**NAME…………………………………………**

**BUSINESS STUDIES**

**MARKING SCHEME**

**LANJET 2021**

**565/2**

1. **a) Measures a country may adopt to increase its volume of export**
2. Engaging in international trade fair/exhibition to promote the home products
3. Devaluation of its own currency to make export cheap
4. Lowering taxes on exports to make them cheap
5. By diversifying on its exports to increase the market.
6. Offering subsidies to firms that are involved in production of export goods
7. Reducing the length /procedure for acquiring licenses for exporting products
8. Adopting modern technology to export products to make them fashionable/High quality/more attractive to customers
9. Offering customs drawbacks – The government refunds either in full or part of custom duty paid on imported raw materials if finished product is exported.
10. Lobbying/Negotiate with trading partners for removal of trade restrictions placed on the country’s exports

**(Any 5 well explained x2=10marks)**

**(b)Factors that encourage entrepreneurial development in Kenya**

1. Improved infrastructure; good roads, adequate security, availability of water, electricitywill encourage entrepreneurial development.
2. Favorable government policies such as lessening tax burden by providing tax holidays, providing incentives and simplifying procedures and cost of obtaining relevant legal documents required
3. Availability of market for goods and services/Expanding market due to devolution of services
4. Increased accessibility to education and training/Expanded capacity to provide training for better skills to entrepreneurs.
5. Availability of resources/Increased accessibility to credit from commercial financial institutions and also from the government through government initiated projects like uwezo fund and women enterprise funds.
6. Political stability/absence of political chaos/No inter-clan fighting creates a conducive environment for entrepreneurs to venture into varied investments with confidence.
7. Favorable natural conditions/enough rainfall for agro-based businesses.

**(Any 5 well explained x2=10marks)**

2(a) A surgeon set up a clinic in a distant rural centre. The business was closed after six months.

Identify **four** possible causes for the failure

* Inadequate capital
* Poor working strategies
* Unfavorable government policies
* Insecurity in the area
* Inadequate academic and technical knowledge
* Inadequate business management knowledge
* Inadequate demand market
* Poor record keeping
* Poor customer relations
* Large drawings from firm
* Lack of self discipline and poor moral character
* Poor planning
* Changes in technology
* Changes in business environment

**b)**

* Uhuru Highway
* Balance Sheet
* As at 31st May 2014
* Fixed assetsKsh.Ksh.
* Equipment 24,000√ Capital 128,440√
* Furniture 6,000√ Add net profit 27,320√
* 30,000 155,760
* Current assetsKsh. Less drawings 20,500√
* Stock 49,980√ 135,260
* Debtors 45,770√ Short term liabilities
* Bank 38,760√ Creditors 30,450√
* Cash 1,200√ 135,710
  + - * 1. 165,710 165,710

**10 ticks @ 1mk= 10mks**

3(a) Measures used to solve unemployment cases in Africa.

* Encouraging investment by Private sectors through offering subsidies to increase employment opportunities.
* Use policies that encourage use of labour intensive methods of production.
* Ensure political stability – attract foreign investment into the country.
* Delocalise firms to prevent / reduce urban unemployment brought about by rural-urban migration.
* Encourage use of family planning methods to reduce rapid population growth.
* Provide appropriate education and training methods that equips citizens with relevant skills and knowledge required by firms.
* Increases in Government expenditure to create job employment
* Encourage use of local resources to create employment(5 x 2 = 10mks)

(b) Give five differences between a private limited company and a public corporation.

|  |  |
| --- | --- |
| **Public corporation** | **Private limited company** |
| It is formed by an act of parliament | It is formed under the company’s act |
| It is not profit – motivated provides services to the general public | It is profite motivated |
| It is financed by the government | Capital is raised through the sale of share |
| Board of directors is appointed by the government | Directors are elected by shareholders |
| Losses are subsidized/ borne by the government | Losses may lead to collapse of business |
| It is owned by the government | It is owned by shareholders |

4 (a) **Money transfer facilities provided by the Commercial Banks**

* Standing order- Instruction to the bank by the A/C holder to make regular payment to the A/c holder to make regular payment to a name client for an agreed period of time.
* Credit transfer – Method of paying many people using one cheque
* Telegraphic transfer – Method of remitting money fast and safely from one person to another
* Electronic Funds transfer (EFT) – Transferring money from one account to another using computers
* Cheques- Written order by the drawer to the Bank to pay on demand a specified amount of money to the named person on the cheque.
* banker’scheque – Written order by a bank to another to pay a stated amount of money to the payee.

**b) Two column cash-book**

**DR MUSA TRADERS CR**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Details | Folio | Cash | Bank | Date | Details | Folio | Cash | Bank |
| 2010  May 1  8  18  20  25  29 | Bal b/d**√1**  Debtor**√½**  Sales**√½**  Bank**√½**  Debtor**√½**  Cash**√½** | C  C | Sh.  15,000  7,200  30,000  8,000  60,200  42,000 | Sh.  160,450  9,200  10,000  179,650**√1**  123,450**√1** | 2010  May 2  15  16  20  28  29  30  31 | Purchases**√½**  Creditor**√½**  Salaries**√½**  Cash**√½**  Gen.exp.**√½**  Bank**√½**  Electricity**√½**  Bal c/d**√1** | C  C | Sh.  4,200  4,000  10,000  42,000  60,200 | Sh.  5,400  18,300  30,000  2,500  123,450  179,650 |

***Total 10 Marks***

5. (a) **Causes of B.O.P disequilibrium**

- Fill in volume of exports

- Deterioration in the country’s terms of trade

- Increase in volume of imports

- Restrictions by Trading partners

- less capital inflow compared to outflow

- Over-valuation of domestic currency

- Devaluation of currency by a Trading partner

***Mention 1mark otherwise 2x10 = 10 marks***

(b) **Channels of distribution of imported manufactured goods**.

