**565/2**

**BUSINESS STUDIES**

**PAPER 2**

**OCT/NOV- 2017**

**TIME: 2 ½ HOURS**

***Kenya Certificate of Secondary Education (K.C.S.E.)***

**Business Studies**

**Paper 2**

**INSTRUCTIONS TO CANDIDATES:**

* *This paper consists of* ***six*** *questions*
* *Answer any* ***five*** *questions.*
* *Write your answers in the answer booklet provided*
* ***All*** *questions carry equal marks*

*This paper consists of 2 printed pages. Candidates should check to ascertain that all papers are printed as indicated and that no questions are missing*

1. (a) Descriibe **five** differences between open plan and portioned office layout (10mks)

(b) Explain **five** advantages of using credit cards as a means of payment (10mks)

2. (a) Explain **five** characteristics of human wants (10mks)

(b) The following balances were extracted from the books of Wendo Traders on 31st July, 2013

Ksh

Stock 28,000

Bank overdraft 15,000

Machinery 30,000

Cash in hand 4,000

Creditors 26,000

Furniture 2,000

Debtors 26,000

Motor vehicle 70,000

Premises 120,000

Loan from equity Ltd 140,000

Rent not yet paid 5,000

Prepare a balance sheet from the above information showing

(i) Fixed assets

(ii) Current Assets

(iii) Current liabilities

(iv) Long-term liabilities (10mks)

3. (a) Discuss **five** factors tat may promote entrepreneurship in Kenya (10mks)

(b) With the aid of a diagram, explain the effect of an increase in demand when the supply of a commodity remain constant. (10mks)

4. (a) Discuss **five** factors that may lead to a low level of national income of a country (10mks)

(b) Describe **five** types of ledgers (10mks)

6. (a) Give **five** types of unemployment in an economy and explain the cause for each (10mks)

(b) Discuss **five** measures that the government may take to encourage the setting up of

industries in rural areas (10mks)

**BUTERE EAST DIVISION 2013**

**FORM THREE**

**BUSINESS STUDIES PAPER TWO**

**MARKING SCHEME**

1. **(a) Differences between open plan and partitioned office**

**Open plan Partitioned**

1. One large room (i) Small enclosed rooms/ cubicles
2. Sits many workers (ii) Sits 1 or 2 /few workers
3. Cheaper to construct (iii) More expensive/costly to construct
4. Facilities are shared (iv) Each room has its own facilities
5. Officers no privacy (v) More confidential /private
6. Minimises on use of space (vi) Takes /Needs more space
7. More flexible to re-arrange / re- design (vii) More rigid /less flexible to re- arrange / re design***(5X 2 =10mrks)***

(b) **Advantages of using credit cards**

(i) **Convenient to carry-**Since it is not as bulky as carrying cash /Since it is small in size

(ii) **It is safer-** and therefore a safeguard against loss of each / attack by thieves in want of money

(iii) **Access to credit facilities**- When buying goods / services /when without cash/money in hand.

(iv) **May be accepted internationally**- Such as Visa cards /to pay for goods / services when outside the country.

(v) **May control expenditure-** By avoiding impulse buying when with cash/ may only be accepted in certain establishments

(vi) **May enhance holders status-** Since it is usually issued to those who are financially sound /well –healed ***(5x2=10marks)***

1. (a) **Characteristics of human wants**
2. **They are unlimited** – Satisfaction for one leads to need for another.
3. **They are recurrent**- The same wants keep on coming again and again.
4. **Are competitive**- A person is faced by several wants needing to be satisfied
5. **Are universal**- They are common to all people with no exception in everyone needs food.
6. **Are Insatiable-** They are never fully satisfied and therefore more and more of want needed.
7. **They are habitual**- They become routine to one’s daily life.

