END OF TERM 2, 2019 FORM 4 BUSINESS STUDIES PAPER 2 MARKING SCHEME

1. (a) Benefits of operating a current account

1. No minimum balance is required in the account
2. The account holder is issued with a cheque book to make payments
3. An account holder can make arrangement with the bank to make payments on their behalf through credit transfer, standing orders etc.
4. A customer can get overdraft facilities with the bank.
5. The customer receives regular statements from the bank showing transactions in the account.
6. There is no limit on the amount a customer can withdraw from the account.
7. The customer can withdraw as many times as desired without notice.
8. A well maintained account wins a positive credit rating for the customer thus enabling him/her to get a loan from the bank.

(b) Obstacles of attaining vision 2030.

1. Inadequate basic resources e.g. land.
2. Lack of political goodwill
3. Failure to involve local people in plan formulation stage
4. Natural calamities such as floods, drought etc.
5. Overreliance on donor funding
6. Lack of cooperation/coordination among the executing parties.

2. (a) Circumstances under which a business would opt to use water transport.

1. Where the cost of water transport is the most affordable/cheapest
2. Where goods are heavy and bulky and are to moved between distant continents.
3. When a business is close to a port facilities, it may opt to use water transport as it will be convenient.
4. When port facilities are available to facilitate easy handling of goods.
5. When water transport offers more flexibility in the delivery of the goods than other means available.
6. Where goods to be transported are fragile and can safely be transported.

(b) Factors that may lead to a decline in supply of tea in Nyeri County.

1. Increase in the price of jointly supplied product e.g. coffee.
2. Rising cost of production of tea hence discoursing its production.
3. Low market price for tea- some farmers will stop producing tea.
4. Political instability – this will discourage production
5. Poor /dilapidated infrastructure – this will inhibit movement of tea to the market e.g. poor roads.
6. Poor technology – uses of outdated technology or methods of production which reduces production of tea.
7. Unfavourble weather conditions – this will affect crop production resulting in low farm yields.
8. Withdrawal of some farmers from tea – where some farmers stop growing tea for another product.

3. (a) (i) Brayo Stores

 Balance Sheet as at

 30th June 2018

 Assets Liabilities

 Sh. Sh.

 Fixed assets 818 000 Capital 916 000

 Add Net profit 74 000

 Current assets Sh. 990 000

 Stock 62 000 Less Drawings 52 000

 Debtors 60 000 Final capital 938 000 Pre-paid rates 20 000 Current Liabilities

 Cash 60 000 Creditors 50 000

 182,000 Bank Overdraft 12 000

 62 000

 1000 000 1000 000

 (10 marks)

 (ii) Current ratio = current assets

 Current liabilities

 = 182 000 = 2.9:1 (2 marks)

 62 000

 (b) Positive effects of inflation in an economy

1. Where inflation is moderate, it can act as an incentive to investors. Increase in prices will attract businesses to maximize profits.
2. When inflation motivates workers to work harder to improve their standard of living.
3. When inflation leads to increased productivity in the economy which leads to higher output and increased level of employment.
4. Where it leads to better utilization of resources by firms in order to minimize costs.

4. Qualities of good money material.

1. Acceptability - money must be acceptable for it to be used as a medium of exchange.
2. Divisibility – money should be divisible into smaller units/denomination without loss of value.
3. Portability – money should be convenient to carry around. Should be light and not bulky.
4. Durability – money should not loss value or gain value at short intervals of time.
5. Cognizability – should have features that are easily recognized by those involved in the exchange.
6. Homogeneity – money of the same denomination should be identical to avoid confusion and doubts.
7. Scarcity – Money must be limited in supply for it to maintain value
8. Malleability – money material should be formed into different shapes and sizes and can also be easily inscribed or printed on

(any 5 x 2 = 10 mks)

 (b) Activities that may be carried out in the process of distributing goods.

1. Transport – movement of goods from one place to another.

(ii) Warehousing/storing – keeping goods until the time they would be required.

(iii) Insurance – ensuring security of goods as they are stored or being

transported by taking an insurance cover.

(iv) Preparation of goods for sale – involves activities such as blending, sorting, branding, packing etc

1. Communication – Passing messages/information from one person to another
2. Trading- passing ownership from one person to another through buying and selling.

5. (a) KAMAKWA TRADERS

 TRADING PROFIT AND LOSS ACCOUNT

 FOR YEAR ENDED 31ST DECEMBER 2017

 Sh. Sh. Sh. Sh.

Opening Stock 27 500 Sales 370 000

Add Purchases 290 000 Less Returns in 15 000

Add Carriage in 6 000 355 400

 296 000

Less Returns out 10 000 286 000

COGAFS 313 500

Less Closing stock 35 000

Cost of sales 278 500

Gross Profit c/d 76 900

 355 400 355 400

Carriage outwards 4 200 Gross profit b/d 76 900

Advertising 12 000 Commission 23 000

Discount allowed 4 900 Discount received 16 100

Salaries and wages 22 500

General expenses 8 300

Net profit 64 100

 116 000 116 000

6. (a) Differences between a private warehouse and a bonded warehouse

|  |  |  |
| --- | --- | --- |
|  | Private | bonded |
| (i) | Do not need a license to operate | Need a license to operate |
| (ii) | Usually small in size | Usually very large in size |
| (iii) | For owner’s exclusive use | For use by any member of public |
| (iv) | Used for goods produced or owned by the owner | Used to store imported goods |
| (v) | Usually found near the owner’s premises | Usually found near the ports of entry |
| (vi) | Not supervised by customs authority | Closely supervised by customs authority to ensure customs duty is paid |
| (vii) | Owner does not pay any forms of bond | Owner must enter into a bond with customs authority |

(Any five corresponding differences 5 x 2 = 10 marks)

(b) Internal diseconomies of scale experienced by large firms.

1. Managerial diseconomies – large firms are complex in nature and hence are difficult to run.
2. Slow decision making – large are less adaptable to changes in the economy due to the long time it takes to make and implement decisions in such firms.
3. Factor diseconomies – large firms require greater quantities of factors of production which may not always be available.
4. Technical diseconomies – large firms may not be able to operate at their full capacity leading to underutilization of resources at their disposal.
5. Marketing diseconomies – large firms produce large output which may be difficult to sell.

(accept any other relevant point – 5 x 2 marks each = 10 marks)