

FORM 3 JOINT EXAMINATION 2022
MARKING SCHEME
BUSINESS STUDIES
Paper 2

1. a). Circumstance under which business organization may choose written other than verbal communication.

- i) Where a permanent record is required for future reference in case of disputes and disagreements.
- ii) Where the message being conveyed is confidential or secret.
- iii) Where a message is technical in the nature
- iv) Written messages are more easily accepted than verbal ones as evidence in a court of law.
- v) Where large audience is targeted. *(5x2= 10marks) well explained points*

b). Five benefits that may accrued to community that is involved in trading activities.

- i) There will be an opportunity to utilize available resources that otherwise would have stayed idle.
- ii) Creation of employment
- iii) Leads to wide markets for goods and services produced.
- iv) Variety of goods
- v) Improved infrastructure
- vi) Disposal of surplus goods *(5x2=10marks) well explained points*

2. a). Drawbacks of using expenditure approach

- i) No accurate records of expenditure are kept especially in the private sector.
- ii) Expenditure for the subsistence sector can be only be approximations due to lack of records in the sector.
- iii) It suffers from the problem of double counting.
- iv) Differentiating between final expenditure and intermediate expenditure may be difficult
- v) Fluctuating exchange rates may pose challenges especially in valuation of exports and imports.

b) Ways in which government can provide an enabling environment

- i) Giving economic incentives such as lowering taxes to encourage establishment and growth of businesses.
- ii) Improvement of infrastructure such as roads to enable businesses carry out their activities easily.
- iii) Law and order to guard against losses that may arise from thuggery and lawlessness.
- iv) Provision of credit at favourable terms
- v) Promoting use of appropriate technology *(5x2= 10marks) well explained points*

3. a). Circumstances under which a direct distribution channel may be preferable

- i) When the goods are perishable to avoid loss
- ii) When the market is localized as many consumers are near.
- iii) When it is expensive to use many intermediaries.
- iv) If the produce is made according to consumers specifications requiring direct contact.
- v) In case it is a government policy. *(5x2= 10marks) well explained points*

b). Advantages of radio over T.V on advertising

- i) Wide coverage
- ii) Wide variety of languages used
- iii) Use of dry cells
- iv) Radios are cheaper to acquire
- v) Radios are portable
- vi) Advertising is cheaper through radio than T.V *(5x2= 10marks) well explained points*

4. a). Causes of business success in Kenya

- i) Availability of cheap credit
- ii) Proper planning in marketing
- iii) Fair competition in the market
- iv) Availability of skilled manpower

- v) Use of modern technology
vi) Favourable government policies

(5x2= 10marks) well explained points

b). Importance of an effective transport system

- i) Linking consumers to producers in time
ii) Employment creation
iii) Making goods and services more useful
iv) Improving peoples standards of living
v) Availing a wide market for products.

(5x2= 10marks) well explained points

5. a). Benefits that may accrue to a business organization which expands the scale of its operations

- i) The firm will be able to enjoy financing economies such as easy credit.
ii) Production economies. The firm will be able to access large quantities that attract quantity discount.
iii) The firm will be able to spread risks.
iv) The firm can afford modern machinery
v) The firm can provide staff welfare

(5x2= 10marks) well explained points

Nyundo traders
Balance sheet as at 2nd march, 2006

	Shs.		Shs.
Debtors	10,000✓	Capital	130,000✓
Stock	40,000✓		
Cash at bank	15,000✓	Creditors	25,000✓
Cash	90,000✓		
	<u>155,000✓</u>		<u>155,000✓</u>

(20x1/2= 10marks)

6. a) Main Causes of unemployment in Kenya

- i) Rapid population growth
ii) In appropriate education system in the country
iii) Seasonality in production especially in agricultural and tourism sectors.
iv) Lack of capital for investment in order to generate job opportunities.
v) Rural urban-migration

(5x2= 10marks)

b).

Purchases a/c

2011	Shs.	2011	Shs.
June 1. Kalembe	38,000✓	June 30. Balance c/d	103,000✓
June 3. Wetangula	60,000✓		
June 30. Wetangula	5,000✓		
	<u>103,000</u>		<u>103,000</u>
July 1 Balance b/d	103,000✓		

Kalembe a/c

2011	Shs.	2011	Shs.
June 5. Returns out	5,600✓	June 1. Purchases	38,000✓
June 30. Bal c/d	32,400✓		
	<u>38,000</u>		<u>38,000</u>
		July 1. Bal b/d	32,400

Wetangula a/c			
<u>2011</u>	Shs.	<u>2011</u>	Shs.
June 20. Returns out	10,000✓	June 3. Purchases	60,000✓
June 30. Bal c/d	<u>55,000✓</u>	June 30. Purchases	<u>5,000✓</u>
	<u>65,000</u>		<u>65,000</u>
		July 1. Bal b/d	55,000✓

Wetangula a/c			
<u>2011</u>	Shs.	<u>2011</u>	Shs.
June 30. Bal c/d	15,600✓	June 5. Kalembe	5,600✓✓
	<u>15,600</u>	June 20. Wetangula	<u>10,000✓✓</u>
			<u>15,600</u>
		July 1. Bal b/d	15,600✓

(20x½= 10marks)