**MALIET BUSINESS STUDIES PAPER 2**

**MARKING SCHEMES**

**FORM FOUR MARCH 2019**

**1.Five roles of enterpreneurship to the economy of Kenya.**

.(a) (i) Creation of employment opportunity.

(ii) Raises standards of living of people.

(iii)Saves on imports.

(iv) Leads to formation of capital.

(v) Promotion of technology.

(vi) Makes use of local resources.

(vii) Reduces foreign dominance.

(viii) Reduces rural – urban migration.

(ix) Improves infrastructure.

**(b) Five principles that govern the operations of insurance industry . (10 mks)**

(i) Utmost good faith (Uberrimae fidei)

(ii) Principle of indemnity.

(iii) Principle of proximate cause.

(iv) Insurable interest.

(v) Principles of subrogation.

(vi) Principle of contribution

(vii)The average clause principle.

**2.(a) Four features of circular flow of income in a two sector economy.**

(i) The households spend all their income received on the purchase of goods and services , that is no saving whatsoever.

(ii) The firms spend all their incomes on payment for the factors of production.

(iii) The firms maintain equilibrium between production and sales such that all the goods produced are sold , leaving no stocks at all.

(iii) There is no government intervention or interference in forms of taxes.

**(b) Required trading , profit and loss A/C for the year ended 31st Oct 2013.**

**Gathioro's Mobile Phones**

**Trial Balance.**

**As at Gathiro's 31st Oct 2013.**

|  |  |
| --- | --- |
| Shs shs  Opening stock 280,000  Add: purchase 420,000  Add C.I 14,000  Less R.O 20,000 414,000  C.O.G.A.S 694,000  Less c. stock 6,000  C.O.G.S 634,000  G.Pc/d 209,000  843,000  Telephone 6,400  Insurance 8,200  Postage 3,850  Rent 19,600  Advertising 12,900  Discount allowed 7,300  Net profit c/d 154,750  213,000 | Sales 855,000  Less R.I 12,000  Net sales 843,000  843,000  G.Pb/d 209,000  Discount received 4,000  213,000  *Net profit b/d* 154,750 |

**Gathioro Mobile phones**

**Balance sheet**

**A s at 31st Oct 2013**

|  |  |
| --- | --- |
| **ASSETS** | **CAPITAL + LIABILITIES** |
| FIXED ASSETS  Motor vehicles 480,000  Furniture 190,000 670,000  CURRENT ASSETS  Stock 60,000  Debtors 63,000  Cash 65,000 188,000 | CAPITAL 626,250  Add net profit 154,750  Less drawings 88,000  693,000  CURRENT LIABILITIES  Creditors 165,000    858,000 |

**3.(a)Five external environment factors that may influence the operation of a business positively. (10 mks)**

(i)Increase in population which expands the market for business products.

(ii) Favourable economic factors which boost purchasing power/increase the demand for products.

(iii) Positive social /culture factors which favour the business environment.

(iv) politial stability/security which creates conducive business environment.

(v) Favourable legal policies which encourages the establishment of business.

(vi) Availability of raw materials /inputs making firms not to experiences shortage /encourage continuous production.

(vii)Fair / healthy/favourable /low/ no competition which business can up with / withstand.

(viii) Advanced technology making business product competitive / increase the quality / quantity of business of prodcts.

**(b) Five factors considered in the choice of a means of transport.**

(i) The nature of the goods to be transported.

(ii) Cost.

(iii) Speed /urgency.

(iv) Distance to be covered.

(v) Security.

(vi) Means that is possible to offer door to door services.

(vii) Value of goods.

**4. (a) Five benefits of high population to a country.**

(i)Increased labour supplies due to high number of job seekers.

(ii) Increase market for goods / services due to the large number of consumers.

(iii) Diverse talents. Since in a large population more talented people will enlarge.

(iv) Technological advancement as peole are inspired to look for new methods of

improving productive.

(v) Efficient use of local resources as many people rely on them for survival.

(vi) Increased government revenue due to increased number of taxpayers.

(vii) Increased level of investment due to high demand for goods and aervices.

**(b) Five circumstances that may make a bank to reject a cheque.**

(i) Insufficient funds in the account.

(ii) Astale cheque.

(ii) The amount in words differs with amount in figures.

(iv) If the drawer is dead.

(v) If signature of drawer and specimen in the bank are different.

(vi) If the cheque is defaced and untidy.

(vii) If cheque is post – dated – if the cheque is presented for payment earlier that the due date.

(viii) If there any changes made to the cheque and they are not counter signed.

**5.(a) Five differences between a sole proprietorship and a public limited company.**

|  |  |
| --- | --- |
| SOLE PROPRIETORSHIP | PUBLIC COMPANY |
| (i)Owned by sole proprietorship.  (ii) Owner has unlimited liability.  (iii) Managed by owner.  (iv) Profits enjoyed by owner.  (v) Owner bears loss alone.  (vi) Capital raised by owner alone.  (vii) Busines lack continuity.  (viii) Registered with local authority.  (ix) Formation procedure is easy / cheap.  (x) Fast decision making.  (xi) Business is flexible.  (xii) Owner enjoy secrecy.  (xiii) Owner involved in management. | (i) Owned by shareholders.  (ii) Owners have limited liability.  (iii) Managed by a board of directors.  (iv) Profits shared by shareholders (divided)  (v) Losses shared among shareholders.  (vi) Capital contributed  (vii) Business has perpertual existence.  (viii) Registered by registrar of companies.  (ix) Formation procedure is complicated and expensive.  (x) Slow decision making  (xi) Business is rigid as per objective clause.  (xii) No secrecy – published trading results  (xiii)Owners no involved in daily management activities. |

**(b)**  (i) Size of the market.

(ii) Nature of the products.

(iii) Flexibility.

(iv) Legal constraints.

(v) Rising cost of production.

(v) Needs to retain control.

(vi) Quick decision making.

(vii) Belief that small firms are more manageable.

**6. (a) Five characteristics of good money.**

(i) General acceptability.

(ii) Scarcity.

(iii) Divisibility.

(iv) Portability.

(v) Stability.

(vi) Homogeneity.

(vii) Cognisability.

(viii) Malleability.

(ix) Complexity.

(x) Durability.

**(b)Prepare a three column cashbook.**

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| DATE | DETAILS | If | D.A. | Cash | Bank |  | Date | Details | Lf | D.SC | Cash | Bank |
| Nov 1  2  3  12  16  30 | Bal/bd  Sales  Murungi  Sales  Bank  Cash | C  c | 900 | 4,250  42,450  25,000  71,700  5,000 | 140,500  38,700  14,100  29,250  222,550  103,500 |  | Nov 8  14  15  16  22  24  28  30  30 | Purchase  Omwonge  Wages  Cash  Stationary  Salaries  Electricity  Bank  Bal c/d | c | 1250 | 34,000  950    2,500  29,250  5,000  71,700 | 25,300  23,750  25,000  45,000  103,500  222,250 |