SUNRISE 2 EXAMSBusiness Studies F4 paper 1 Marking Schem

**1. The benefits that a business gains from its environment . 4mks**

1. It obtains raw materials from local supplies.
2. It recruits workers (labour) from the local community.
3. It gets security from the local personal eg police station.
4. It obtains land for expansion from the community.
5. The natural environment e.g. good weather may favour the business

2. **The limitation that small –scale retail operators face 4mks**

* 1. They have limited access to credit facilities especially loan.
	2. They have a low turnover because of the little capital invested.
	3. They may suffer bad debts if they give credit to customers who may not be honest.
	4. They don’t enjoy economics of scale
	5. They don’t hire specialists as technical stuff because of limited capital. This may lead to effiency in business.
	6. The owners are usually over worked

3. **Factors that influence the location of a public warehous**e. **4mks**

* 1. Security
	2. Accessibility
	3. Availability of space
	4. Availability of labour
	5. Government policy
	6. Good communication network

4. **Ways in which inflation can be controlled by the government. 4mks**

Institute price control on specific industries as a temporary way of keeping prices stable.

1. Control consumption of imports through imposition of import duties / Quotas which led o the transfer of controlling imported inflation.
2. Sale treasury bonds / securities to the public to reduce the amount of money in circulation.
3. Control on the level of exports to help build reserve stocks which will maintain adequate supply in the price level.
4. Through /controlling foreign exchange lowers the amount of imports and hence controls imported inflation.
5. Reduce spending in order to reduce demand for goods.

* + 1. **The following items belong to Mlamba Wholesalers as at 31st Dec 2018**

|  |  |
| --- | --- |
|  |  |
| Motor vehicle | 75,000 |
| Stock | 4,000 |
| Overdraft | 11,100 |
| Creditors | 5,740 |
| Debtors | 6,200 |
| Commission paid | 2,000 |
| Cash | 10,000 |
| Returns Outwards  | 3,400 |
| Returns Inwards | 1,400 |
| Capital | 78,360 |

Required, draw Mlamba’s trial balance as at 31st December 2018. (5mks)

 Mlamba’s Wholesalers

 Trial Balance

 As at 31st Dec, 2020

|  |  |  |
| --- | --- | --- |
| Items  | DR | CR |
| Motor vehicle | 75,000 |  |
| Stock | 4,000 |  |
| Overdraft |  | 11,100 |
| Creditors |  | 5,740 |
| Debtors | 6,200 |  |
| Commission paid | 2,000 |  |
| Cash | 10,000 |  |
| Returns Outwards |  | 3,400 |
| Returns Inwards | 1,400 |  |
| Capital |  | 78,360 |
| Total | 98,600 | 98,600 |

* + 1. **The bodaboda motorcycles are very popular both in urban and rural environment. Highlight four disadvantages of this method of transport. (4mks)**
	1. Causes noise pollution
	2. Over speeding that my result to accidents or death
	3. Affected by extreme weather conditions
	4. Carries limited capacity of goods
	5. Not suitable for long distances.
	6. Not suitable for bulky or heavy goods
	7. Some results in social evils e.g theft
		1. **Circumstances that may prevent her from being compensated in an event of loss occurring. (4mks)**
1. When the insured does not have insurable interest in the properties destroyed as she would not suffer financial loss.
2. When she did not disclose as the relevant facts of facing the policy.
3. If the policy was not in force at natural disaster as the risk are not insurable.
4. When the loss occurred due to willful action of the insured.
5. When the insurance company is insolvent hence unable to meet its financial obligations.
6. When Lopez follow improper procedures when claiming compensation.
7. When she failed to claim compensation with (stipulated) time.
	* 1. **Outline four characteristics of economic resources. (4mks)**
8. Scarce in supply
9. Have money value
10. Unevenly distributed
11. Have utility
12. Have alternative uses
13. Can change ownership
14. Can be combined
15. Can be complementary
	* 1. **Outline four disadvantages of division of labour. (4mks)**
16. Social problems
17. Creates monotony and boredom
18. Create unemployment
19. Difficult to know who to identify with the final product
20. Convents man into a machine like creature
21. Makes man dependent on only one trade

**10. Outline four negative effects of an ageing population in an economy.**  **(4mks**)

(i) High dependence of old people on working population.

(ii) Old people tend to provide a less mobile labour force.

(iii) Low labor supply as old people tends to be less productive.

(iv) Society become less progressive as it lacks input of energetic youth.

(v) Lead to unemployment due to fall in demand of goods and services required by the

youth.

