

BUTULA SUB-COUNTY JOINT EXAMINATION TEST 2021

565/2 BUSINESS STUDIES PAPER 2 MARKING SCHEME

1a). Ways in which a computer may be used in an office.

- i. Data processing as it sorts /organizes and gives meaningful output.
- ii. Storage of information /filing – a computer has various storage devices / information can be kept for future reference.
- iii. A tool for communication – a computer can be linked to internet /other stations / computer to enhance sharing of information.
- iv. Production /reproduction of documents – to produce soft or hard copies.
- v. Assist in research – it provides a link with various sites where information can be sourced.
- vi. Assist in decision making since it has special programmes / models which facilitate the decision making process for managers.
- vii. Capacity building – can be used for training during staff orientation/presentation / induction.
- viii. Recreation / entertainment computer has accessories for games.
- ix. Security – through use of password/ pin code/ rising of alarms.
- x. It is a tool of supervision by monitoring activities of employees online through system administration/ control of fraud.

1b)

Ras Kimono Enterprises
Trading profit and loss Account
As at 31st Dec 2016

Purchase	650,000	Sales	1,000,000
Less Closing stock	25,000	Less Return Inwards	10,000
Cost of goods sold	625,000		
Gross Profit c/d	365,000		
TOTAL	<u>990,000</u>		<u>990,000</u>
General Expense	30, 000	Gross profit b/d	365, 000
Salaries	90, 000	Discount received	9,000
Rent expense	23, 000		
Net profit	230, 500		
	<u>374 000</u>	Total	<u>374, 000</u>

$$16 \times \frac{1}{2} = 8.$$

$$\text{ii) Margins} = \frac{\text{Gross Profit}}{\text{Sales}} = \frac{365,000}{1,000,000} \times 100 = 36.5\%$$

$$4 \times \frac{1}{2} = 2 \text{ mks.}$$

2 a) Circumstances under which a trader may use air transport.

- i. Perishable nature of goods since the goods can get spoiled /expired / damaged easily.
- ii. Goods are of high per unit value since they are prone to theft.
- iii. Urgency where goods required to arrive at the destination promptly / speedy.
- iv. Security – where security of goods is of valuable / sensitive consideration.
- v. Where other means of transport are available since there is alternative.
- vi. Where distance to be covered is too long for other means to be used / reach.
- vii. Where it is the policy of the business which needs to be followed.
- viii. Where the destination is remote making it inaccessible by other means.
- ix. Safety – since it is less prone to accidents.

2 b) Causes of unfavorable balance of payment for most developing countries.

- i. Reliance on Primary products which fetch low prices in the international market.
- ii. Heavy importation of finished goods, whose value are very high hence spend more on them.
- iii. Low level of technology which compromises the quality of their exports and lowering their value.
- iv. Too much reliance on foreign borrowing-Such loans are repaid with heavy interest.
- v. Susceptibility to natural calamities like drought which adversely affect their production.
- vi. Preference towards foreign goods – most consumers in developing countries prefer foreign goods in the belief that they are of better quality.
- vii. Unfavorable world economic order - Developing countries have very little say in international trade forums and cannot influence the world economic order in their favors. Any 5 @ 2 = 10.

3 a) Principles of an efficient tax system.

- i. Equity – the tax should be fair / just / people should be taxed according to their level of income.
- ii. Economical – It should be cheap / easy to administer/ Cost effective Cost of collection should be lower than tax revenue.
- iii. Convenient method of payment / collection should be convenient to tax payer.
- iv. Collector – It should be suited / favorable to the needs of tax payer.
- v. Certainty – taxpayer should know what and when to pay /collect.
- vi. Flexibility – It should be adaptable to all economic circumstances / conditions.
- vii. Simplicity – easily understand.
- viii. Elasticity – Proceeds from tax should be capable of expanding and contracting in line with changes in income /population.
- ix. Diversity/Wide base – there should be a wide variety/ range of taxes.
- x. Difficult to evade – should not create loopholes for people to escape.
- xi. Should have maximum benefit to the tax payer – through provision of goods and services. Any 5 @ 2 = 10 mks.

3 b) Types of partners

- i. Active partners – Contributes capital and take part in day to day running of the business.
- ii. Dormant /sleeping partner – contribute capital but does take part in the running of the business.
- iii. Real partner – contributes capital in business.
- iv. Nominal / quasi partner – doesn't contribute capital in business.
- v. Major partner – above 18 years of age.
- vi. Minor partner – below 18 years.
- vii. General partner has – has unlimited liability.
- viii. Limited partner – has limited liability

5 @ 2 = 10 mks

4 a) Ways in which a county may reduce level of unemployment.

