# Nyaraya Cluster Examination

**Kenya Certificate of Secondary Education**

**Form Four Mock Evaluation Programme**

**565/2 BUSINESS STUDIES -Paper 2**

**MARKING GUIDE**

**CONFIDENTIAL**

1. **a. Office etiquette that a worker should posses**
2. **Courtesy** - Handling persons politely and pleasantly
3. **Puntuality** - Be in time. Being at the right place at right time.
4. **Loyalty** - Should be committed to and identify with the organisation
5. **Respect** - Handling other people with dignity
6. **Accuracy** - Duties assigned should be done with precision and void of errors
7. **Honesty**- Should be truthful /sincere
8. **Co-operation** - Should work in harmony with others
9. **Initiative** - Should create and develop new ideas aimed at improving performance
10. **Judgment** - Decision should be made after considering all possible options/possibilities
11. **Diplomacy** - Should be able to convince other tactfully

**NB- SPLITTING Any 5 x 2 = (10mks)**

**b. Describe five types of unemployment (10mks)**

1. **Seasonal unemployment**-caused by seasonal variations/during peak there is high demand for labour/during off peak sthre is low demand for labour
2. **Frictional unemployment**- occurs when people lose jobs and go looking for new ones/due to time lags/time taken in changing jobs
3. **Structural unemployment**- occurs when demand for labour declines due to changes in technology/decrease in supply of commodities
4. **Cyclical unemployment/demand deficient/general unemployment** –occurs repeatedly at similar times/goes through cycles of economic activities/alternates from booms to recession
5. **Real wage unemployment/ voluntary**- occurs when businesses are not willing to employ all people seeking employment at the prevailing wage rate/ job seekers are not willing to take lower rates
6. **Involuntary unemployment/open unemployment**- occurs when people are actively looking for jobs at the existing wage rates but cannot get them
7. **Disguised/Hidden unemployment** – occurs when the number of people employed exceeds the number required/when workers full capability is not utilized
8. **Residual unemployment**- affects people who are physically and metally challenged
9. **Erratic/casual unemployment**- affects those who are hired when work is available and terminated when work is not available

**NB- SPLITTING Any 5 x 2 = (10mks)**

1. **a. Explain five differences between sole proprietorship and public limited** **company**

|  |  |
| --- | --- |
| **Sole proprietorship** | **Public limited company** |
| 1. Formed by one person | Formed by seven (7) promoters / persons |
| 1. Maximum of one person | No maximum ownership |
| 1. Has unlimited liability | Have limited liability |
| 1. Existence depend on the life 3of the sole trader/lack .perpetual life/succession | Has perpetual life irrespective of life/death of shareholders |
| 1. Main source of capital is personal savings | Main source of capital is sale of bshares |
| 1. Managed by a sole trader/owner | Managed by board of directors |
| 1. Few legal formalities are required during formation | Formation procedure is long requiring many legal formalities/complicated to form |
| 1. Require little capital to start | Require large amount of capital to start |
| 1. Quick/fast decision making | Slow decision making process |

**NB- NO SPLITTING- The differences must be matching- Any 5 x 2 = (10mks)**

**b.**

**Calculate:**

1. Cost of sales

Margin = Gross profit = 1 = 440,00

Net sales 5 Net sales

Net sales = sh.(440,000 X 5)

Sh.2, 200,000

Cost of sales = Net sales – Gross profit

=Sh.(2,200,000 – 440,000)

= Sh, 1,760,000

1. The value of purchases

Cost of sales = Opening stock + Purchases – closing stock

Purchases = 1,760,000 + 140,000 + 104,000

Sh.1,796,000

1. Rate of stock turnover

ROSTO = Cost of sales = 1,760,000

Average stock 104,000 + 140,000 = 244,000

2

ROSTO = 1760,000 = 14.426 times

244,000

1. Working capital.

WC = Current Assets - Current Liabilities

= 660,000 – 230,000

= 430,000

v) Current ratio = Current Assets: Current liabilities

= 660,000:230,000

= 66:23 (10mks)

