

Name:.....Class:.....Adm No:.....

END TERM EXAM - 2021
FORM 3 MARKING SCHEME
BUSINESS STUDIES. - PAPER 2
TIME:

Instructions.

Answer any five questions.

1. a. Explain five features of sole proprietorship form of business. (10mks)
 - ✓ *Owned/formed by one person who provides the capital.*
 - ✓ *Foster decision making/decision made by the proprietor since has no one to consult.*
 - ✓ *Has limited life as its existence depends on the hope of the owner.*
 - ✓ *Businesses owner has unlimited capital/ management skills.*
 - ✓ *Owner bears all the risks.*
 - ✓ *Business owner has unlimited liabilities since personal assets may be attached.*
 - ✓ *Managed by the owner with/ assistance of family members / employees.*
 - ✓ *He enjoys all the profits alone since he has no one to share with.*
 - ✓ *Easy/ simple formation as it requires few /no legal formality.*
 - ✓ *Flexibility/ adoptability to change.*
 - ✓ *Secrecy/confidentiality of information operation.*
 - ✓ *Not a legal entity as the owner and the business are treated as one/or the same.*
- b. Explain five demerits that may be associated with water transport. (10mks)
 - ✓ *Relatively slow hence unsuitable for transporting perishable / urgently needed goods.*
 - ✓ *Limited availability only applicable where water is available.*
 - ✓ *Waterways affected by adverse weather conditions such droughts/freezing / storms flooding.*
 - ✓ *Costs of mainintaining/construction of ports/ waterways/harbor maybe high relatively high.*
 - ✓ *Waterways may not be navigable due to rough terrine e.g. waterfalls, cataracts/rapids/shalowness/narrowness.*
 - ✓ *High cost of units of carriage / vessels which may make them unaffordable to acquired maintain.*

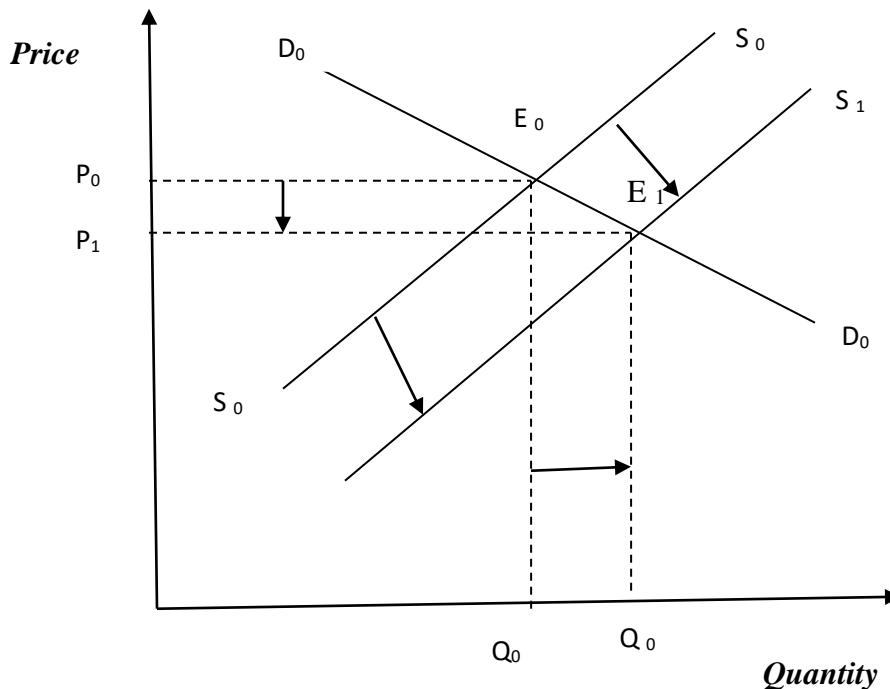
- ✓ *May be prone to piracy in the high seas/remote areas/may lead to losses.*
2. a. State and explain five measures that maybe taken by the Kenyan government to reduce the level of unemployment. (10mks)
- ✓ *Diversification of the economy by encouraging the establishing of different industries.*
 - ✓ *Transforming agricultural sector/ rural sector to curb rural urban migration.*
 - ✓ *Transforming education systems/training sector/ to improve on skills.*
 - ✓ *Establishing employment policy by government policy by government to make it easy for people to get jobs.*
 - ✓ *Lending/setting of a fund to assist the unemployed to start income generating activites.*
 - ✓ *Exporting labour/assisting the unemployed get jobs abroad.*
 - ✓ *Encouraging informal sector e.g. jua kali to promote self employment.*
 - ✓ *Delocalization / decentralization policy for balanced regional development/ reduce rural urban migration.*
 - ✓ *Population control/ have a labour force that the economy can absorb.*
 - ✓ *Improve infrastructure to facilitate economic activities.*
 - ✓ *Increase government expenditure to expand the size of the economy.*
 - ✓ *Ensure effective use of natural resources.*
 - ✓ *Attract (local/foreign) investment*
 - ✓ *Reviving collapsed industries /project to create more job opportunities.*
- b. Explain five circumstances which would make an office manager to replace an existing machine with a modern one. (10mks)
- ✓ *Obsolescence – has outlined its usefulness.*
 - ✓ *Where a faster machine is required.*
 - ✓ *When maintenance costs are higher than cost of acquiring modern one.*
 - ✓ *Where there is need for increased production.*
 - ✓ *Where training skills have changed.*
 - ✓ *Where quality work is required.*
 - ✓ *When he wants to save labour.*
 - ✓ *Where there is need to improve the image of a company.*
 - ✓ *If the modern machine is capable of multiple use.*
 - ✓ *Need to save on space /storage.*
 - ✓ *If the machine is capable of reducing fraud.*
3. a. Give and explain five reasons why an increase in per capita income may not lead to a rise in standard of living. (10mks)
- ✓ *Per capita income is an average and hence a more statistics.*

