**MARKING SCHEME PP2 BUSINESS STUDIES**

**1a. Differences between private limited companies from public corporations**

|  |  |
| --- | --- |
| **Private limited companies** | **Public corporations** |
| 1. Formed under company’s act | Formed by an act of parliament |
| 1. Financed by shareholders | Initiating financed by government |
| 1. Directors appointed by shareholders | Board of directors appointed by government |
| 1. Profits go to the shareholders | Profits surrendered to the government |
| 1. Losses may lead to the collapse of the business | Losses may be subsidized by the government |
| 1. Owned by the shareholders | Owned by the government |
| 1. No political interference except through the enacted laws | Political influences especially nominating directors by the government |
| 1. Profits motivated | Formed mainly to provide essential services to the citizens |

**1b.Advantages of pooling of risks to an insurance company**

1. Its able to invest through giving out loans /buying shares
2. Helps to determine /calculate the premises to be paid by various potential clients
3. Its able to compensate /identify to insured who suffer from the insured risks
4. Enables the insurance to get profit from pool funds in excess of claims which is paid to the owners /ploughed back to the business
5. Enables the insurance to meet its operating /running cost by paying rent/salaries /bills.
6. Enables company to spread risk over a large number of the insured people
7. Enables the insurance company to create a common pool of funds from the regular premiums from client
8. Enable the insurance company to re-insure itself enabling it to insure expensive items /enable it to be compensated out of re-insurance cover

Mention 1

Fully explained 2 mk

5x2=10mks

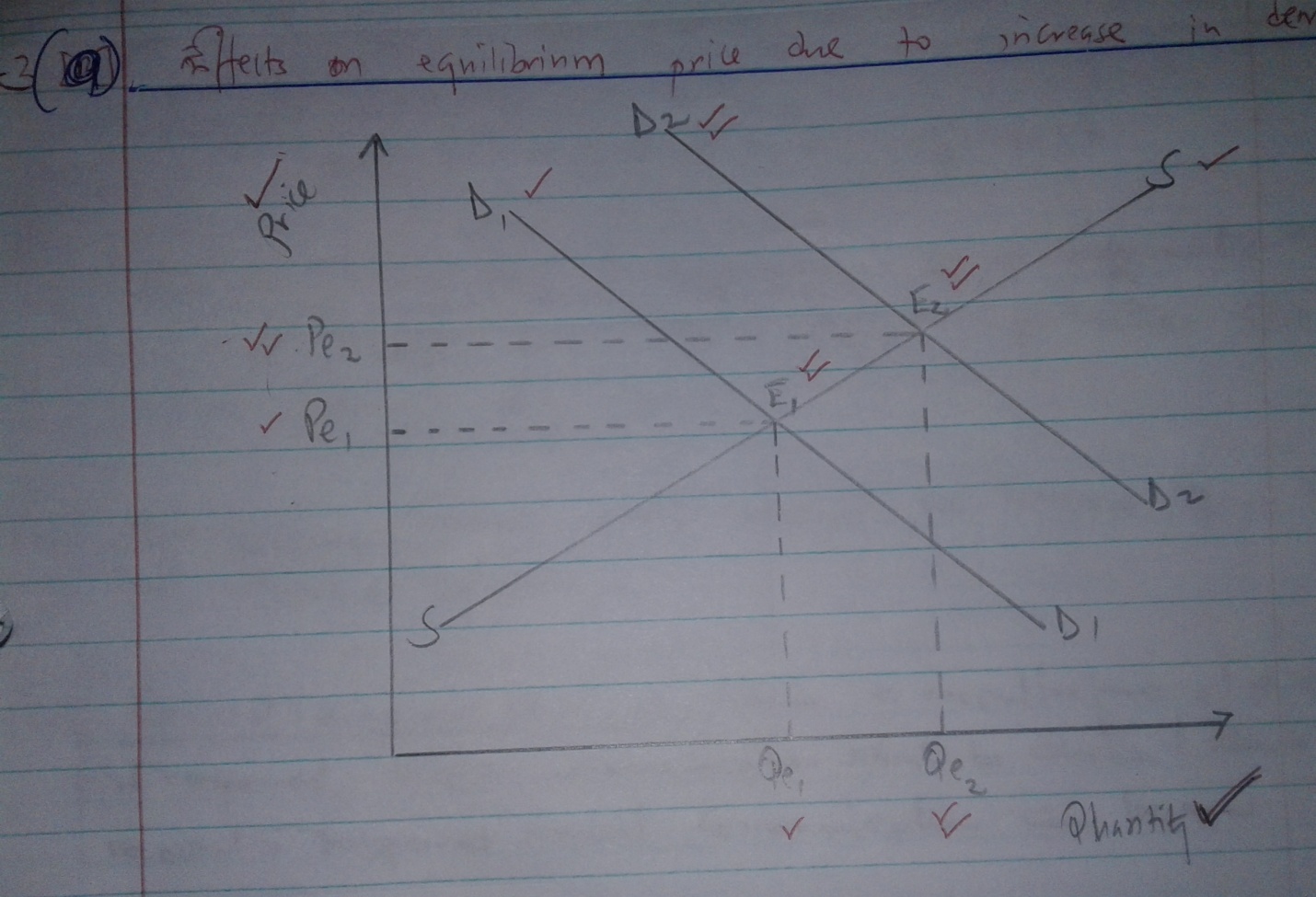
**2a. Reasons for popularity of motor cycle transport**

1. Cheap to buy /maintain
2. Saves time
3. Flexible-offers door to door service
4. Readily available
5. Form of employment
6. Can be used where there are no good roads
7. Low hire charges
8. Fast /speed as there is no picking /dropping of passengers

