purchases 25,000

 25000 25000 Feb 29 Bal c/d 19,000

Feb 29 Bal b/d 25,000 25,000 25,000

 Feb 29 Bal b/d 19,000

Dr Return inwards Cr Dr Return outwards Cr

Feb 12 Nairuko 2000 Feb 29 Bal c/d 2000 Feb bal c/d 6,000 Feb 20 Shamala 6000

 2000 2000 6000 6000

Feb 29 Bal b/d 2000 Feb 29 bal b/d 6000

 14x ½ = 7 marks

 TRIAL BALANCE

|  |  |  |
| --- | --- | --- |
| DETAILS | DEBIT | CREDIT |
| Sales a/c |  | 12000 |
| Nairuko a/c | 10000 |  |
| Purchases a/c | 25000 |  |
| Shamala a/c |  | 19000 |
| Returns inwards a/c | 2000 |  |
| Return outwards |  | 6000 |
| Toatal | 37000 | 37000 |
|  |  |  |

 **6\*1/2=3**

 4.a) ) Outline **four** risks against which a ship owner may insure. **(8marks)**

1. **Cargo on Transit** – loss or damage of goods while being transported
2. **Ship/Vessel/ Hull** –against loss or damage of ship by storm, fire, collision or capsizing.
3. **Freight charges** - against failure by the hirer of the ship to pay for freight charges
4. **Occupational hazards for employees** – risk against possible harm on employees on duty/workman’s compensation
5. **Liabilities/public liabilities** – loss of other people’s property by the ship either at port when being offloaded or loaded

 b) Explain **five** types of unemployment related to the Kenyan economy. (10marks)

1. **Residual unemployment** - This occurs where labor is incapacitated mentally and physically hence unable to work
2. **Structural/Technical unemployment** - This occurs where capital intensive methods of production are used and workers are laid off
3. **Seasonal unemployment** – It occurs due to seasonal changes in demand and production hence labor is not demanded during certain times of seasons e.g. drought, low tourism season etc.
4. **Hidden /disguised unemployment**- This occurs when the workers are so many than the required number for a given job hence they cannot fully utilize their skill and abilities
5. **Involuntary /open unemployment** – These occurs when people are looking for jobs at existing wages rate / salaries but they can’t get them
6. **Frictional unemployment** – These occurs where people lose jobs and they take a lot of time to get new jobs.
7. **Cyclical unemployment** - This is mass unemployment that occurs due to reduction of market products all over the world
8. **Keynesian unemployment** – caused when the economy is operating at a low capacity than normal hence leading to underutilization of resources.
9. **Real wage/Voluntary unemployment** – real wage rate refers to wages prevailing in the market as determined by demand and supply of labour, it occurs when business are willing to employ all people seeking employment at prevailing wage rate and job seekers are not willing to take lower rates

 5. a) Explain **five** ways in which the government can use to encourage delocalization of firms. **(10 marks)**

* Offering free and cheap land
* Reduction of taxes. To reduce cost of productions
* Offering subsidies. To reduce cost of productions
* Offering direct financial assistance. Should facilitates access to cheap credit for firms to encourage them
* Improvement of infrastructure. Roads to ease the movement of goods and people in rural areas, electricity for running the business.
* Should enhance security to safeguard the property of investors and create confidence in them.
* Providing clean water for industries

 b) Explain five ways through which the Central Bank can reduce excess supply of money in the economy. (10 marks)

* Bank rates-Increasing the Central bank interest lending rates to commercial banks
* Liquidity/cash ratio – increasing the cash/liquidity ratio
* Compulsory deposit- increasing the compulsory deposit requirements
* Open market operations- selling the government securities to the general public and institutions
* Selective credit control-instruction to commercial banks and other lending institutions to advance loans to few specific sectors
* Directives – instructions to commercial banks and other lending institutions to increase the interest that they should charge
* Requests/moral suasion-appealing the commercial banks to contract credit activities to specific sectors

 6. a) Explain five benefits of using social media in promoting a product. **(10 marks)**

* Increased brand Awareness- Increase brand recognition since you will be engaging with a broad audience of consumers.
* Better customer satisfactions. Trade will be able to see the comments from the customer which he/she can use to improve the product.
* Improve the brand loyalty
* Saves on the cost of sending, receiving and storing information.
* Help to reduce paper work since transactions are done online
* Large and small businesses can transact business through the social media without discrimination
* Fast way of doing business

 b) The following Trial balance was extracted from the books of Kerio valley

 traders on 31st December 2017.

**Kerio valley traders**

**Trial Balance**

**As at 31/12/2017**

**Dr Cr**

 Shs Shs

 Purchases 700,000

 Capital 888,000

 Returns inwards 15,000

 General expenses 52,000

 Cash in hand 25,000

 Return outwards 24,000

 Bank Overdraft 75,000

 Salaries 140,000

 Debtors 105,000

 Creditors 85,000

 Land and Buildings 820,000

 Sales 950,000

 Stock (01/01/2017) 125,000

 Insurance 40,000

 **2,022,000 2,022,000**

 **Additional information**

* 1. Closing stock was valued at shs. 79,000
	2. Carriage outwards was shs.32,000 and rent received shs.32,000

 **Prepare**

1. Trading, profit and loss account for the period ended 31st December, 2017. (8marks)
2. Balance sheet as at 31st December 2017. (4marks)

 **Kerio valley traders**

***Trading Profit and loss account***

***For the year ended 31/12/2017***

 ***Shs Shs***

 *Opening stock 125,000√ Sales 950,000√*

***Add*** *Purchases 670,000√* ***Less*** *Ret. Inwards 15,000√*

***Add*** *Car inwards 30,000√ 935,000*

***Less*** *Ret Outwards 24,000√ 676,000*

 *C.O.G.A.S 801,000√*

***Less*** *Cl. Stock 65,000√*

 *Cost of sales 736,000*

 *Gross Profit 199,000√*

 ***935,000 935,000***

 *General expenses 52,000√ Gross profit b/d 199,000√*

 *Salaries 140,000√ Rent received 32,000√*

 *Insurance 40,000√ Net loss 33,000√*

 *Carriage outwards 32,000√*

 **264,000 264,000**

 **Marking 16√\*½= 8 Marks**

 **Kerio valley traders**

***Balance sheet***

***As at 31/12/2017***

 ***Shs Shs***

 *Land & Buildings 820,000√ Capital 888,000√*

***Current Assets******Less*** *Net loss 33,000 √*

 *Stock 65,000√ 855,000*

 *Debtors 105,000√* ***Current Liabilities***

 *Cash in hand 25,000√ 195,000 Bank Overdraft 75,000√*

 *Creditors 85,000√160,000*

 ***1.015,000 1,015,000***

***Marking 8√\*½ = 4marks***

 6 x ½= 3 marks