- ✓ *Per capita figures may be high but income may be unevenly distributed.*
 - ✓ *Those not involved in the generation of the national income are also included in the calculation.*
 - ✓ *General rise in the price of commodities/ inflation may affect the purchasing power of the citizens.*
 - ✓ *High taxes may erode the real value of per capita income.*
 - ✓ *May be obtain through a strain on people's health.*
 - ✓ *Expenditure pattern by the government / individual serving debts.*
- b. Explain five reasons for the popularity of hypermarkets in Kenya. (10mks)
- ✓ *Easy accessibility*
 - ✓ *One stop shop – a range of goods and services may be obtained.*
 - ✓ *Parking space is available as part of auxiliary services.*
 - ✓ *Operates for longer hours*
 - ✓ *Accepts debts/ credit cards.*
 - ✓ *Attractive and convenient to shop in.*
 - ✓ *Saves on land rates/space.*
 - ✓ *They offer after sale services.*
 - ✓ *Security is guaranteed*
 - ✓ *Located away from city hassles*
 - ✓ *Availability of auxiliary services e.g. banking, insurance e.t.c*
4. a. There are numbers of circumstances under which business enterprises may choose to merge. Explain five of them. (10mks)
- ✓ *Where persistent decline in profitability exists.*
 - ✓ *Where there is intention to venture into new line.*
 - ✓ *Where there is need to expand capital base.*
 - ✓ *Where there is need to bring on board new skills/ competences.*
 - ✓ *Where there is need to share research information.*
 - ✓ *Control output.*
 - ✓ *Control a wider market / increase sales.*
 - ✓ *Need to lower the cost of production (e.g. raw materials, labour e.t.c)*
 - ✓ *When there is too much competition.*
 - ✓ *Diversification.*
- b. The government of Kenya has decided to sell her poorly performing businesses to private investors. Explain five reasons for this kind of move. (10mks)
- ✓ *Obtain revenue from proceeds.*
 - ✓ *Offer opportunities for private citizens to participate in business.*
 - ✓ *To enhance efficiency in management.*

- ✓ *Reduce government expenditure*
- ✓ *Obtain revenue from taxes.*
- ✓ *Attain foreign aid*
- ✓ *Attract foreign investment.*

5. a. With the aid of a diagram show the effect of an increase in the supply of a commodity, while demand remains constant. (10mks)

- ✓ *Effect of an increase in supply of a commodity while the demand remains the same.*

