

AS
BUSINESS STUDIES
MOCK PP2
8 copies MARKING SCHEME

1(a). Explain five reasons why many people would prefer to start a partnership business (10mks).

- ❖ Unlike sole proprietorship, partnership can raise more capital
- ❖ Work is distributed among partners. This reduces work load for each partner.
- ❖ Different talents are combined such that each partner is assigned the responsibility which can perform well
- ❖ Unlike sole trader who bears losses and liabilities alone, these are shared among the partners in partnership
- ❖ There are few legal requirements (partnership deed) in the formation of partnership compared to Limited Liability Company
- ❖ Consultation and sharing ideas among partners may lead to better decisions

(b). Explain five disadvantages of departmental stores (10mks).

- ❖ Large capital is required to start and run the store.
- ❖ A departmental can run one department at a loss to attract customers to other profit making department
- ❖ Departmental stores cater mainly for urban communities in which they are located
- ❖ Lack personal contact with their customers hence takes time to understand their needs.
- ❖ Their big sizes poses management problems related to co-ordination and control of their activities of different departments that might lead to losses

2(a). Explain five problems encountered at plan implementation stage (10mks).

- ❖ Reliance on donor funding- if donors do not release funds, implementation of the project becomes difficult
- ❖ Lack domestic resources- inadequate skilled personnel, finance and capital equipment may hamper implementation of well-drawn plan
- ❖ Failure to involve local people in planning- they may frustrate/fail to support the plan at implementation
- ❖ Natural calamities- outbreak of disease, floods may frustrate implementation of the plan
- ❖ Over-ambitious plans-unrealistic plans are difficult to implement
- ❖ Lack of co-operations among the executing parties- if there is a conflict between the ministry of finance and the planning agencies, the plan may not take off.
- ❖ Inflation -if the prices are rising too rapidly, the resultant change in planned resources cost may negatively affect the implementation
- ❖ Lack of political will- if there is no political commitment to implement it, it remain a paper plan.

Mr. Osena 1
Mr. Acheola 2
Mr. Juma - 3
Mr. Ombalo - 4
Mr. Ogutu 5
Mr. Ndumbe - 6

(b). Explain five advantages of government involvement in business (10mks).

- ❖ The government is able to carry out business that require a large amount of capital which may not be possible with private sectors.
- ❖ The government is able to provide some services which are unprofitable yet very essential to the citizens.
- ❖ Business started by government help to solve unemployment.
- ❖ Profits realized by businesses run by the government may distributed to its citizens through provision of services such as education.
- ❖ Businesses run by the government help to create competition which may make private investors improve quality and charge reasonable prices of goods.
- ❖ Once the government is involved in business, foreign domination of the country's economy is reduced

3(a). Explain five characteristics of land as factor of production (10mks).

- ❖ It is basic factor of production, that is, production cannot take place without it.
- ❖ Its supply is fixed, that is, we cannot add more earth surface onto what nature has provided.
- ❖ It lacks geographical mobility, that is, cannot be moved from one place to another.
- ❖ It has occupational mobility, that is, can be put into alternative uses.
- ❖ Quality is not homogeneous. Productivity of land vary from one place to another.
- ❖ Productivity of land can be increased by increasing quantity and quality of capital
- ❖ It is subject to the law of diminishing returns to scale

(b). Explain five factors that may lead to country to experience unfavorable terms of trade (10mks).

- ❖ If the country is exporting cheap raw materials such as unprocessed agricultural products
- ❖ If the country is importing expensive commodities such as manufactured goods.
- ❖ If the demand for a country's main exports decline she will earn less from the sale of exports
- ❖ If the country's falls under less developed because it will have less bargaining power for their product on the world market
- ❖ In case where the country's main export is supplied by many other country's which led to a decrease in the price

4(a). Give five differences between open office layout and enclosed office (10mks).

Open office layout	Enclosed office layout
<p>Easy supervision of workers</p> <p>Construction cost is low</p> <p>Discourages absenteeism of employees</p> <p>Private discussion and consultation may be difficult.</p> <p>Staff movement is minimized</p> <p>There may be noise from workers and machines which distract concentration</p> <p>Senior workers are not placed in areas of privacy</p>	<p>There is no close supervision of workers</p> <p>Costly to construct and to maintain</p> <p>Encourages absenteeism of employees</p> <p>There is privacy for confidential discussions by management</p> <p>A lot time is wasted as officers move from one office to another</p> <p>There is less noise and disruption from workers and machines</p> <p>Confer status top level employees</p>

(b). On 1 Jan 2020 mulei traders had 180,000 cash in hand and a bank credit balance of sh. 57,500. During the month the following transactions took place.

3 cash sales sh.21, 800.

4 a debtor settled his account of sh.90, 000 by cheque.

10 paid salaries sh. 40,000 in cash.

12 took cash sh. 3,500 to settled a personal debt.

23 received a cheque of sh.8,460 from nganda wholesalers after deducting 6% cash discount.

24 deposited sh. 10,000 in the bank from office cash.

25 purchased stock worth sh. 8,950 on credit from Ngumo distributors.