- i. Diversification of the economy by encouraging the establishing of different industries to create employment.
- ii. Transforming agricultural sector to curb rural urban migration.
- iii. Transforming education/ training sector to improve on skills / to make graduates acquire relevant skills.
- iv. Establishing an employment policy by government to make it easy for people to get jobs.
- v. Lending/ setting of a fund to assist unemployed to start income generating activities / e.g youth fund.
- vi. Exporting labour by assisting unemployed people to acquire jobs abroad.
- vii. Encouraging the informal sector in order to promote self – employment.
- viii. Delocalization/decentralization policy for balanced regional development/reduce rural urban migration .
- ix. Control population growth.
- x. To improve infrastructure in order to suit economic activities.
- xi. Increase government expenditure to expand the size of the economy//to finance development projects.
- xii. Effective use of natural resources to increase production activities.
- xiii. Protect local/infant industries against unfair competition.
- xiv. Attract local/foreign investment through incentives to grow the economy.
- xv. Reviving collapsed industries / projects by injecting funds / selling them.

4 b) Causes of business success.

- i. Adequate capital to expand and run the business.
- ii. Availability of adequate labour supply.
- iii. Appropriate skills in both the owner and employees for efficient running of the enterprise.
- iv. Proper marketing plans to increase sales.
- v. Use of modern / appropriate technology for the production of right quality and quantity of goods/services.
- vi. Fair competition to enable the business access markets and suppliers for its goods.
- vii. Favorable government policy to encourage growth/investment of business.
- viii. Political stability/ Security to create confidence in entrepreneurs.
- ix. Appropriate pricing policies to attract and encourage buying of firm's products.
- x. Availability of markets for firm's products
- xi. Good time management to take advantages of available opportunities.
- xii. Good customer relations and care to attract and retain customers.
- xiii. Availability of goods infrastructure for the business to access its markets & inputs.
- xiv. Proper business planning to accommodate unexpected changes.
- xv. Efficient use of resources to enhance productivity of the enterprise.

5 a) Sources of monopoly power.

- i. Size of the market/existence of a small market – size only appropriate for one producer.
- ii. Control of important inputs / raw material in production thus denying others.
- iii. Patent rights – has the formula of productions denying others the opportunity / legal protection.
- iv. Restrictive practices – Use of topics that drive others out of market.
- v. Mergers / cartels – firms come together to control the market,.
- vi. Additional costs enforced by the established firm to new firms making their operation costs high thus drive them out.
- vii. Government policy – where government supports the existence of only one producer.

5 points (Naming 1 point Explanation 1 point)

5 b

THREE COLUMN CASHBOOK

Date	Detail	L.F	D All	Cash	Bank		Date	Details	L.F	D.REC	Cash	Bank
2019 June	Bal.	b/d		180,000			2019 June	Balance	b/ d			450,000
June 3	Malon e				1500000		June 11	Joy			20,000	40,000
June 7	Sales			280000			June 19	Rent				75,000
June 14	Commi ssion			150,000			June 19	Electr.				32,000
June 17	Lelu		3,700		181,300		June19	Insur.				25,000
june	Alando		5000		200,000		June 21	Drawin				100,000
June 31	cash	c			406,720		June 24	Kinai		2,720	133,28 0	
							June 28	Salaries				120,000
							June 31	Bank	C		406,72 0	
							J,une30	Balance	c/d		50,000	1,446020
			<u>8700</u>	<u>610,000</u>	<u>2,288020</u>					<u>2,700</u>	<u>610,00</u> <u>0</u>	<u>2,288020</u>
June 30	Bal	b/d		50000	1446020							

6 a) Reasons why some countries are less developed.

- i. Poor technology leading to low quality /quantity of goods and services.
- ii. Inadequate capital which hinders investment /production.
- iii. Poor planning / resource management arising from inadequate research data /skills/leading to poor investment.
- iv. Inadequate skilled labour force leading to low production/underutilization of resources.
- v. Shortage of /inadequate natural resource endowment which hinder production
- vi. Limited market which discourages production/investigation.
- vii. Negative social-cultural practices which may hinder production and consumption of goods and services.
- viii. Inadequate foreign exchange-which limits access to imports
- ix. Limited entrepreneurial skills-resulting to inefficiency in production
- x. Poor infrastructure which hinder mobility of factor of production
- xi. High population growth rate leading to high dependency ratio/low saving
- xii. Political instability which discourage investment and production.
- xiii. Over reliance on foreign aid which may lead to potential blackmail/not be available
- xiv. Lack of political will/ political interference due to selfish interest.

6 b) Ways in which wholesalers prepare goods for sale.

- i. Branding- giving a product the name by which it will be sold
- ii. Packing/packaging – Putting goods in packets, boxes, bags.
- iii. Blending – Mixing various goods to achieve desired taste, quality.
- iv. Sorting – Selecting goods according to sizes, weight, colors & qualities.
- v. Grading – Putting goods in groups of similar qualities to make it easier to price them.
- vi. Breaking bulk – dividing into smaller quantities.