

BUNAMFAN BUSINESS STUDIES MARKING SCHEME

NOVEMBER /DECEMBER 2021

1. a) Characteristics of underdeveloped countries

- Presence of a low per capita income
- A rapid population growth rate
- High level of dependency
- Inadequate capital resource
- Low rate of savings
- Dominated by subsistence economy.
- Dominance of foreign firms. *Any five well explained points (5x2 = 10 marks)*

b) Measures that can be taken to reduce unemployment

- Control of population growth
- Diversification of the agricultural sector
- Diversification of industries
- Use of appropriate technology
- Relevant education system *Any five well explained points (5x2 = 10 marks)*

2. a) Ways in which central bank regulates the operation of commercial banks in Kenya

- Bank rates-Raising or lowering rates to control lending.
- O.M.O –Open Market Operations e.g selling or buying Government securities.
- Cash/liquidity ratio requirements- requiring commercial banks to hold a certain proportion of total deposits in liquid form.
- Compulsory deposits requirements.
- Selective credit control
- Directives.
- Moral suasion- appealing to commercial banks. *Any five well explained points (5x2 = 10 marks)*

b) Role played by insurance industry in promoting the development of Kenyan economy

- Employment creation
- Revenue to government
- Ensuring continuity of business.
- Spreading risks so that each contributes a little
- Promote investor confidence- to invest in risk ventures.
- Encourages savings e.g life policies.
- Investments from premiums by insurance companies. *Any five well explained points (5x2 = 10 marks)*

3. (a)

Baite Traders

Trading profit and loss account
For the period ended 31st Aug 2009✓

Sh		Sh		Sh		Sh	
Opening stock		35,000✓		Sales	350,000✓		
Add purchases	160,000✓			Less returns in	5,000✓		
Add carriage in	20,000✓						345,000✓✓
Net purchase		180,000✓					
G.A.S		215,000✓					
Less closing stock		50,000✓					
Cost of goods sold		165,000✓✓					
Gross profit c/d		180,000✓✓					
		<u>345,000</u>					
Advertising	13,000✓						<u>345,000</u>
Carriage outwards	14,000✓			Gross profit b/d			180,000✓
Salaries & wages	10,000✓			Rent income			25,000✓
Lighting & heating	<u>12,000</u> ✓	49,000		Discount received			18,000✓
Net profit c/d		174,000✓✓					
		<u>223,000</u>					<u>223,000</u>

(b) **Savings and credit cooperatives are registering increased number of members. Reasons are**

- Easy savings since the deductions are made through check off system which does not require efforts by members.
- Obtaining credit requires few procedures before its approved.
- The interest charged on loan is low as compared to other financial institutions.
- Loans require no collateral/security. Except for members pay slips /shares.
- Member's savings are safe since they are insured with the cooperative insurance company.
- In case of death the members beneficiaries do not lose the savings in cooperative / nor are they called upon to pay any of the deceased money.
- They give different types of loans which is rare with other financial institutions.

Any five well explained points (5x2 = 10 marks)

4. (a) **Role of the Nairobi stock exchange as a market for securities**

- Provides a ready market for people who wish to buy or sell their shares.
- Sets a price for every security
- Helps the public to invest in public companies.
- Eases the transfer of shares, which enables sellers to dispose of their investments.
- Publishes useful information about various companies that is used by investors and relevant parties.
- It monitors the financial affairs of every company whose shares are traded on the stock exchange.
- Its performance index is used as a measure of the country's economic progress.

Any5 well explained points (5x2 = 10 marks)

b) **Ethical issues affecting business**

- Discrimination in business
- Fairness in competition.
- Protection of environment while conducting business.
- Rights of employees.
- Unfair means of achieving business objectives (bribery, corruption)
- Consumer exploitation.

Any five well explained points (5x2 = 10 marks)

5. a) **Benefits of filing office documents to an organization**

- Filing of documents in an office makes it tidy, otherwise it would make the office disorganized if documents are thrown all over the place any order.
- It makes it possible for an organisation to make references where necessary. In case the documents are not kept, it may be difficult for information to be accessed when needed at some future date.
- Documents can easily get lost or stolen if not filed. Filing ensures that documents are kept in secure places which minimizes lose, theft or misplaced.
- It takes a shorter time to access documents than when they are not filed which would waste a lot of time trying to look for them.
- It saves space otherwise documents that are not filed and kept end up taking a lot of space.

b) **Benefits a country derives from transporting oil through pipeline**

- Reduced road accidents as congestion of tankers on roads is reduced.
- Environmental pollution is reduced as pipelines do not emit gases or smoke.
- Cost of handling oil is reduced since fewer workers are employed.
- Traveling by road to various parts of the country takes a shorter time due to reduced congestion on roads.
- There is no worry of return journey as pipes transport oil in one direction.
- It ensures regular supply after construction as they are more durable and operates 24 hours.
- Pipelines are not easily affected by bad weather, strikes and insecurity along highways. Their supply is permanently fixed.

6. (a) **Types of income included in income approach**

- Income from formal and informal employment e.g salaries and allowances.
- Profit made- This includes profit from both the public and private sector enterprises
- Rent- This is income earned from use of land.
- Interest on money borrowed and used.

$$GDI = \text{wages} + \text{profits} + \text{interest} + \text{rent.}$$

b) On 1st June 2009, MULI ENTERPRISES had cash in hand sh. 87,000 and cash at bank sh. 250,000. During the month, the following transactions took place.

June	2	Sales in cash sh. 50,000
	3	Paid salaries sh.101, 500 by cheque.
	6	Received a cheque for sh. 76,800 from Mwelu after allowing her a cash discount of 4%.
	12	Bought office furniture by cheque sh. 85,000
	16	Settled Musau's account of sh. 40,000 in cash, having deducted shs 800 cash discount.
	18	Received a cheque for shs 150,000 in respect of cash sales.
	21	Paid wages shs 24,000 in cash.
	22	Withdrew shs 30,000 from bank for office use.
	25	Withdrew shs 5000 cash for private use.
	28	Received shs 16500 cash from Kasiva in settlement of her account less shs 660 cash discount.
	30	Deposited all the money into bank except shs 25,000

Prepare a **three column cash book** and balance it off.

(12 marks)

MULI ENTERPRISES
THREE COLUMN CASH BOOK

Date	Details	Disc. Allowed	Cash	Bank	Date	Details	Disc. Received	Cash	Bank
2009 1/6	Bal b/d		87,000√	250,000√	2009 2/6	Salaries			101,500√
2/6	Sales		50,000√		12/6	Furniture			
6/6	Mwelu	3,200√		76,800	16/6	Musau	800	39,200√	
18/6	Sales			150,000	21/6	Wages		2,400√	
22/6	Bank		30,000√		22/6	Cash			30,000√
28/6	Kasiva	660√	16,500√		25/6	Drawings		5000√	
30/6	Cash	c		90300√	30/6	Bank	c	90,300√	
					30/6	Bal c/d		25,000√	350,600√
		<u>3,860</u>	<u>183,500</u>	<u>567,100</u>			<u>800</u>	<u>183,500√</u>	<u>567,100√</u>

24 x ¹/₂ = 12 marks