ASUMBI GIRLS HIGH SCHOOL

 PRE-MOCK

MAY-JUNE

2022

**BUSINESS STUDIES PAPER 2**

**MARKING SCHEME**

1. a) **Factors considered when buying an office machine. (10Marks)**
* **Cost-**initial, maintenance and running costs of the machine should be Relatively cheap/affordable.
* **Durability**-should have along lifespan/able to last /serve the business for a long time.
* **Availability of manpower/labour**-staff should be readily available who can operate/handle/run the machine
* **Availability of room**-there should be a room available to keep the machine.
* **Security of the machine**-there should be available resources to provide adequate safety/protection from theft, misuse, mishandling, vandalism
* **Availability of complementary resources** –accessories for the machine to run should be readily available eg. Power ,spare parts
* **Adaptability**- ability to cope with future changes and development/fit into the changing environment
* **Effect on staff morale**-staff should have a positive attitude towards the machine/accept its impotance
* **Possibility of hiring other than buying**-cost benefit analaysis whether buying or hiring which is cheaper in the long run
* **Work to be performed by the machine**-the machine should not lie idle/should have maximum usage.

 **(Any 5**$×$**2=10mks)**

b) **Outline Five differences between public corporations and private limited companies. (10Marks)**

|  |  |
| --- | --- |
| Public corporations | Private limited company |
| 1. Managed by a board of directors appointed by government
2. Initial capital is provided by the government
3. Formed through an Act of parliament
4. Owned by government
5. Profits belong to the government
6. Main objective is to provide essential goods and services
7. Losses are occasionally subsidized by the government/borne by government
8. Audited by government auditors
 | 1. Managed by directors appointed by shareholders
2. Initial capital comes from shareholders
3. Formed through company’s Act
4. Owned by shareholders
5. Profits belong to shareholders
6. Main objective is to make profit

 1. Losses are borne by shareholders/may lead to collapse of business
2. Audited by private auditors
 |

 **NB: No splitting of marks**

 **(ANY 5×2=10MKS)**

2 a) **Five reasons why a country may experience balance of payments disequilibrium.** (10Marks)

* Fall in volume of exports-reducing earnings from exports , (leading to deficit.)
* Deteriorating in countries terms of trade-making her payments higher than receipts
* Increasing in volume of imports –where exports are not increasing at the same rate,it will import more than it exports.
* Restriction by trading partners-thus reducing volume of exports.
* Less capital inflow as compared to outflow-leading to a deficit in capital account.
* Over valuation of domestic country- making exports expensive compared to imports/exports lose market.
* Devaluation of currency by trading partners-making imports cheap thus encouraging importation.

 **( Any 5×2= 10mks )**

b) **Powermax Stores ledger Accounts.**

 Dr Cash A/c √ Cr

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | Details | Amount | Date | Details | Amount |
| 1/6/201530/6/2015 | Balance b/dBalance b/d | 60,000 √60,0004,000 | 24/6/201528/6/201530/6/201530/6/2015 | LandcreditorsBank Balance c/d | 17,000 √ 1,000 √38,000 √ 4,000 √60,000 |

Dr Bank A/c √ Cr

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | Details | Amount | Date | Details | Amount |
| 1/6/20155/6/201515/6/201530/6/201530/6/2015 | Balance b/dDebtorsKCB loanCashBalance b/d | 220,000 √ 75,000 √130,000 √ 38,000 √463,000204,000 | 10/6/201524/6/201530/6/2015 | CreditorsLand Balance c/d |  59,000 √ 200,000 √ 204,000 √463,000 |

Dr Debtors A/c √ Cr

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | Details | Amount | Date | Details | Amount |
| 1/6/201530/6/2015 | Balance b/dBalance b/d | 95,000 √  95,00020,000 |  5/6/201530/6/2015 | BankBalance c/d |  75,000 √ 20,000 √95,000 |

Dr Creditors A/c √ Cr

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | Details | Amount | Date | Details | Amount |
| 10/6/201528/6/201530/6/2015 | BankcashBalance b/d |  59,000 √ 1,000 √ 20,000 √ 80,000 | 1/6/201530/6/2015 | Balance b/dBalance b/d |  80,000 √ 80,00020,000 |