26 cash sales banked directly sh. 38,000

29 settled creditors account sh. 6,000 by cheque less 3% cash discount.

31 banked all cash except sh. 40,000

Required : prepare Mulei traders 3 column cash book as at 31 Jan 2020 (10mks).

3 columns
CASH BOOK ✓

CR

Date	Details	LF	Dr	Cash	Bank	Date	Details	LF	Cr	Cash	Bank
23rd Jan	Salaries	✓	✓	180,000	✓	24th Jan	Salaries	✓	✓	40,000	57,500
3	Salaries	✓	✓	21,800	✓	12	Drawings	✓	✓	3,500	
4	Bank	✓	✓	90,000	✓	24	Bank	✓	✓	10,000	
23	Ngunda	✓	✓	8,400	✓	29	Credit	✓	✓	10,830	580
24	Cash	✓	✓	10,000	✓	31	Bank	✓	✓	40,000	19,140
26	Salaries	✓	✓	32,000	✓	31	Bank	✓	✓		
31	Cash	✓	✓	10,830	✓			✓	✓		
		✓	✓		✓			✓	✓		
		✓	✓	540	✓			✓	✓	180	201,800
		✓	✓	261,800	✓			✓	✓	254,760	

5 (a). Explain five disadvantages of newspapers advertising

(10mks).

- ❖ They have a short-life span as they may be read only on the day they are circulated.
- ❖ Many newspaper are written only in English and Kiswahili. This makes difficulty for an advertiser to get to those who can't read the two languages
- ❖ Newspaper messages cannot be focused to a specific target group as newspaper can be read by anybody.
- ❖ Some readers go through the newspaper reading in a hurry and may not have time to read the advertised message.
- ❖ People have different newspapers reading preferences and because of this the advertiser may be forced to advertise in various newspaper so that the message reaches a wide audience. This may be costly

(b). Explain five factors that influences the level of national income in a country (10mks).

- ❖ Labour supply- a country with a more skilled personnel is likely to have higher national income due division of labour and specialization
- ❖ Availability of capital- a country that uses modern technology will have higher national income because production would be faster and efficient.
- ❖ Existence of entrepreneurship-in a country where land capital and labour are organized in correct proportions output would be high hence increasing national income.
- ❖ Availability of fertile land-a country with reliable rainfall, various minerals, and rivers will produce a wide variety of goods and services hence increasing national income.
- ❖ Level of technology- a country that uses modern technology will produce high quality and quantity of goods leading to higher national income.
- ❖ Political stability- a peacefully country attracts both local both foreign and local investors thereby increasing productivity.
- ❖ Attitudes of citizens towards work-a country where the citizens value work will produce more goods and services leading to higher national income.

6(a). Explain **four** benefits of intermediaries in the distribution channel (08mks).

- ❖ Reducing transactions between producers and consumers by assisting producers in searching for market and communicating with prospective customers
- ❖ Breaking bulk –wholesalers and retailers will reduce the size of commodities for the convenience of the consumer
- ❖ Accumulating bulk- assemblers buy small quantities of a product from a number of producers until they obtain large volume then sell to consumer who require in bulk
- ❖ Risk taking –when intermediaries take possession of goods from producers they assume the risk of fall in price, theft and damages
- ❖ Provide finance – by buying in bulk and paying in cash
- ❖ Passing information- middlemen gather information about taste and preferences and passes it producers
- ❖ Providing a variety of goods and services to consumers to choose from which improves the standard of living

(b). the information below relate to the trial balance of Songo traders as at 30 june 2017.

Songo traders

Trial balance as at 30 june 2017

Particulars	Dr shs.	Cr shs.
Stock on 30/6/2016	4,00	
Capital		13,870
Purchases and sales	3,500	7,000
Drawings	6,00	
Furniture and fittings	2,000	
Motor vehicle	15,000	
Debtors and creditors	8,00	1,200
Returns	150	2,00
Discounts	90	80
Rent		1,00
Insurance	210	
Bank		300
Stock on 30/6/2017	5,00	

Required :

- (i). Prepare Songo trading, profit and loss account for the year ended 30/6/2017. (12mks).
- (ii). Balance sheet as at 30/6/2017

Songo

Trading profit and loss account
For the period ended 30/6/2017

	Sh.	Sh.		Sh.	Sh.
Opening stock		400	sales		7000
Purchases	3500		less returns		150
less returns	200	<u>3300</u>			
less closing stock		3700			
Cost of sales		<u>500</u>			
		3200			
Gross profit c/d		<u>3,650</u>			
		<u>6850</u>			<u>6850</u>
<u>Expenses</u>					
Dis allowed	90		Gross profit	3650	
Insurance	210		dis received	80	
Net profit	<u>3530</u>		Rent	<u>100</u>	
	<u>3830</u>			<u>3830</u>	

Songo

Balance sheet

As at 30/6/2017

Assets		capital	13,870
Furniture	2,000	add net profit	3,530
Motor vehicle	15,000		17400
Debtors	800	less drawings	600
Stock	500		16800

Creditors	1200
Bank overdraft	300

18300

18300