

KABONDO DIVISION JOINT EXAMINATION BUSINESS PP2 MARKING SCHEME.

- 1 a) Reasons against starting a sole proprietorship form of business.
- Unlimited liability-the sole proprietor is responsible for all the debts of the business and therefore may lose personal property in case of debts.
 - Suffering losses-since the sole trader is wholly responsible for the day to day running of the business he/she suffers any losses that arise alone. This is because there is nobody to share it with.
 - Fatigue-the sole proprietor is responsible for all the operations of the business. He/She may be forced to work long hours which may result to both physical and mental fatigue.
 - Limited life-the existence of a sole proprietorship is to a large extent tied to the life of the owner in case of ill health or death of the owner the business may stop running or it may collapse all together.
 - Lack of consultation may lead to poor or wrong decisions being made which may adversely affect the business.
 - Limited capital-since the main source of capital is the owner the business may not have adequate funds for expansion or even conducting its daily operations.
 - Lack of essential skills-A sole proprietor may lack some essential managerial skills required for the success of the business.
- b) Measures that can be taken to solve unemployment in a country
- Population control
 - Adopting the relevant education system
 - Adopting policies that encourage the use of labour intensive methods of production.
 - Rural development
 - Encourage employment creation in the private sector.
 - Diversification of economic activities.
 - Increasing government expenditure

- Encouraging the use of local resources
 - Encouraging direct foreign investment.
 - Decentralization of industries.
- 2 a) Advantages of non verbal communication
- Reinforces or clarifies verbal communication.
 - Helps to simplify written or spoken word
 - Helps to create certain situations eg when occasions ie televised live and broadcast later.
 - A visual record of a situation is registered in the mind of the receiver/may have a lasting effect on the receiver.
 - It can be used where the audience is illiterate
 - Can be used to deliver message to many receivers at the same time eg use of siren school bells etc.
 - Can be used to pass messages between parties who do not share a common language.
 - It is cheap to use especially where no advance preparation of the message or equipment is required eg use of facial expressions and gestures.
- b)
- Flexibility-it is easy for small scale retailers to to change from one form of a business to another location than it is for a supermarket.
 - Initial capital-starting capital for small scale retailers is little compared to that of a supermarkets.
 - Credit facilities-small scale retailers offers credit facilities to some of their customers and supermarkets do not offer this.
 - Personalized services-small scale retailers provide personalized services and therefore able to attract and retain customers which are not offered by supermarkets.
 - Running cost-are little and this makes it easier for them to survive unlike supermarkets which require huge capital to operate.

- Accessibility-small scale retailers are conveniently located eg very near to the customers to the consumers unlike supermarkets which are located in urban areas.
- Adaptation to specific customer needs-small scale retailers easily adapt to the specific needs of the client eg they can sell goods in small units than the supermarket.

3 a) Roles played by equipment in an office

- Machine speeds up the work.
- They enhance accuracy
- Ensures security of document
- Saves work time because work is simplified.
- Some of the equipment provide comfortable working environment.

b)

Sandra Traders

Cash book

For the month of Nov 2003

| Date | Details | Fol | D.A | Cash | Bank | Date | Details | Fol | D.R | Cash | Bank |
|----------|---------|-----|-------|---------|---------|----------|-----------|-----|-----|---------|---------|
| 2010 | | | | | | 2010 | | | | | |
| Nov 1 | Bal/b/d | | | 87,000 | 250,000 | Nov 3 | Salaries | | | | 10,500 |
| '''' 2 | Sales | | | 50,000 | | '''' 12 | furniture | | | | 85,000 |
| ''''''6 | Wambua | | 3,200 | | 76,800 | ''''''16 | katunge | | 800 | 40,000 | |
| ''''''18 | Sales | | | | 150,000 | ''''''21 | wages | | | 24,000 | |
| ''''''28 | Mochere | | 660 | 16,500 | | ''''''22 | drawing | | | 5,000 | |
| | | | | | | ''''''30 | bank | c | | 61,500 | |
| ''''''30 | cash | | | 61,500 | | ''''''30 | bal c/d | | | 25,000 | 346,800 |
| | | c | | | 61,500 | | | | | | |
| | | | 3860 | 153,500 | 538,300 | | | | 800 | 153,500 | 538,300 |
| | Bal b/d | | | 25,000 | 346,800 | | | | | | |

4 a)

- Accepting deposits
- Safe keeping of valuable items

- Money transfer facilities
- Acts as guarantors for their clients
- Transfer of money through cheques
- Safekeeping of money
- Acts as management trustees to properties or business of a deceased person.
- They facilitate international payment through letters of credit.

b) Reasons for popularity of sea transport in kenya's export trade.

- It is suitable for carrying heavy machinery.
- It has the capacity to carry large volumes of goods
- It is relatively cheaper than other means of transport.
- It connects easily to other countries for distribution.
- Container terminals make it cheap and easier for exports and importers to dispatch and receive goods.

