



**BUSINESS STUDIES  
TRIAL 2, 2019  
MARKING SCHEME  
FORM FOUR PAPER 2**

1. a) Differentiate between Private limited company and public limited liability company  
(10mks)

| <b>Private limited company</b>                                                                   | <b>Public limited liability company</b>                                                                  |
|--------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| a) can be formed by minimum of 2 shareholders                                                    | a) Can be formed by a minimum of 7 shareholders                                                          |
| b) Formed by a maximum of 50 shareholders                                                        | b) Has no set maximum                                                                                    |
| c) Does not sell or advertise its shares to the public                                           | c) Advertise and sells its shares to the public                                                          |
| d) Does not allow the transfer of shares without consent from other shareholders                 | d) Shares can be freely transferred from one person to the other in the stock exchange                   |
| e) Can start operating after receiving a certificate of incorporation                            | e) Cannot start operating until it is issued with the license of trading and approval of the prospectus. |
| f) Audited financial statements need not be published and filed with the registered of companies | f) Audited financial statements must be published and filed with register of companies                   |

b) - Invoice - Document sent by the seller to the buyer demand payment for goods supplied.

- Debit note - A document sent from the seller to the buyer to correct undercharge in the invoices.

- Credit note - Document sent by the seller to the buyer to correct overcharge.

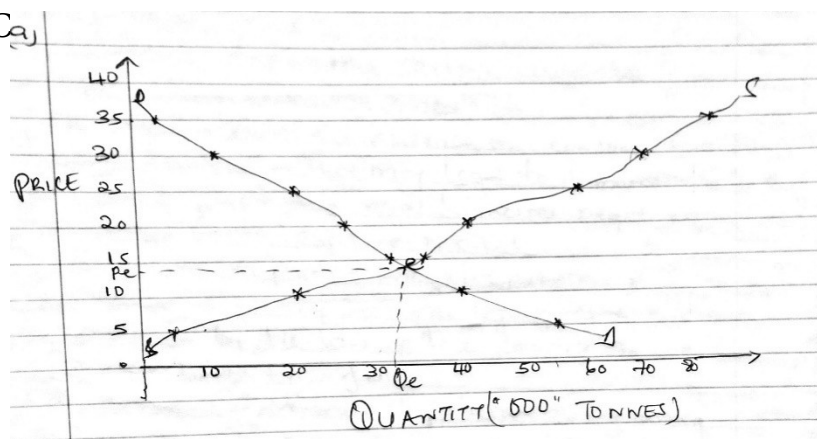
- Receipt - It is a document issued from the seller to the buyer when payment is made for goods

- Statement of account - Is a document sent from the seller to buyer showing details or balances of tra-sections for the month

- Payment voucher - A document used to validate payment for goods and services rendered

-  $C_{aj}$  ces

2. a)



b) - Used in sourcing for finance /capital/loans/credit - It can be used to convince - financial Institutions and investors to fund the firm's cooperation. (10mks)

- A tool of evaluation / help in avoiding mistakes - can be used to determine whether the firm is achieving its goals.
  - A tool of management/help in avoiding mistakes - can be used for structuring /implementation of firm's activities.
  - Give a firm competitive edge - Enable the firm to get better understanding of the market.
  - Motivational tools/creates team work - In accomplishing the objectives of the firm.
  - Adaptability tool - Creates room to cope with changes
- Any other relevant well explained 5 x 2=10mks

3. a) – To avoid misleading consumers – By not making false claim about their products.

- To ensure that consumers are not offended – By not making use of appeal that goes against their cultural values.
- To avoid exploiting certain vulnerable groups since they lack the knowledge.
- To avoid negative influence on consumer (value and lifestyle) – That may lead to immorality /ill health.
- To avoid portraying viral businesses negatively – In an attempt to capture market.
- To create a positive image /reputation of the business hence maintaining customers loyalty / retain market share
- To abide by the law of the country so as to avoid lawsuit/conflict.
- To avoid environmental pollution – By using environmentally friendly promotional materials.

Any other relevant well explained 5 x 2=10mks

b) – Benefits that may be realized by a country as a result of government policy of relocating industries to rural areas.