1. **a. Factors that may limit the effectiveness of a warehouse**
2. **Unsuitable location** -which makes the warehouse inaccessible
3. **Inadequate space/premises** -which cannot accommodate many goods
4. **Lack of proper/adequate handling equipment and machines/Forklifts** – leading to difficulty in handling heavy and bulky goods
5. **Lack of special facilities to cater for special goods/perishable goods** – hence may be spoilt
6. **Lack of qualified/competent staff** – leading to poor services
7. **Lack of compliance with legal requirements** – which hinders their normal operation/leading to their closure
8. **Lack of clear/proper inventory control system**- which leads to fraud/losses

**Any 5 x 2 = (10mks)**

**b. Reasons for maintaining books of original entry. (10mks)**

1. To reduce details to be recorded in the ledger accounts/reduce the bulkiness of the ledger
2. Acts as a back-up data from which other information can be extracted if need arises/for future reference
3. Contains information in detail/description of transactions such as units/trade discounts/terms of sale
4. The journal is used to trace/locate errors made when recording transactions
5. To ensure that double entry is adhered to
6. To minimize/discourage fraud/enhance accountability
7. Act as diaries/record transactions as the occur
8. Used to prepare control/total accounts

**Any 5 x 2 = (10mks)**

**NB – No splitting**

1. **a. Factors that a Siaya county government may consider before incurring public expenditure**
2. **Economy**-County expenditure must be incurred in the most economical way by avoiding any possible waste from occurring.
3. **Maximum social benefit**-Any county expenditure must be incurred in such a way that majority of people are able to reap maximum benefit out of it.
4. **Flexibility-**County expenditure should be adaptable to any future unforeseen occurrence and economics situations in the county.
5. **Sanctions-**County expenditure must be approved by the county assembly to avoid embezzlement and misuse.
6. **Proper financial management**-County funds should be well managed through maintenance of proper records and auditing as required.

**NB- SPLITTING**

**Any 5 x 2 = (10mks)**

**b. Why per capita income is not a good indicator of standards of living.**

1. **It does not take into consideration the effects of production activities on the environment like pollution / environmental degradation** - which actually lowers the quality of life of people.
2. **High: per capita income may be as a result of increase in the number of working hours** -at the expense of the people’s health.
3. It does not show the gross national output among the citizens of a country.
4. **The per capita income may be caused by inflation in the economy/ devaluation of a country’s currency**-it may seem high but does not mean that the welfare is good.
5. **Sparse income distribution /If the income is in the hands of a few**-then we cannot say that peoples’ welfare has improved/leaving the majority who are the poor
6. **Nature of products /If the products that make up national product are not meant to satisfy immediate wants of people**, then an increase in per capita; income may not lead to a high economic welfare.
7. **Difficulty to measure welfare** – economic welfare is subjective, is not easy to measure quantitatively. Peoples’ wants and inspiration keep on changing and their tastes change over time.
8. **Statistical problems** – inaccurate data brings about wrong national income which also give wrong per capita figures. If per capita income is wrong, then it’s wrong to use it as a measure of people’s welfare.

**NB- SPLITTING Any 5 x 2 = (10mks)**

1. **a. Benefits that Kenya may enjoy by being a member of African Development Bank (AfDB). s**
2. **The country will obtain loans/credit** – for economic/social advancement/development
3. **Technical assistance/expert advice/consultancy**- to execute development programmes
4. **Getting assistance in policy coordination/development formulation** – for effective implementation of projects
5. **The country will get technological assistance** – to utilize economic resources
6. **The country will enjoy cooperation/support from regional economic institutions globally**- which improves relations/peace and understanding
7. **The country will gain from capital funding**- for public/private investments/that boost development
8. **Gain from training/capacity building**- to enhance skills/competencies
9. **Promote better/effective use/management of funds/resources/accountability** – through oversight/monitoring
10. **Boost country’s credibility/image/credit standing** – thus enabling it to access more funds
11. **Kenya can get international platform/optimization –** to promote development agenda
12. **Cheap/affordable credit/easy terms** – due to low interest rates/longer payment periods
13. **Easy/favourable borrowing conditions**-since there may be no strings attached/less stringent procedures/requirements