(b) Wendo Traders

Balance Sheet

As at 31st July 2013

**ASSEST CAPITAL + LIABILITIES**

**Fixed Assets** shs. Sh. Sh. Sh.

Machinery 80,000 √ 173,000√

Furniture 2,000 √ Capital

M/ vehicle 70,000 √ **Long term liabilities**

Premises 120,000 √ 290,000√ Loan from Equity 140,000√

**Current Assets Current Liabilities**

Stock 28,000 √ - Bank overdraft -15,000√

Cash in hand 4,000 √

Creditors 26,000√

Ret not yet paid 5,000√

Debtors 37,000 √ 69,000 √ 46,00√

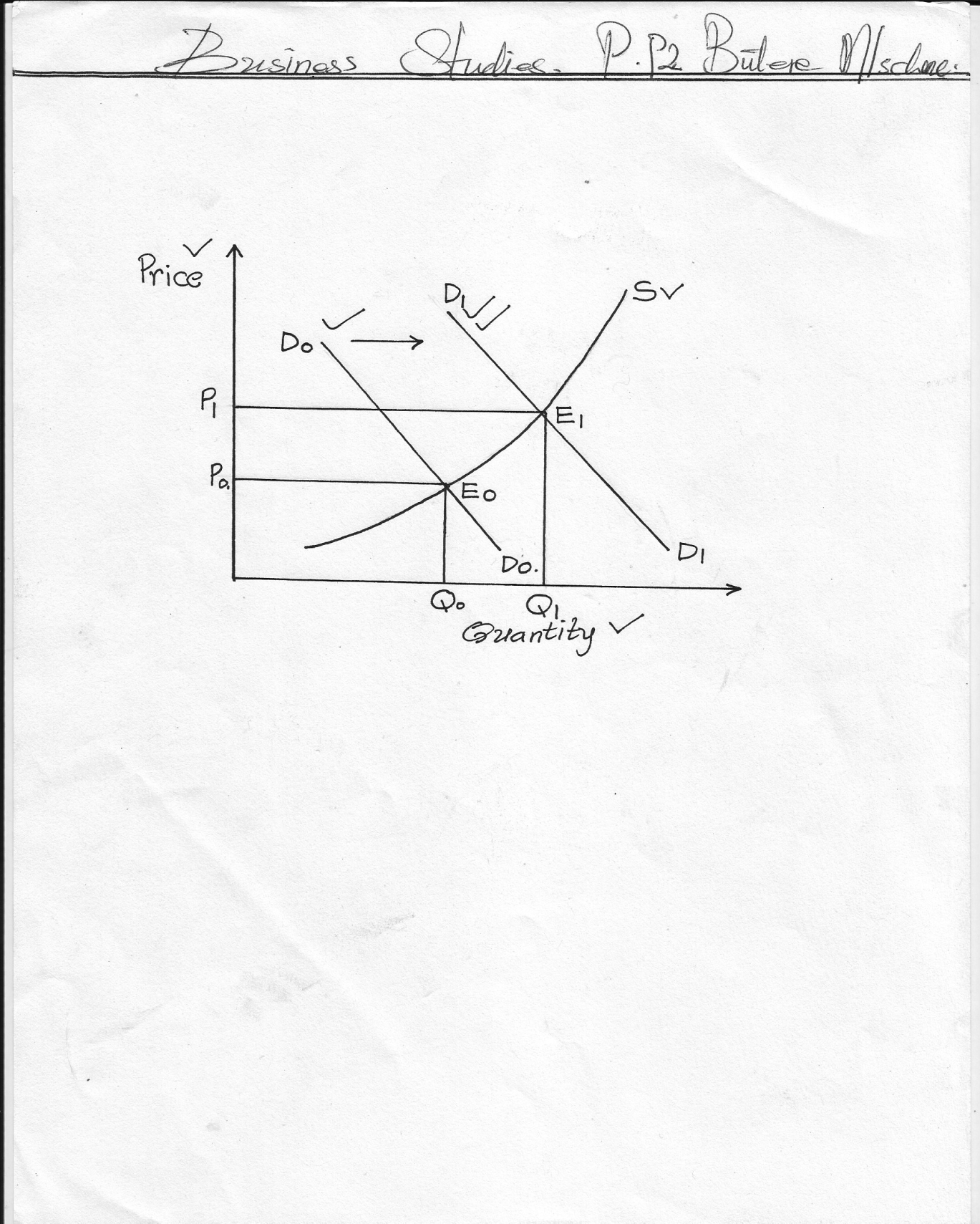
359,000 359,000

(***20 ticks x ½ = 10Marks)***

1. (a) -Government deport/ tauontable government policies / tunding/ regular which may encourage the emergency/ expansion of business ventures.

