BUNAMFAN CLUSTER EXAMINATIONS 2022
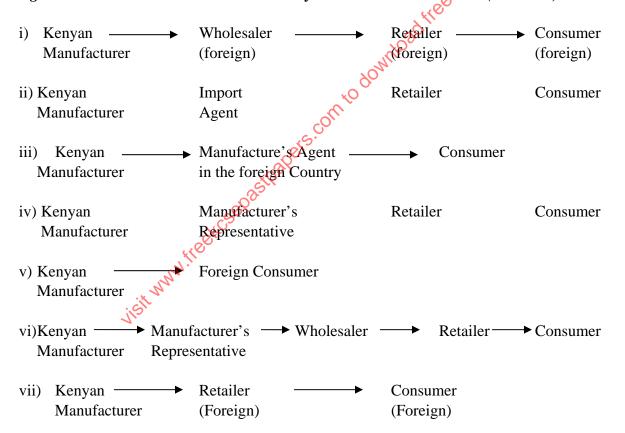
MARKING SCHEME

565/2

BUSINESS STUDIES
JUNE 2022

1. **a) Explain five ways in which the internal environment may contribute to the success of a business enterprise.** *(10 marks)*
   i) A functional business structure. Formal arrangement of functions and the relationships of people that is directed towards achievement of organizational goals.
   ii) Employment of qualified, skilled and experienced personnel. When the correct labour force is acquired and correctly matched to their jobs, then performance is enhanced.
   iii) Proportionate allocation of financial resources. The business finances are allocated to activities based on percentage contribution to the organization's success.
   iv) Access to relevant physical resources like buildings, machinery, furniture and other equipment to complement human effort.
   v) Appropriate technology. Effective methods of production boosts the quantity and quality of output.
   vi) Positive business culture. Productivity is enhanced when culture matches the expectations, beliefs and values of the staff.
   vii) Realistic objectives. Setting objectives that are simple, measurable, achievable and specific.

   b) Highlight Five channels of distribution that a Kenyan manufacturer would use to ensure their goods reach consumers in another country. *(10 marks)*

   i) Kenyan Manufacturer ⟶ Wholesaler (foreign) ⟶ Retailer (foreign) ⟶ Consumer (foreign)

   ii) Kenyan Manufacturer ⟶ Import Agent ⟶ Retailer ⟶ Consumer

   iii) Kenyan Manufacturer ⟶ Manufacture's Agent in the foreign Country ⟶ Consumer

   iv) Kenyan Manufacturer ⟶ Manufacturer's Representative ⟶ Retailer ⟶ Consumer

   v) Kenyan Manufacturer ⟶ Foreign Consumer

   vi) Kenyan Manufacturer ⟶ Manufacturer's Representative ⟶ Wholesaler ⟶ Retailer ⟶ Consumer

   vii) Kenyan Manufacturer ⟶ Retailer (Foreign) ⟶ Consumer (Foreign)

2. a) *Some developed countries have huge population made of ageing persons. Explain five*
   problems this situation could present to such countries.   *(10 marks)*

   i)   Provides a less mobile labour force/old people display rigidity.
   ii) There will be lack of the input of more energetic youth & thus society will be less progressive.
   iii) There will be low labour supply.
   iv) They suffer loss of job opportunity because of decline in the demand for goods used by the youth.
   v)   Due to high levels of dependency, savings and investment are affected negatively.
   vi) They lack creativity and innovativeness.

   b) The following information was obtained from the books Muthaura.

   Sales shs. 270000

   Margin 40%

   Turnover 6 times

   Expenses   shs. 40000

From the above information, calculate;

(i) Gross profit

$$\text{Margin} = \frac{GP}{Sales} \qquad \frac{40}{100} = \frac{GP}{270,000}$$

$$\frac{5GP}{5} = \frac{540,000}{5}$$

GP= 180,000   (3 marks)

(ii)   COS
                    COS = Sales – GP
                    COS = 270,000 – 180,000
                          = 90,000   (2 marks)

(iii)   Average Stock
            $$ROSTO = \frac{COS}{Average\ Stock}$$

            $$\frac{6}{1} = \frac{90,000}{x}$$
            $$6x = 90,000$$
            x = 15,000   (3 marks)

(iv)   Net Profit
            180,000 – 40,000
            = 140,000   (2 marks)

3a) Describe any five accounting documents used in home trade. (10 marks)

i) Invoice – shows details of goods supplied on credit. Demands for payment.
ii) Debit note – Used to correct an undercharge
iii) Credit note – used to correct an overcharge.
iv) Receipt – it acknowledges payment.
v) Statement of account- shows details of transactions for the month as well as the running balance.
vi) Consignment note- shows carriage charges.

b) Five demerits a country suffers when a country becomes a major investor in business. (10 marks)

i) Political interference in appointing Managerial positions
ii) It may scare away private investors
iii) Tax payers suffer in cases of losses in such businesses.
iv) Heavy investments in terms of training Personnel and the equipment.
v) Poor controls may lead to corruption and embezzlement of funds.