Dr KCB Loan A/c √ Cr

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | Details | Amount | Date | Details | Amount |
| 30/6/2015 | Balance c/d | 130,000 √  | 15/6/201530/6/2015 | BankBalance b/d |  130,000 √ 130,000 |

 Dr Land A/C √ Cr

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | Details | Amount | Date | Details | Amount |
| 24/6/201524/6/201530/6/2015 | Bank CashBalance b/d | 200,000 √ 17,000 √ 217,000217,000 | 30/6/201530/6/2015 | Balance c/d |  217,000 √ 217,000  |

 **(30×1/3=10Mks)**

3 a) **State and explain Five guidelines that govern a good tax system. (10Mks)**

-**Equitable**-should ensure fairness in payment of tax/tax burden be distributed in a fair manner horizontally and vertically/people with same income pay same amount as tax

- **Certain**-payable tax be clear in terms of amount payable, time and manner/Government know amount expected as tax for planning purposes.

**-Economical**-cost of collection/administering should not exceed the revenue collected/cheap to collect and realize maximum revenue possible.

-**Convenient**-should be levied when the contributor have money/should not be cumbersome to collect tax

-**Flexible**-tax system should readily adapt to the changing economic circumstances such as income levels/price levels.

-**Simplicity**-easy for taxpayers to understand/calculate/know how much they are paying.

**Diversified**-tax system should accommodate a variety of taxes to enable many citizens to pay.

-**Ability to pay**- should be designed in a way that the amount charged is not too high to the extent that the contributor is unable to pay.

  **NB: Stating must be there to score.**

 **( Any 5×2=10 Mks)**

b) **Explain Five types of advertising** (10Marks)

**-Celebrity advertising**-used to encourage people who identify themselves with the personality used in the advertisement to buy the product

**-Competitive advertising/persuasive advertising**-used to convince customers that the product is the best in the market in order to cope with the competition

**-Institutional advertising**-aims at popularizing a firm/business enterprise hence the name of the firm appears prominently

**-Product advertising**-aims at increasing the sales of a particular product and thus the brand name of the product appear prominently.

-**Informative/primary demand advertising**-aims at popularizing anew product in the market to potential customers.

**Reminder advertisin**g- used to remind the customers about the continued existence of the product.

**Corrective advertising**- aims at correcting /rectifying some misleading information about a product/a firm.

 **NB**: CORRECT NAME OF ADVERTISING MUST BE STATED TO SCORE.

 **Any (5×2=10Mks)**

**4a) Highlight five ways in which the Kenyan government may increase amount of money in circulation.**

**-Lowering**  **bank rate**- to make loans cheap/affordable thus encourage borrowing by citizens.

-**Reducing taxes-**this makes the citizen to retain much of their gross receipts.

-**Reducing compulsory deposits/reducing minimum reserve requirements**-leaving commercial banks with a lot of funds to lend.

-**Moral suasion/persuasion** -requesting/appealing to commercial banks to increase lending.

**-Increasing government expenditure**-thus releasing more money into the economy.

-**Lowering interest rates on savings**-thus discouraging people from saving.

-**Directing or instructing banks to increase lending**-(thereby increasing accessibility of money)

-**Buying/redeeming government securities/stock-**(in open market operations) to release more money into the economy.

-**Reducing cash /liquidity ratio**-making commercial banks to have abundant cash to lend/give back to depositors. **(Any 5×2=10)**

b) **Discuss Five factors that determine the amount of premiums charged in life assurance cover.**  (10Marks)

**-Age of the assured**-older people are required to pay higher premiums as they are more susceptible to infections/sicknesses than younger people.

**-Health of the assured**-the healthier the assured the lower the premiums and vice versa. **NB**: *The vice versa must come out to score.*

**-Duration of the contract**-higher premiums are charged for short contracts while if the contract is long term lesser premiums are charged

**-Sum assured** –the higher the sum assured the higher the premiums and the lower the sum assured the lower the premiums.

**-Occupation of the assured**-those engaged in risky/unsafe jobs/occupations is required to pay while those working in safe low risk jobs pay lower premiums.