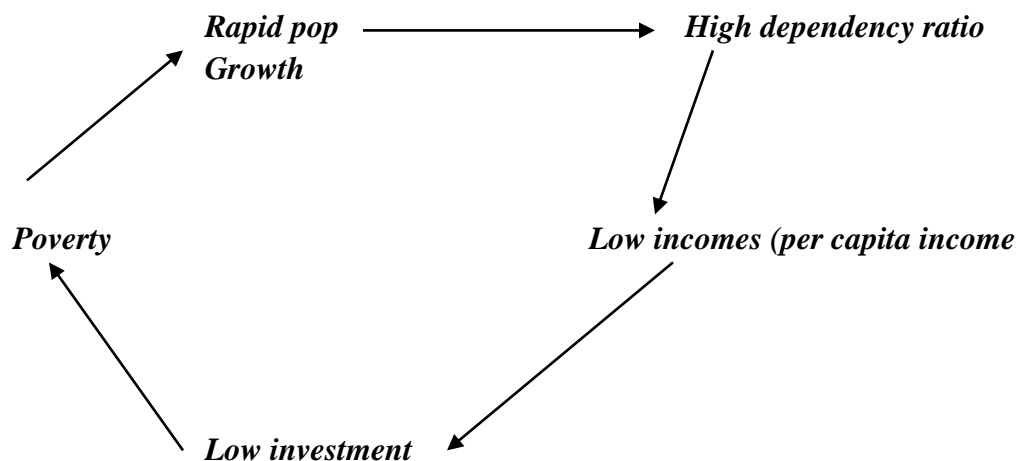


- ✓ *The supply of the commodity shifts from S_0S_0 to S_1S_1 to the right. The reflect of this shift is as follows:*
 - i. *Quality price drops from P_0 to P_1 .*
 - ii. *Quality supplied moves from Q_0 to Q_1*
 - iii. *Equilibrium quality E_0 moves to E , making the equilibrium price P_1 .*

b. Explain five ways in which commercial attaches promotes a country's trade with other countries. (10mks)

- ✓ *Selecting agents and distributors of his country export.*
- ✓ *Assisting to organize trade fairs and exhibitions for home country's export.*
- ✓ *Educating local traders on standards of goods required abroad.*
- ✓ *Studying and analyzing markets for home country's exports.*
- ✓ *Advising local traders on trade policies and regulations of foreign market.*

- ✓ *Publishing and advertising a country's export abroad.*
 - ✓ *Maintain record of exports for home country to the country he is attached to.*
6. a. Explain five problems linked to rapid population growth. (10mks)
- ✓ *Income per capita is affected leading to decline at certain level.*
 - ✓ *The government find it difficult to provide adequate essential social services.*
 - ✓ *There may be unemployment or over- employment due to migrants, this leads to low standards of living.*
 - ✓ *Consumption and saving is affected by increased population leading to reduced savings.*
 - ✓ *Increased dependency ratio results on account of low infant mortality coupled with increased life expectance leading to ageing population.*
 - ✓ *Income inequalities arise with very few rich people and a majority of poor people.*
 - ✓ *It may lead to over exploitation of natural resources leading to environmental degradation.*
 - ✓ *Rapid population growth therefore leads to vicious cycle – below.*



b. The following balances were extracted from the books of Umoja Traders on 1st October 2020

details	shs.
Capital	80,000
Furniture	56,000

Debtors	25,000
Creditors	20,000
Cash	8,000
Bank	11,000

The following transactions took place in the course of the month.

- i. Took shs. 3000 from bank for family use.
- ii. Paid a creditor shs. 4500 in cash.
- iii. Purchased land worth shs. 82,000 paying by cheque.
- iv. Acquired a ten year bank loan shs. 165,000 which was credited to the business bank account.
- v. Converted a family table worth shs. 5,500 to business use.
- vi. Received shs. 7,300 in cash from debtors.

Required:

Prepare Umoja traders balance sheet at the end of October 2020.

**UMOJA TRADERS
BALANCE SHEET
AS AT 31.10.2020**

<u>ASSETS</u>	<u>CAPITAL AND LIABILITIES</u>
<u>FIXED ASSESTS</u>	<i>Capital</i> 85,500
<i>Land</i> 82,000	<i>Less Drawings</i> 3,000
<i>Furniture</i> 61,500	<i>Net Capital</i> 82,500
<u>CURRENT ASSESTS</u>	<u>Liabilities</u>
<i>Stock</i> 18,600	<u>LTL</u>
<i>Debtors</i> 17,700	<i>10 years loan</i> 165,000
<i>Bank</i> 91,000	<u>STL</u>
<i>Cash</i> 10,800	<i>Creditors</i> 34,100
<u>281,600</u>	<u>281,600</u>