4a) Explain five challenges that may be experienced by a new entrepreneur intending to start a business in Kenya. (10 marks)

i) Small capital – there are limited sources of raising capital.
ii) Lack of managerial skills – have limited skills in regard to business management, thus they may not be able to differentiate between capital and profits.
iii) Lack of continuity – the business is not a going concern in the sense that it ceases to exist as soon as the owner dies.
iv) Poor choice of business enterprises – the owner lacks the skills to choose a viable project/ investment.
v) Lack of division of labour – the size and the mode of business ownership denies the benefit of division of labour and specialization.

b) Explain five reasons why a high per capita income is not an indicator of better living standard in a country. (10 marks)

i) Statistical problems – the collection of data of the national income may be inaccurate meaning that the national figures may be inaccurate hence wrong per capita income.
ii) Change in the value of money- if the currency has been devalued, for example, there can be change in the value of money without necessarily representing any changes in the welfare of people.
iii) Income distribution – although per capita income may be high, there is need to consider who has what share of the "national cake". If the national cake is in the lands of a few, then we cannot say that people's welfare has improved
iv) Nature of products – if the products are not meant to satisfy immediate wants of the people, then an increase in per capita income may not lead to a higher economic welfare.

v) People's hard work and sacrifice- increased national income may mean less sleep and worries. People don't have time to enjoy what they produce and their welfare may be low despite the rise in national income.

vi) Social costs – e.g. some people may migrate from rural to urban areas straining family relationships, while an increase in industries may create pollution, congestion and other environmental disruptions. Such development may make the average citizen worse off than was before the increase in per capita income.

5a) *Five merits of direct taxes* (10marks)

i) Economical in collection
ii) Tax revenue is certain
iii) Fairness in contribution of tax
iv) Does not affect the prices of goods and services
v) Brings re-distribution of wealth
vi) The society is conscious
vii) It is simple to understand
viii) The tax is desirable
ix) It is flexible

b) *Explain five problems that the insurance industry is facing in Kenya today.* (10 marks)

i) High levels of competition due to presence of many insurance companies in the country.
ii) Low income levels among the citizens, hence many people do not take insurance policies.
iii) Lack of information by potential clients on the insurance industry.
iv) High levels of motor vehicle accidents have made some insurance companies to close down as a result of large number of claims.
v) Poor management due to lack of managerial skills have made a number of locally owned insurance companies to collapse.
vi) High awards given b the courts as compensation for loss of life in the motor industry has led to collapse of many insurance firms.
vii) Insurance companies are at times made to pay large amounts on bogus claims arising from motor accidents.

6 a) *Five factors that may have caused a decline in the demand for Bananas* (10 marks)

i) Increase in the Price of Bananas
ii) Decrease in the level of consumers income
iii) Decrease in the price of substitute products
iv) A negative Change in the tastes and preference of consumers
v) Poor terms of Sale
vi) Future expectation of a fall in price of bananas
vii) Low distribution of income among consumers.

(b)

Tom Owino
Three Column
Cash Book

Date	Details	F	Dis All	Cash	Bank	Date	Details	F	Dis Rec	Cash	Bank
1/1/2020	Bal b/d			6520	9847	2/1	Transport			2000	
4/1	Sales		80	3920		3/1	AFC		200		9800
5/1	Cash	C1			1000	5/1	Bank	C1		1000	
6/1	Kamau		50		2450	7/1	Salary			500	
9/1	Bank	C2		800		8/1	Water			590	
10/1	Debtors		250		4750	9/1	Cash	C2			800
11/1	John		18	882		12/1	Bank	C3		9932	
12/1	Cash	C3			9932						
						13/1	Bal c/d			100	15379
			398	**12,122**	**25,979**				**200**	**12,122**	**25,979**

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