**- Residence of the assured**-those living in areas with conflicts/wars/high crime areas/areas known for natural calamities are charged high premiums, while those in otherwise safe areas pay less premiums.

- **Frequency of occurrence of risks assured**-where assured risk is more prevalent to the assured or in an area more premiums will be charged while if the risks occurrence is low then lower premiums are charged.

-**Incidences of pandemics/outbreaks-**during times of disease/pandemics higher premiums are charged than when such incidences are not in existence.

 **(Any 5×2=10Mks)**

5a) **Explain Five factors that hinders entrepreneurial practices in Kenya today.** (10Marks)

-**Poor infrastructure e.g poor roads network**-making it difficult to transport raw materials/finished products to the market. **NB** :*Accept examples of infrastructure as a mention).*

-**Unhealthy/stiff/cut throat competition-**forces some business to close down/discouraging new investors from venturing into businesses.

-**poor/lack of entrepreneurial skills-**due to low levels of education/inappropriate education system/ hinders /people shy away from starting businesses.

**-Inadequate markets**-discourage existing businesses and ner ventures

**-Unfavorable political climate/political instability/insecurity**-which do not provide a conducive environment for business activities.

-**Negative cultures/negative religious beliefs-**not favorable for certain businesses eg. Pork selling not viable in a muslim community/cultures that favours direct production

**-Inadequate resources/capital**-required in production such as raw materials power ,labour, capital making it difficult to start businesses.

-**Unfavourable government policies /high taxes/high licence fees/unfair legislations/unfair regulations**-which discourages investments/scare away investors.

-**Natural calamities** –such as floods which discourage investments in some areas.

 **(Any 5×2=10Mks)**

b**) Effect of an increase in demand on the equilibrium price and**

 **quantity**. (10Marks)

 (

 D1 So

 √ Price Do

 √ E1√

 √

 E0

 √ √ √

 D1

 So Do

 √ Quantity √

**Diagram 8 ticks =8 ×1=8mks**

Explanation:

 i) The demand curve shifts to the right from D0D0 TO D1D1.

iii) The equilibrium point shifts to the right from E0 to E1

ii) The equilibrium quantity increases from Q0 to Q1.

 Iv) The equilibrium price increases from Pe0 to Pe1

 **Text= Four statements each half marks= 2 Marks**

6a) **Outline Four reasons why mobile phones have become a popular means of communication.** (8Marks)

**-**Portable/convenient to carry around and so one can make and receive calls at any time or anywhere as long as he/she have it.

**-**Information can be stored in written form/audio/audio-visual/provide evidence.

**-**One can easily access information from the internet/websites.

**-**Mobile phones have other functions such as games , calculators, clocks ,calendars, foreign exchange convertors which makes access easy.

**-**Diverse types of messages can be sent and received like pictures , graphs, texts, animations, illustrations .

**-**They are trendy and fashionable thus alluring masses to own/possess them.

**NB: No splitting of marks. 2×4=8mks**

**b)**

 Mwakio Traders

Trading ,profit and loss Account

For the year ending 31st December, 2005 √

Dr Cr

|  |  |
| --- | --- |
| Opening stock 12,500 √Add: Purchases 70,000 √ 82,500Less:return outwards 2,400 √ CGAFS 80,100 √Less: Closing stock 6,500 √ Cost of sales 73,600 √Gross profit c/d 19,900 √ 93,500General expenses 5,200 √Carriage outwards 4,000 √Salaries 16,800 √ 26,000  | Sales 95,000 √Less: Return inwards 1,500 √ Net sales 93,500 √ 93,500Gross profit b/d 19,900 √ Net loss 6,100 √   26,000 |

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 **16×1/2=8Marks**

Mwakio Traders

Balance Sheet

As at 31st December,2005 √

|  |  |
| --- | --- |
| Fixed Assets 82,000 √Current AssetsStock 6,500 √Debtors 10,500 √Cash in hand 2,500 √  101,500 | Capital 88,800√Add: Net Loss 6,100√Net/new capital 82,700 √√ Current LiabilitiesCreditors 8,500 √Bank Overdraft 10,300 √  101,500 √  |

* NB: To score double ticks one must state - New/Net capital
* Single tick where totals are correct , on the same line/level and double underlined.

 **12×1/3=4Marks**