**565/2**

**BUSINESS STUDIES**

**PAPER TWO**

**FORM 4**

**JULY/AUGUST 2019**

**MARKING SCHEME**

1.
2. **Benefits that maybe accrue to a country with a large proportion of skilled labour force.**
* Increased government revenue due to income tax.
* Saving on foreign exchange that would have been used to pay experts/imported labour.
* Simplify setting of wage rate/employer policy thus reduced labour unrest improving industrial relations.
* Production of high quality goods and services. If the labourers are experts in their respective areas.
* Workers are competent/increased better exploitation of resources which increase investment leading to increased output.
* Better and enhanced management facilitates accountability, planning, supervision, etc.
* Improved efficiency due to better use of resources hence improved image.
* Increase in purchasing power since employment rate is higher.

5 × 2 = 10marks

1. **Disadvantages a country would face if she restricted trade with other countries.**
* Encouraging smuggling/black marketing hence leading to loss of revenue.
* Poor international relations which may lead to conflicts among countries and she may not get assistance in times of calamities.
* Reduced/limited supply of goods and services which may adversely affect consumers’ choice.
* Leads to increased unemployment due to reduced trading activities.
* Reduced competition leading to low quality goods and services hence exploitation of consumers.
* Retaliation by trading patterns is likely to lead to loss of business hence reduced exports and imports.
* Reduced/low investment due to limited trading opportunities.
* Black mail of government by infant industries seeking continued protection.
* Limited market hence under exploitation of available resources.
* Misappropriation of resources may force a country to use her resources in areas where she has no comparative advantage.
* Costly to the government this may happen if measures like subsidies are used to enhance restrictions by encouraging import substitution meets parts of the production costs.

5 × 2 = 10marks

1.
2. **Features that differentiate a cooperative society from a partnership form of business.**

|  |  |
| --- | --- |
| **Cooperative society**  | **Partnership**  |
| 1. Operations are guided by the cooperative act.
 | 1. Operations are guided by the partnership act.
 |
| 1. Main aim of formation is to serve the interest of members at minimal fee.
 | 1. Main aim is to make profit.
 |
| 1. Members are between 10 and infinite.
 | 1. Membership is between 2 and 20 for non professional partnerships/50 for professional partnerships.
 |
| 1. Its operations are guided by by-laws.
 | 1. Its operations are guided by the partnership deed/act.
 |
| 1. Members’ liabilities are limited to their capital contribution.
 | 1. Liabilities of partners is unlimited/at least one partner has unlimited liabilities.
 |
| 1. Has a separate legal entity from owners/members. It can sue under its name/is incorporated.
 | 1. Has no separate legal existence from partners/incorporated.
 |
| 1. Has perpetual existence/death of a member does not leaf to dissolution.
 | 1. Has a limited life as its life depends on that of partners.
 |
| 1. Owned by members.
 | 1. Owned by partners.
 |

5 × 2 = 10marks

1. **Factors contributing to decline in population growth rate in developing countries.**
* Desire for higher standards of living leading to people opting for smaller families.
* Social status, where a small family is considered fashionable.
* Delayed marriages due to staying in schools for long periods.
* Due to decline of mortality rates and people have confidence that few children would survive.
* Increased use of family planning methods which has reduced birth rates.
* General quality which has made more women being employed in management positions hence less time to bring up more children.
* Availability of viable retirement benefits schemes which have made people to stop viewing children as security.

5 × 2 = 10marks

1.
2. **Factors to consider when choosing office equipment.**
* Cost of buying, whether can afford or not.
* Availability of spare parts for maintenance of the machine.
* Durability, whether it can last long for long service.
* Service personnel. Availability of qualified personnel to repair/service.
* Adaptability. Ability of the equipment to cope up with future changes.
* Effects on staff morale. The attitude of staff towards equipment if positive or negative.
* Possibility of living rather than buying should consider the cost and convenience of buying rather than buying.

5 × 2 = 10marks

1. **3-column cash book**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Date**  | **Details**  | **Disc. Allowed**  | **Cash**  | **Bank**  | **Date**  | **Details**  | **Disc. Received**  | **Cash**  | **Bank**  |
| **2018** |  | **Sh.**  | **Sh.**  | **Sh.**  | **2018** |  | **Sh.**  | **Sh.**  | **Sh.**  |
| July 1  | Balance b/d  |  |  3,250 | 136,500 | July 8 | Purchases  |  |  |  36,240 |
|  2 | Sales  |  |  |  42,630 |  14 | Ochako  |  1,250 |  |  23,750 |
|  3 | Koech  |  |  |  14,100 |  15 | Wages  |  |  24,000 |  |
|  16 | Bank  |  |  42,450 |  |  16 | Cash  |  |  |  36,000 |
|  29 | Ngoje  |  |  36,000 |  |  18 | Stationery  |  |  750 |  |
|  30 | Cash  |  |  |  51,950 |  20 | Koech  |  |  |  14,100 |
|  |  |  |  |  |  28 | Salaries  |  |  |  48,600 |
|  |  |  |  |  |  30 | Bank  |  |  51,950 |  |
|  |  |  |  |  |  31 | Balance c/d  |  |  5,000 | 109,490 |
|  |  |  |  **81,700** | **245,180** |  |  |  **1,250** |  **81,700** | **245,180** |
| Aug 1 | Balance b/d |  |  5,000 | 109,490 |  |  |  |  |  |

