

MARKING SCHEME

BUSINESS STUDIES

JOINT EVALUATION MARKING SCHEME

1 (a) factors to consider in good filing

Simplicity_ the new system should be simple to understand and easy to be used by the rest of the staff

Compactness- it should not take too much space

Suitability_ it should suit the needs or the requirements of the organization

Elasticity- it should be easy to expand or reduce as need arises for example if more customers need to be included in the filing system

Safety- the new system should ensure that the documents are safe from unauthorized people, damage, misplacement and loss

Accessibility- the new system should ensure that it is easy to retrieve information from the files easily without wasting time.

Economical- the new system should not be too expensive in terms of materials and space.

1 (b) Outline five possible effects that would result if wholesalers were eliminated.(10mks)

- i) Manufacturers would set up distribution centers /depots or warehouses which are additional costs to manufacturers.
- ii) The cost of distribution may be increased and the subsequent increase passed on to consumers in form of higher prices.
- iii) The retailers would have to go to manufacturers, which is an additional cost to retailers.
- iv) The producers would have to break the bulk because retailers may not be able to buy in large quantities.
- v) Manufacturers may be required to extend credit facilities to retailers, which require additional financial capital.
- vi) Due to additional functions to producers, it will reduce their specialization in production.
- vii) Prices may fluctuate due to unsteady flow of goods. *(any five well explained points @ 2=10mks)*

2 (a) Explain five ways in which national income statistics are useful in an economy.

- indicators of standards of living
- Comparing standards of living between countries
- comparing standards of living between periods
- Assisting the government to plan for the economy

<u>Fixed assets</u>	Kshs		Kshs
Furniture	650,000✓	Capital	3,000,000✓
Motor vehicle	2,300,000✓	add:Net profit	98,850✓
			3,098,850
<u>Current assets</u>		<u>Current liabilities</u>	
Stock	25,250✓	Creditors	<u>396,400✓</u>
Debtors	270,000✓		
Bank	200,000✓		
Cash	<u>50,000✓</u>		
	<u>3,495,250</u>		<u>3,495,250</u>

9 ticks @ 1/2 = 4 1/2 mks

4 (a) advantages of using formal communication

- ensures compliance
- eliminates the needed for speculation
- reassures workers as to the position of the businesses regarding certain issues
- helps to satisfy employees need to be informed
- help maintain standards of behaviour

4 (b) **differences** between a perfect competition from a monopolistic competition

PERFECT COMPETITION	MONOPOLISTIC COMPETITION
a) Sellers deal in homogeneous products	-Sellers deal in differentiated products
b) Are not involved in promotion of products.	-incur heavy expenses in promotion of products
c) It's a price taker	-it's a price setter /giver
d) Large number of sellers	-Large number of sellers operating independently.
e) Activities of one firm does not influence the activities of other firms	-Activities of one firm are closely monitored by the rest in the industry.

5. (a) characteristic of country X

- High level of poverty- large proportion of the population lives at subsistence or below poverty
- Disparity in income distribution-0 income is not evenly distributed
- Dominance of subsistence sector- they heavily dependent on the traditionally subsistence sector
- Poor infrastructure- roads communication, electrification, health, security are underdeveloped
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5. (b) **Importance of entrepreneurship in Kenya.**

- Develop new ways of using local resources thereby saving foreign exchange which would be used to import such commodities.
- It increases participation of indigenous Kenyans in the economic activities of the country.
- It encourages savings and promotes investments by the local Kenyans. This lead to use of local resources leading to more effective use of capital.
- It becomes the training ground for business managers and other entrepreneurs. A pool of skilled workers forms the basis for future industrial expansion.
- It improves the standard of living for Kenya as many people will be employed.
- It creates employment as many people will be involved directly or indirectly in production activities.

6 (a) emerging trends in office management

- use of computers- internet, intranet, extranet, website,
- e-commerce- buying and selling of goods and services through the internet
- teleconferencing- holding conferences or meeting through interconnection of computers to enable people to have discussions from different locations
- office arrangement- moving from partitioned to open on landscaping in order to get better control of the organization and to ensure customers are served satisfactorily
- public relations—provision of customer care service as a way of communicating with the public in order to create good company image

6 (b)causes of inflation

-Increase in government expenditure making more money available to people which increase aggregate

demand leading to an upward pressure on prices.

ii) Excessive credit creation by commercial banks increase money supply and hence purchasing ability leading

to inflation.

iii) Increase in money income which increase purchasing power causing an upward pressure on prices of goods

and services.

iv) Storage of goods and services leading to excessive demand hence pulling the prices of commodities upwards.

v) Call for increase in wages and salaries, which will be reflected in the increased prices of commodities.

vi) Increase in indirect taxes (e.g VAT,) which makes firms to increase their prices.

vii) Increase in profit margins by management and shareholders leading to an increase in prices.

viii) Increase in cost of inputs (e.g raw materials) causes the prices of finished goods to be high.

ix) Reduction in subsidies leading to an increase in cost of production which will be reflected in an increase in the

price of the commodities.

(Any five well explained

points @ 2=10mks