* Foreign Manufacturer Agents Wholesaler Retailer Local Consumer.

* Foreign Manufacturer Wholesaler Retailer Local Consumer.
* Foreign Manufacturer Local Consumer.
* Foreign Manufacturer Manufacturer’s Representative Wholesaler

Retailer Local Consumer.

* Foreign Manufacturer Wholesaler Local Consumer.
* Foreign Manufacturer Retailer Local Consumer.

NB. Candidate should mention Foreign Manufacturer and Local Consumer

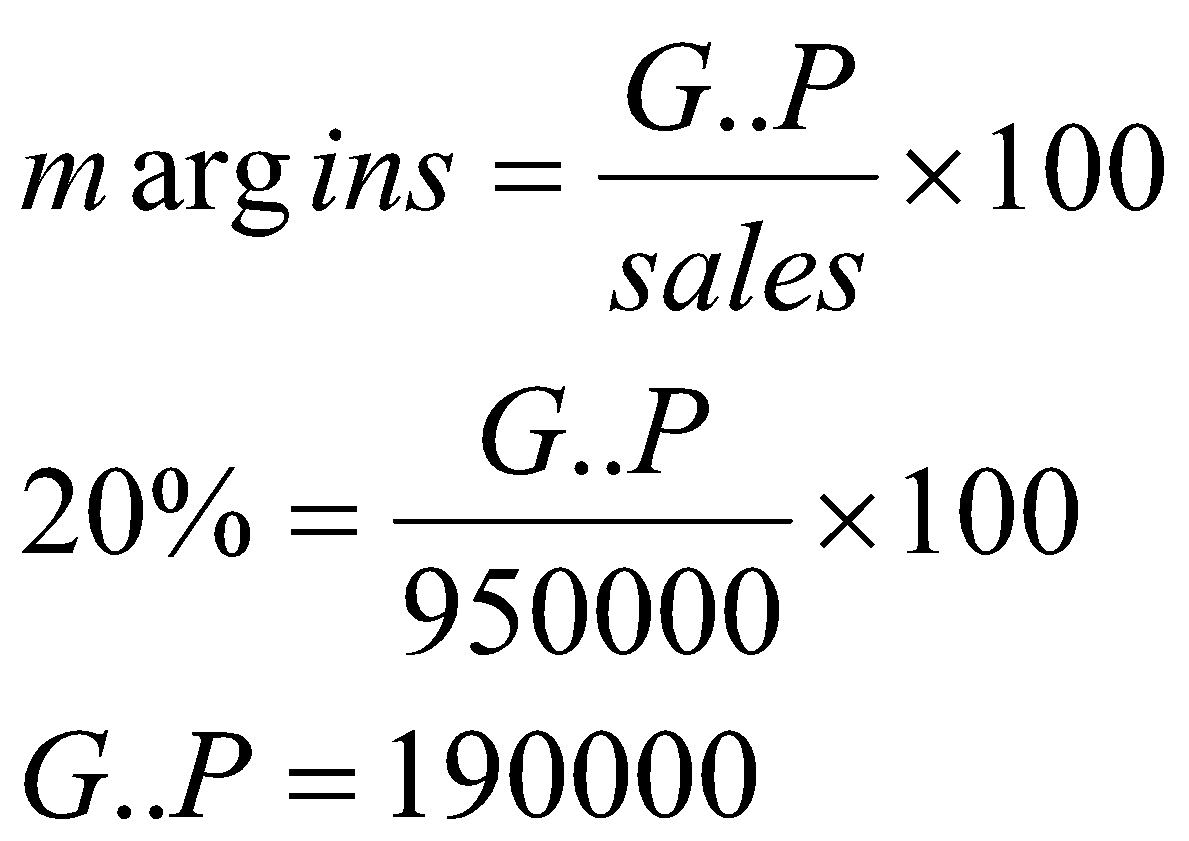
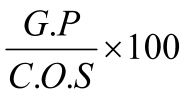
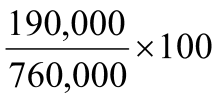
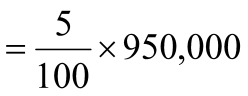
***5 x 2= 10mks***

6(a) Functions of the stock-exchange market.

* - It assists investors to buy shares by providing appropriate information to them.
* - It assists shareholders who want to dispose of shares by giving them relevant information.
* It assists companies that need to raise money by floating shares to the public.
* It compiles business information that would be used by interested parties to make decisions on the investment.
* It vets the standard of performance of Company that intends to be quoted in the stock market.
* It sets the prices of shares for the general public investors.
* It list / delists companies that are viable / not viable.
* Generates revenue for the government through taxation.
* Creation of employment.

(5 x 2 = 10mks)

b)

* i) The gross profit
* Gross profit = sales – costs of sales – ½
*  ½
* ii) The opening stock
* C.O.S = O.S + purchase = C.S ½
* C. O. S = sales – G.P
* C.O.S = 950,000 – 190,000 ½
* = 760,000
* O.S = 760,000 – 80,000 + 200,000
* 680,000 + 200,000 = 880,000
* 760,000 = opening stock + 600,000 ½
* 760,000 – 600,000 = O.S ½
* 160,000 = opening stock ½
* iii) Mark up percentage
* Mark- up =  
* = 25%
* iv) The net profit = 5% of sales
* N.P  ½
* = 47,500 1 **(10x1=10mks**