**2b. Measures that may encourage establishment of industries in rural areas**

1. Giving free /cheap land
2. Lowering tax on firms establishments in rural areas
3. Offering direct financial assistance to the firms
4. Offering subsidies
5. Improvement of infrastructure

3a.Effects on equilibrium price due to increase in demand



* The increase in demand will create excess demand
* Equilibrium price will increase from Pe1 to pe2
* Equilibrium quantity will increase from Qe1 to Qe2
* Equilibrium point will increase from E1 to E2

20x1/2=10mk

**3b. Factors to consider when choosing a media of communication within the firm**

1. Cost: choose a mean s that is affordable
2. Confidentiality/secrecy of information: secret information cannot be passed through some means /general information can be passed through any means
3. Reliability: means should ensure the message gets to the intended person
4. Record /reference /evidence: where a record /referenced /evidence is required written communication should be chosen /where no record is required verbal communication can be used.
5. Accuracy: consider a method which will deliver the message correctly /without distortation.
6. Length /detailed message –where long/detailed written communication /short /simple message verbal method can be chosen
7. Recipient : is level of literacy /culture/disability of recipient to achieve desired goal
8. Availability : as business council; use a method that is not there
9. Urgency/speed/time: urgent message require fast means /less urgent message a slow method may be used

Mention 1

Fully explained 2 mk

5x2=10mk

**4a. Reasons for filing documents in an office**

1. Keeps office tidy as documents are neatly arranged
2. Quick access to information as documents are coded/serialized
3. Safety of information from damage by bad weather/fire
4. Saves on space as documents are kept compactly
5. Security of information against loss due to theft /misplacement
6. Safe guards confidential information as documents are kept away from unauthorized access/under lock and key
7. Safe keeping of information for future reference

Mention 1

Full explained 2

4x2=8mks

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4bi.

Kathiri traders

Trading profit and loss account

For the year ending 30/6/201

|  |  |
| --- | --- |
| Opening stock 110,000 | Sales 900,000 |
| Add purchases 470,000 | Loss sales returns 60,000 |
| Add carriage inwards 20,000 | Net sales 84,000 |
| 49,000 |  |
| Loss purchase returns 78,000 412,000 |  |
| Cost of goods available for sale 522,000 |  |
| Floss closing stock 100,000 |  |
| Cost of sales 422,000 |  |
| Gross profit c/d 418,000 |  |
| 840,000 | 840,000 |
| Bad debts 56000 | Gross profit b/d 418,000 |
| Commission 70,000 | Rent 74,000 |
| Electricity 30,000 |  |
| Net profit 336,000 |  |
| 492,000 | 492,000 |

21x1/3=7mks

ii.

Kathiri traders

Balance sheet

As at 30/6/2014

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Fixed assets |  |  | Capital | 1,050,000 |
| Buildings |  | 990,000 | Profit | 336,000 |
| Furniture |  | 120,000 |  | 1,386,000 |
|  |  | 1,110,000 | Loss drawings | 33,000 |
| Current assets |  |  |  | 1,320,000 |
| Debtors | 250,000 |  | Short term liabilities |  |
| stock | 100,000 | 350,000 | creditors | 140,000 |
|  |  | 1,460,000 |  | 1,460,000 |

10x1/2=5mks

5a.Reasons that account for steady rise in level of national income

1. Human resource /labour /man power : the county has well trained skilled man power /human resource that produces high quality /quantity goods /generating income
2. Availability of natural resources enabling it to produce more goods /services services hence generating more income
3. High level technology that leads to production of high quality /quantity goods
4. Availability of capita/man made resources making production of goods easy increasing production
5. Increased foreign investments increasing production of goods/due to favourable investment conditions
6. Good governance /political stability leading to more production /increase in business industries.
7. Appropriate good culture /entrepreneurship that encourages hard works.

**5b.Characteristics of money**

1. Acceptability
2. Divisibility
3. Portability
4. Durability
5. Stability
6. Homogeinity
7. Cognisibility
8. \scarcity
9. Malleability
10. Not easy to forge

**6a. Challenges of over population**

1. Low industrialization

Most resources used on satisfying basic needs

1. Environmental degradation

Due to over exploitation of natural resources

1. Increase in social evile

As citizens without jobs strive to survival /earn a living

1. Inflation

As demand for goods and services exceeds supply

1. Low savings

Due to high dependency

1. High level of unemployment

As growth in population exceeds job creation in the country

1. Poor education /housing /health services

As demands for them exceeds their supply

1. Landlessness

Due to land fragmentation caused by pressure on land

5x2=10mk)\

6b.

Sales journal

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Details | Invoice no | Ledger no | amount |
| May 3 2010 | Anyimba |  |  | 60,000 |
|  | Mary |  |  | 150,000 |
|  | Posted to the sales a/c |  | Gl | 210,000 |

Purchase journal

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Details | Invoice no | Ledger no | amount |
| May 8 2010 | John slove |  |  | 120,000 |
|  | XYZ traders |  |  | 160,000 |
|  | Posted to the purchase a/c |  | Gl | 280,000 |

Purchase returns ac

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Details | Credit no | Ledger no | amount |
| May 12 2010 | John slove |  |  | 6,000 |
|  | Posted to P. returns a/c |  | Gl | 210,000 |

General journal

|  |  |  |  |
| --- | --- | --- | --- |
| Date | Details | Dr | Cr |
| 23/5/2010 | Motor ran  Embu motors  Being a purchase of motor  Ran on credit from Embu motor on credit | 3,200,000 | 3,200,000 |
| 30/5/2010 | Chap ltd co.  Office equipment a/c  Being sale of office equipment  On credit to chap ltd. Co. | 840,000 | 840,000 |

20x1/2=10mks