1.
2. **Circumstances under which containerization may be used to transport goods.**
* Where it is the policy of the business to use containers then it may have no alternative.
* Where there is need to enhance lease the customs clearance incase the goods are being imported or exported.
* To save on space when containers/goods are well arranged.
* For ease of fast loading/off loading where equipments specialized are available for handling containers. To avoid damage of goods where safety of goods need to be guaranteed since containers are strong.
* Where goods are special as containers for specialized goods are available.
* Where there is need to save on insurance costs as chances of damages/risks to goods are minimal.
* Where the firm can afford the cost/use of containers to enhance its image.

5 × 2 = 10marks

1. **Effect of increased supply on equilibrium price and quantity.**

P1

P0

q1

q0

e1

e0

S1

S1

S0

S0

D0

D0

0

 Price

Quantity

**Alternatively**

1. Equilibrium price reduces from P0 to P1.
2. Equilibrium quantity increase from q0 to q1.

20 × ½ = 10marks

1.
2. **Advantages of bonded warehouse to an importer.**
* Enables him to look for market while goods are still being held in the bonded warehouse.
* He can prepare the assorted goods for sale while still in bond.
* Duty on imported goods would be passed onto the buyer if they are sold while still in the bonded warehouse.
* Goods are accorded security by the government as long as they are in bond.
* It allows the importer to have sometime to arrange to pay the duty if he does not have enough money.
* Some goods may improve in quality after sometime e.g. wine, hence will be better/have more value.
* Some goods may lose weight while in the warehouse thereby lowering the duties payable.

5 × 2 = 10marks

1. **Principles that would lead to effective use of government resources.**
* Good/proper financial management to ensure accountability through proper record keeping.
* Elasticity. Expenditure should be capable of being expanded in line with the size of the economy.
* Surplus savings should be spent on development projects that yield high returns.
* Equity. Distribution of resources should be fair to all sectors in order minimize incidences of inequalities.
* Productivity. More resources should be spent on development projects that yield high returns.
* Economy. Use of government resources requires proper planning to avoid wastage and maximize benefits.
* Sanction. Authority should be sought from relevant bodies before committing public finance.
* Maximum social benefit. Resources should be used only on projects that improve social welfare to benefit as many people as possible.
* Flexibility. Expenditure should be able to be adjusted to reflect the prevailing circumstances.

5 × 2 = 10marks

1.
2. **Benefits that may be achieved by establishing firms in different parts of the country.**
* Have access to jobs/income generating activities.
* There would be more jobs available. This will reduce unemployment in all regions of the country.
* Improved standard of living/development in rural areas/increased the quality/variety of goods/services.
* Balance development as economic activities are spread throughout the country.
* Technological/skill transfer, leading to increased production.
* Infrastructural development. Opening up rural areas facilitating movement of goods/services.
* Development/improved social amenities, thus improving welfare in rural areas.
* Creation/expansion of market for goods/services/raw materials produced in rural areas.
* Minimizes pollution in one industrial area/town.

5 × 2 = 10marks

1.

**BARAKA TRADERS**

**TRADING, PROFIT AND LOSS ACCOUNT**

**FOR THE PERIOD ENDING 31/12/2012**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Dr.** |  |  |  | **Cr.**  |
| Opening stock  |  |  12,000 | Sales  | 180,000 |
| Purchases  | 120,000 |  | Less: returns inwards  | 1,200 |
| Add: carriage inwards  |  2,000 |  |  | 178,800 |
| Less: returns outwards  |  1,000 | 121,000 |  |  |
| Goods available for sale  |  | 133,000 |  |  |
| Less: closing stock  |  |  8,000 |  |  |
| Cost of sales  |  | 125,000 |  |  |
| Gross profit c/d  |  |  53,800 |  |  |
|  |  | **178,800** |  | **178,800** |
|  |  |  |  |  |
| Carriage outwards  |  |  4,000 | Gross profit b/d  | 53,800 |
| Discount allowed  |  |  3,000 | Discount received  | 4,000 |
| Salaries  |  |  2,000 | Rent received  | 21,500 |
| Insurance  |  |  10,000 |  |  |
| Electricity  |  |  17,000 |  |  |
| Net profit  |  |  43,300 |  |  |
|  |  |  **79,300** |  | **79,300** |

20 × ½ = 10marks