* Training / education in entrepreneurship /trainees are equipped with skills /knowledge to undertake entrepreneurship activities
* Entrepreneurial cultural practices – some cultural practices encourage entrepreneurship through exposure to business activities/ opportunities/ positive attitudes towards business.
* Role models / interaction with successful business people who may inspire / create entrepreneurship /business ownership.
* Availability of capital / capital for starting / expanding a business / may facilitate entrepreneurship.
* Political stability /non- entrepreneur which creates conducive environment for starting/ running / expanding a business.
* Availability of market /market information to satisfy customers needs /sale their goods and services/.
* Good infrastructure. This facilitates a close, to market /import.
* Fair / Health completion that business can withstand of business.
* Availability of technology: that leads to production of desired qualities of goods /services.

(b) Increase in demand with constant supply

 8 x ½ =4mks

1. Demand curve will shift to the right / form √ 1DODO , to D1D1
2. Price will increase from PO to P1√1
3. Quantity supplied will increase from√1 QO to Q1
4. Equilibrium point will move from EO to E1 √1 ***(Total 8marks)***
5. (a) **Factors leading to low national income.**
6. **Depletion of natural resources-** leading to reduced earning / decreases production of goods /services.
7. **Untrained / unskilled labour / Reduced labour supply**- Hence decrease productivity/ inefficiency in performance of tasks
8. **Inadequate capital**- which discourages /reduces investments / starting of business
9. **Poor technology**- Leading to poor utilization of available resources /poor methods of production/ low productivity /poor quality of goods.
10. **Insecurity**- Which discourages investment/ leads to high business losses/ closure of enterprises/ non –utilization of existing resources.
11. **Poor infrastructure –** hence poor uses to markets/ inputs/movement of labour ***(5x2 10mrks)***

(b) **Ways of improving efficiency of a warehouse**

(i) **Provision of adequate handling equipment** –to be able to move goods easily /quickly

(ii) **Provision of security –** against loss of goods / attack by thieves/buglers

(iii) **Provision of safety measures**- to ensure \*/no damages to goods / breakages

1. **Appropriate storage facilities** –for type of goods stored/ special facilities for special goods.
2. Adequate space- for ease of movement of goods/workers
3. **Proper record keeping** – for goods coming in/ going out/ trace movement of goods /for accountability. ***(5x2=10marks)***

5. (a) **Circumstances under which personal selling may be used**

(i) **If the goods are technical in nature-** and require demonstration / explanation on use

(ii) **If the goods are new in the market** – and there is need to convince people to buy

(iii) **To get immediate feedback** –from consumers /to make decisions about the goods

(iv) **To counter shift competition** – in order to retain/ increase market share.

1. **To increase the size of the market-** by venturing into new regions /talking to potential customers.
2. **To counter misleading /false information** – about the goods /the firm
3. **To create personal /direct contact with customers**- in order to create loyalty to the brand /firm. ***(5x2=10mrks)***

(b) **Types of ledgers**

(i) Sales ledger – to record /keep accounts of debtors

(ii) Purchases ledger- to record /keep accounts of creditors

(iii) Cash Book- to record /keep cash /bank accounts

(iv) Nominal ledger- to record /keep expense and revenue accounts

(v) General ledger – for all accounts that may not be kept in other specialized ledgers /for fixed assets and other long –term liability accounts.

(vi) Private ledger – for capital, drawings and special loans accounts

***Naming / otherwise 2 marks(5x2*=10mrks)**

**6. (a) Types of unemployment and their causes**

(i) Residual unemployment

Occurs where labour is incapacitated mentally and physically hence unable to work

(ii) Technical unemployment

Occur where capital intensive production methods are used, hence workers laid off machines take over

(iii) Disguised unemployment /Hidden

Occur where workers are so many than the required number for a given job.

(iv) Frictional unemployment – where people loose jobs and take a lot of time to get others.

(v) Fractional unemployment- where demand for labour reduce

(b) **Measures the government cheaply /at affordable rates setting up of industries in rural areas.**

(i) Provide land- freely cheaply /at affordable rates

(ii) Give tax holidays / exemptions –to those willing to set up industries in rural areas /enhance their earnings.

(iii) Improve infrastructure – for easy movement of goods /raw materials /labour

(iv) Provide loans /funding- at cheap rates /easy terms

(v) Improve security – to guard against loses /assure safety of workers/owners

(vi) Supply Energy /water rural areas – to make it easy to run industries /power production activities /to improve quality of life.