- Reduced income disparities/inequalities/even distribution income- As more people have access to jobs/income generating activities.
- Availability of auxiliary services / subsidiary/service industry – which lead to (faster) development of rural areas.
- Creates jobs/increased job opportunities / more jobs available/reduce unemployment – In all regions of the country.
- Increased utilization of resources /factors of production – Locally available factors of production (will be used) that would otherwise be idle.
- Balanced economic development – As economic activities/firms are spread throughout the country.
- Minimizes pollution in one area- Thus believing the extreme/severe impact.

- Creation/expansion of market - For goods and services/raw materials produced in rural areas

Any other relevant well explained 5 x 2=10mks

4. a) Factors to consider when locating a warehouse

- Availability of adequate security
- Availability of auxiliary services eg banks
- Enough land for future expansion
- Nearness to the point of production, sale or supply.
- Compliance with the government regulations
- Good means of transport - easily accessible to bring goods in and out of the warehouse
- Good communications network - To easily pass information between the warehouse and the customers/suppliers

Any other relevant well explained 5 x 2=10mks

b) Miriam

3 column cash book

| Date    | Details   | L.F | Discount allowed | Cash  | Bank  | Date   | Details  | L.F | Discount received | Cash  | Bank   |
|---------|-----------|-----|------------------|-------|-------|--------|----------|-----|-------------------|-------|--------|
| 2015    |           |     |                  |       |       | 2015   |          |     |                   |       |        |
| Sep 1   | Balance   | b/d |                  | 55000 | 25000 | Sep 3  | Ribbons  |     |                   | 4500  |        |
| Sept 2  | Sales     |     |                  |       | 0     | Sep 8  | Wangila  |     | 6000              |       | 94000  |
| Sept 12 | Wetu Bank | C   | 1200             | 50000 | 35260 | Sep 9  | Salaries |     |                   | 34000 |        |
| Sept 25 | Anyang'o  |     | 7500             |       | 58800 | Sep 25 | Cash     | C   |                   | 52800 | 50000  |
| Sept 28 | Cash      |     |                  |       | 67500 |        | Bank     | c/d |                   | 13700 | 320360 |
| Sep 30  |           |     |                  |       | 52800 | Sep 30 | Balance  |     |                   |       |        |
|         |           |     |                  |       |       | Sep 30 |          |     |                   |       |        |
|         |           | b/d | 8700             | 10500 | 46436 |        |          |     | 6000              | 10500 | 464360 |
|         |           |     |                  | 0     | 0     |        |          |     |                   | 0     |        |

|            |         |  |  |       |            |  |  |  |  |  |  |
|------------|---------|--|--|-------|------------|--|--|--|--|--|--|
| Sept<br>30 | Balance |  |  | 13700 | 32036<br>0 |  |  |  |  |  |  |
|------------|---------|--|--|-------|------------|--|--|--|--|--|--|

5. a) Uses of National income

- Used to determine the performance of the economy – An increase of the N.1 may mean better performance of the economy and vice versa.
  - The country is able to determine the level of economic growth – By comparing the GDP over several years.
  - Helps investors to make informed decisions – On which sector to invest and when to invest.
  - Used by government as a tool of supporting their request for foreign aid.
  - Comparing economic performance of different countries.
  - Helps compete the standards of living between two countries.
  - Helps government to understand the income distribution in the country.
- Any other relevant well explained 5 x 2=10mks

b) **TAI TRADERS**

**TRADING PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2014**

| Sh                                 | sh |                               |
|------------------------------------|----|-------------------------------|
| Opening stock<br>10000             |    | Sales 28,000                  |
| Add purchases 15,000               |    | Less sales returns <u>800</u> |
| Add carriage inwards 1,200         |    | Net sales 27,200              |
| Less returns outwards <u>1,100</u> |    |                               |
| Net purchases <u>15,100</u>        |    |                               |
| CGAFS 25,100                       |    |                               |
| Less closing stock <u>2,500</u>    |    |                               |
| C.G.S 22600                        |    |                               |

|                              |                         |
|------------------------------|-------------------------|
| Gross profit c/d <u>4600</u> | <b><u>27,200</u></b>    |
| <b><u>27,200</u></b>         | Gross profit b/d 4,600  |
| <b><u>EXPENSES</u></b>       | Add; Rent received 580  |
| Carriage outwards 1,200      | Discount received 1,600 |
| Discount allowed 300         |                         |
| Insurance 950                |                         |
| Net profit c/d <u>4,350</u>  | <b><u>6,800</u></b>     |
| <b><u>6,800</u></b>          |                         |

NB: Wrong gross profit correctly brought down to the P & L account a word.