**NB- SPLITTING Any 5 x 2 = (10mks)**

**b. Benefits that a business may enjoy by preparing a business plan**

1. **Sourcing for finance/capital/loans/credit** – to convince financial institutions/investors to fund the firms operations
2. **A tool of evaluation**- used to determine whether the firm is achieving its goals/objectives/helps to make necessary adjustments/changes/comparison
3. **A tool of management/planning/coordinating/organizing/directing/staffing/communicating/controlling**-can be used for structuring/the .implementation of the firms activities
4. **Gives the firm competitive edge**- to get better understanding of the market/competitors
5. **Enhances efficiency in the use of resources/proper allocation of resources**-so that they are used in the best way possible/without wastage
6. **It is a motivational tool/inspires the management/creates teamwork**-in accomplishing the objectives of the firm
7. **Framework of blue print/guide/road map for a new business**- thus assisting the management in decisions
8. **Evidence/proof of communication by the owner**-who will devote the efforts to the succession of the business
9. **Tool for testing business idea**-to determine whether it will succeed or not
10. **Adaptability too**l-gives room to cope with the prevailing economic circumstances

**NB- SPLITTING Any 5 x 2 = (10mks)**

1. **a. Reasons that accounts for continued use of handcarts**
2. **Relatively cheap compared to other means** –hence many people can afford them
3. **Requires little capital/cheap to buy/acquire**-hence many people can afford them
4. **Does not require skilled manpower to operate**-hence can be operated by everybody
5. **Can be used on rough terrain/remote areas**-where other means may not be able to access
6. **Does not require special terminals/flexible/offer door to door service**s-hence can operated anywhere
7. **Suitable for light and small loads**-therefore convenient for many small businesses
8. **It uses human/animal energy**-hence they are not affected by changes in fuel prices

**NB- SPLITTING Any 5 x 2 = (10mks)**

Dr Cash A/c Cr

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Date** | **Details** | **F** | **Amount** | **Date** | **Details** | **F** | **Amount** |
| January 2023 |  |  |  | January2023 |  |  |  |
| 1 | Balance | b/d | 15,000 | 2 | Purchases |  | 70,000 |
| 20 | Debtor |  | 16,000 | 4 | Rent |  | 10,000 |
| 28 | Loan |  | 210,000 | 13 | Bank | C1 | 50,000 |
|  |  |  |  | 17 | Wages |  | 4,000 |
|  |  |  |  | 30 | Bank | C2 | 99,000 |
|  |  |  |  | 30 | Balance | c/d | 8,000 |
|  |  |  |  |  |  |  |  |
|  |  |  | **241,000** |  |  |  | **241,000** |
| 30 | Balance | b/d | 8,000 |  |  |  |  |
|  |  |  |  |  |  |  |  |

Dr Bank A/c ˅ Cr

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Date** | **Details** | **F** | **Amount** | **Date** | **Details** | **F** | **Amount** |
| January 2023 |  |  |  | January 2023 |  |  |  |
| 1 | Balance | b/d | 130,000 | 19 | Furniture |  | 27,000 |
| 10 | Sales |  | 64,000 | 23 | Purchases |  | 190,000 |
| 13 | Cash | C1 | 50,000 | 30 | Balance | b/d | 126,000 |
| 30 | Cash |  | 99,000 |  |  |  |  |
|  |  |  | **343,000** | ˅ |  |  | **343,000** |
| 30 | Balance | b/d | 126,000 |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |

**20 ticks x ½ = 10 mks**