5 a) Uses of national income statistics.

- indicators of the standards of living.
- comparing standards of living in different countries
- assessing the performance of the economy overtime
- assisting the government plan the economy
- for investment decision
- provide information for the distribution of income which helps the government address income disparities
- provide information on the types of factor incomes within the economy such as wages and salaries from employment of labour, rental income on the use of land etc

- b) Factors that would be considered in establishing a warehouse for imported goods.
 - modern handling facilities that the warehouse should be fitted with to ease operation.
 - building design so as to conform with international standards of imported goods.
 - the skill of personel to handle the goods
 - nearness to point of entry
 - existence of basic infrastructure such as road,power,communication to enhance smooth operation.
 - compliance with legal requirements
 - storage facilities appropriate to type of goods to be handled.
 - documentation for proper stock control.
- 6 a) Criteria for determining the size of a firm
 - number of employees
 - volume of output
 - floor area covered by the premises.
 - capital invested
 - production methods
 - market share
 - sales volume

b

BUSH TRADERS

Trading, Profit

& Loss a/c

For the year ended 31st Dec 2012

| | | | |
|---------------------|----------------|------------------|----------------|
| Opening stock | 60,000 | Sale | 720,000 |
| Purchases | 340,000 | Less: R.I | <u>20,000</u> |
| Less R.O | <u>18,000</u> | Net sales | 700,000 |
| Net purchases | <u>322,000</u> | | |
| Cogas | 382,000 | | |
| Less: closing stock | <u>52,000</u> | | |
| Cogas | 330,000 | | |
| G.P c/d | <u>370,000</u> | | |
| | <u>700,000</u> | | |
| | | | <u>700,000</u> |
| Expenses. | | Gross profit b/d | 370,000 |
| Rent | 16,000 | Commission | <u>9,000</u> |
| | 16,000 | | |
| Advertising | 24,000 | | |
| Insurance | 30,000 | | |
| | | | 379,000 |
| N.P c/d | 309,000 | | |
| | <u>379,000</u> | | <u>379,000</u> |

b)

$$\text{Gross profit margin} = \frac{G.P}{\text{Net sales}}$$

i)

$$= \frac{370,000}{700,000} \times 100$$

$$= 52.9\%$$

$$R.O.S.T = \frac{\text{cogs}}{\text{av stock}}$$

$$\text{av stock} = \frac{O.S + C.S}{2}$$

ii)

$$= \frac{60,000 + 52,000}{2}$$

$$= 56,000$$

$$ROST = \frac{330,000}{56,000} = 5.89 \text{ times}$$

KABONDO DIVISION JOINT EXAMINATION BUSINESS PP1 MARKING SCHEME

1 Life assurance and general assurance

| Life assurance | General insurance |
|------------------------------|-------------------------------|
| Taken to cover life | Cover property |
| Occurrence/event is certain | Event of loss is uncertain |
| Does not need annual renewal | Renewed on annual basis |
| Has surrender value | Do not have surrender value |
| Can be assigned | Cannot be assigned |
| Has maturity date | Do not have maturity date |
| Used to secure a loan | Cannot be used to secure loan |

2 Factors causing a shift of demand curve

- Decrease in peoples' income
- Decrease in the price of a suitable product
- Deterioration in the distribution of income
- Increase in the price of a complementary product
- Poor terms of sale ie low discounts/contraction of credit
- Negative change in taste and preferences

3 Channels of locally manufactured goods

- i) manufacturer→own retail outle→consumer
- ii) manufacturer→retailer→consumer
- iii) manufacturer→wholesaler→retailer→consumer
- iv) manufacturer→wholesaler→consumer
- v) manufacturer→consumer

- ### 4
- paper shredder
 - franking machine
 - duplicator
 - punching machine

5 Methods used by banks to transfer funds

- use of ordinary cheques
- use of bankers cheque
- use of travelers cheque
- use of standing order
- use of telegraphic money transfers
- use of credit cards

6 ONYANGO CASH BOOK

DR

CR

| DATE | DETAILS | f | CASH | BANK | DATE | DETAILS | f | CASH | BANK |
|---------------------|---------|---|-------------|-------------|--------|---------|----|-------------|-------------|
| 2013 | | | | | 2013 | | | | |
| May 1 st | Bal.c/d | | 2500 | 7000 | May 3 | Wages | | 2000 | |
| May 10 | Sales | | 6000 | | May 15 | Cash | c | | 1000 |
| May 15 | Bank | c | 1000 | | | | | | |
| | | | | | May 15 | Balance | dd | <u>7500</u> | <u>6000</u> |
| | | | <u>9500</u> | <u>7000</u> | | | | <u>9500</u> | <u>7000</u> |

$$16 \times \frac{1}{4} = 4\text{mks}$$

7 Circumstances underwhich public ltd company may be dissolved

- law passed that prohibits trade in the kind goods/services
- members agree to dissolve
- firm is declared bankrupt
- court of law demands so
- company accomplishes purpose of its establishment
- amalgamation
- acts alternatives

8 Why the government may motivate industries to delocalize

- by giving force/cheap land to entrepreneurs
- giving tax incentives
- giving cheap credit/loans
- providing security to new industrial area
- establishing appropriate infrastructure in rural areas
- establishing of social amenities in where delocalized

9 net worth-capital/resources invested by the owner(s) to start the business

Depreciation-decrease in the value of an asset with time due to wear and tear.