Net profit derived from wrong gross profit award , but all other entries must be correct to attract awarding.

6. a) – Road transport is suitable over short distances since it is relatively fast compared to rail transport.

(10mks)

- There is flexibility in road transport since collection and delivery can be done at the convenience of the owner of the goods.
  - Road transport can provide door to door service. This reduces the amount of handling and increases the safety of the goods.
  - Road transport provides for specially designed vehicles to transport specialized goods e.g tankers to transport oil etc
  - Road transport does not have a fixed schedule hence one can transport his goods at any time.
  - One can decide to own the vehicle so as to have more control since it is relatively cheap compared to a train.
  - If the quantity to be transported is small then road transport is more appropriate.
  - The road network in this country is better than that of the rail network.
- Any other relevant well explained 5 x 2=10mks

b)

### CASH IN HAND A/C

Dr

Cr

**1993**

Jan 1 capital 120,000  
 Jan 10 sales 35,000  
 Jan 20 Bank 40,000  
195,000  
 Jan 20 Balance b/d 87,000

**1993**

Jan 14 purchases 90,000  
 Jan 18 wages 18,000  
 Jan 20 Balance c/d 87,000  
195,000

**CASH AT BANK A/C**

Dr

Cr

**1993**

Jan 1 capital  
 20,000  
  
200,000  
 Jan 20 Balance b/d  
 100,000

**1993**

Jan 5 purchases  
 60,000  
 Jan 120cash 40,000  
 Jan 20 Balance c/d  
100,000  
200,000

**CAPITAL A/C**

Dr

Cr

**1993**

Jan 20 Balance c/d 320,000

**1993**

Jan 1 cash 120,000  
 Jan 1 Bank 200,000  
320,000  
 Jan 20 Balance b/d 320,000

### **PURCHASES A/C**

| Dr                         | Cr                         |
|----------------------------|----------------------------|
| <b><u>1993</u></b>         | <b><u>1993</u></b>         |
| Jan 5 Bank                 | Jan 20 Balance c/d 150,000 |
| 60,000                     |                            |
| Jan 14 Cash                |                            |
| <u>90,000</u>              | <u>150,000</u>             |
| <u>150,000</u>             |                            |
| Jan 20 Balance b/d 150,000 |                            |

### **SALES A/C**

| Dr                               | Cr                 |
|----------------------------------|--------------------|
| <b><u>1993</u></b>               | <b><u>1993</u></b> |
| Jan 20 Balance c/d <u>35,000</u> | Jan 10 Cash        |
|                                  | <u>35,000</u>      |
|                                  | Jan 20 Balance b/d |
|                                  | 35,000             |

### **WAGES A/C**

| Dr                 | Cr                               |
|--------------------|----------------------------------|
| <b><u>1993</u></b> | <b><u>1993</u></b>               |
| Jan 18 Cash        | Jan 20 Balance c/d <u>18,000</u> |
| <u>18,000</u>      |                                  |
| Jan 20 Balance b/d |                                  |
| <u>18,000</u>      |                                  |
| Each entry 1 tick  |                                  |

**MAKENA**  
**TRIAL BALANCE**  
**AS AT 20<sup>TH</sup> JANUARY 1983**

| <b>Details</b> | <b>Dr</b>             | <b>Cr</b>             |
|----------------|-----------------------|-----------------------|
| Cash           | 87,000                |                       |
| Bank           | 100,000               |                       |
| Capital        |                       | 320,000               |
| Purchases      | 150,000               |                       |
| Sales          |                       | 35,000                |
| Wages          | 18,000                |                       |
|                | <b><u>355,000</u></b> | <b><u>355,000</u></b> |

Total ticks = 30

Total marks  $30 \times \frac{1}{3} = 10\text{mks}$