Assets-property/things of value that are owned by a business order of liquidity-
Arrangement of items of a balance sheet where item with shortest life span in the
business appear first is current assets followed by fixed asset.

10 - +(increase)

- +(increase)

- 0(no effect)

- -(decrease)

11 Factors contributing to the rise in national income

- political stability
- adoption of modern technology
- quality factor of production eg skilled labour
- discovery/exploitation natural resources eg coal/oil
- positive attitude to work
- accurate national income accounting

12 Importance of trade

- people get what they don't produce
- access to wide variety of goods/improve standard of living

- Surplus disposal
- creates employment
- generates revenue to the government
- ensure steady supply of goods/services in the market
- peace and stability among trading parties.

13 Factors that hinder communication

- poor timing of the message
- use of technical jargon
- lack of a mutual respect
- poor choice of median
- inadequacy of the message
- uncontrolled/unbalanced emotions of the sender.

14 Advantages of low population

- low dependency ratio
- low levels of unemployment
- gvt recurrent expenditure is low
- low pressure on social amenities
- low levels of private expenditure/high levels of savings/investments.

- 15
- a) impact on tax`-shows the person who initially pays the tax who may later pass that burdes to somebody else
 - b) incidence of tax-shows the person who bears the final burden of the tax
 - c) tax avoidance-occurs when a person avoids the consumption of product on which tax has been imposed.
 - d) tax evasion- a person fails to pay tax by using fraudulent method it illegal act.

16 Essential of a market

- buyers
- sellers
- commodity
- price
- medium of exchange.

17 Roles of an entrepreneur in a business.

- identify viable business opportunities
- provide guidance in the business/production
- coordinates/organizes other factors
- provides capital
- bears all risks
- hires/rewards the factors of production
- makes decisions

- 18
- tools and equipment - internal
 - inflation - external
 - politics - external
 - manager - internal

19

Dr laptop/computer Cr

| | |
|----------------------------|--|
| 2014 Feb 1 cash 100,000 | |
|----------------------------|--|

| Dr | Cash a/c | Cr |
|-------------------------|----------|--|
| 2014 Feb 3 Bank/loan | 170,000 | 2014 Feb 1 laptop Feb 7. Transport |
| | | 100,000 500 |

| Dr | bank loan | Cr |
|----|-----------|---------------|
| | | 2014 Feb 3 |
| | | 170,000 |

| Dr | transport | Cr |
|---------------|-------------|----|
| 2014 Feb 7 | cash 500 | |

| Dr | capital | Cr |
|----|---------|-------------------|
| | | 2014 Feb 10 |
| | | furniture 4000 |

| Dr | furniture | Cr |
|----------------|-----------------|----|
| 2014 Feb 10 | capital 4000 | |

20 Kendu traders for period ending 31st Dec 2013

| | | | |
|--------------|--------------|-------------------|--------|
| Carriage out | 6000 | Gross profit b/d | 37000 |
| Discount | 2000 | Rent received | 16000 |
| Transport | 1000 | Discount received | 4000 |
| Insurance | 8000 | | |
| Wages | 10000 | | |
| Net profit | <u>30000</u> | | |
| | 57,000 | | 57,000 |

21 Feature of a private warehouse

- owner does not need a licence to operate
- owned by a produced wholesaler/retailer
- exclusively used by the owner
- managed as a department of the main business
- usually small in size
- found near the owner's premises
- usually specialized

22 Tools CBK uses to lower money supply.

- raising the cash ratio
- raise the bank rate
- increasing the liquidity ratio
- sale of securities through OMO
- order compulsory deposits for commercial banks
- moral persuasion to reduce lending

23 Types of cheques

- open cheques
- crossed cheques
- bearer cheques
- dishonoured cheques
- bankers cheques
- travelers cheques
- personal cheques

24 Limitations of using hand carts

- limited volumes compared to vehicles
- can be very slow for urgently needed goods
- not appropriate for long distance
- cause traffic jams/congestion in urban areas
- not comfortably used during hot/rainy weathers

25 Benefits of advertising to a manufacturer

- create awareness leading to increase sales
- informs his customers about any changes
- help persuade customers to buy more
- creates brand loyalty
- help to counteract negative information
- reminds customers to the availability of products
- popularize the firm/product
- improve public image of the firm.