**11. Factors that may have cause failure of Shaban’s shop after two years include: ( 4mks)**

1. Poor location of the business may have made it inaccessible to customers.
2. Stiff competition from other retailers.
3. Inadequate finances to meet the obligations of the business.
4. Shaban’s lack of commitments to the business
5. Insecurity
6. Improper management practices.
7. Poor customer relations.
8. Inappropriate pricing practices.
9. Political instability/war
10. Lack of market/ low demand
11. Unfavorable government policy e.g high taxes
12. Poor marketing strategies.
13. Inadequate stock
14. Lack of suitable labour.

**12. Highlight four challenges passed to a country by a rapidly growing population. (4mks)**

1. Unemployment
2. Strain on social amenities
3. High dependently ratio.
4. High poverty rate

1**3. State the type of utility created by each of the following activities: (4mks)**

1. Delivery Milk to a customer – Place
2. Keeping money in the bank- Time
3. Selling bread to a student- Possession
4. Making uniform for students-Form

**14. Highlight four factors which hinder economic development in a country. (4mks)**

1. Lack of adequate capital
2. Use of in appropriate technology.
3. Rapid population growth rate.
4. Low level of education.
5. Inadequate natural resource

**15. Outline four means used by commercial banks to transfer money. (4mks)**

1. Cheques
2. Standing orders
3. Credit transfer
4. Bank drafts
5. Credit cards
6. Travelers’ cheque

**16. Mention four unethical Practices in product promotion. (4mks)**

1. on the performance of the product.
2. Cheating Cheating on ingredients.
3. Not disclosing side effects
4. False pricing.
5. Having negative effect on environment.
6. Causing cultural conflict.

**17. Reason why volume of exports from less developed countries to the developed countries tend to be low**

1. Use of out dated technology in production
2. Inadequate capital to exploit available resources /low out put.
3. Poor entrepreneurial culture leading to low production
4. Poor governance / corruption instability
5. Unfavorable government policy/ lack of support or local infant industries
6. Unfair trading practices among developed trading partners
7. Over – dependence on agriculture / unprocessed raw materials / exports.

**18. Non – monetary measures for motivation employees**

1. Appreciation – recognition for any goods work
2. Fringe benefits – e.g free medical scheme housing pension
3. Good working conditions / conducive working condition
4. Guaranteed job security / ensuring job security
5. Offering opportunities for staff development e.g through training / education
6. Providing opportunities job advancements through promotion
7. (g), involving staff in decision – making so as to feel part of management

19.

 2005 145/120x100=120.8

2006 160/120x100=133.3

2007 170/120x100=145.8

4x1=4mks

**20. State four benefits that consumers get from small scale retailers.** (4 marks)

1. Free advice on product use/comparison/availability etc✓
2. Personal attention✓
3. Stable prices✓
4. Steady supply of goods
5. Credit facilities✓
6. Place utility i.e goods are bought nearer✓
7. Small quantities( break bulk)✓

 4x@ 1 mark=4 marks

21

 OKAME TRADERS

TRADING ACCOUNT

 DR. FOR THE YEAR ENDED 30-6-2018 CR

|  |  |
| --- | --- |
|  Sh.Opening stock 8,000✓Add purchases 53,000✓Less returns outwards 2,700✓COGAFS 58,300Less closing stock 12,700✓Cost of goods sold(COGS) 45,600Gross profit 17,300✓✓ 62,900 |  Sh.Sales 62,900✓ \_\_\_\_\_\_ 62,900 |

 8x@ ½ mark=4 marks

22.G**ive four features that differentiate a public corporation from a public limited company. (4 marks)**

|  |  |
| --- | --- |
| Public corporation | Public limited company |
| Formed under Act of ParliamentFully owned by the governmentInitial capital is by the governmentManagement/ board appointed by government/presidentSet up to offer essential servicesProfits are earned by the governmentFinancial statements presented to parliament | Formed under Company’s ActOwned by private people with sharesInitial capital through share issueManagement/Board elected by shareholdersSet up to make profitProfits shared by share holders as dividendsFinancial statements presented in press |

**23.Characteristics of a good tax system (4mks)**

 (i)Equitable

 (ii)Certain

 (iii)Convenient

 (iv)Economical

 (v) Flexible

 (vi)Ability to pay

 (vii)Diversified

 (viii) Simplicity

**24. Four advantages of a landscape office layout (4mks)**

 (i. Promotes team work among employees

 (ii) Promotes sharing of office equipment

 (ii Supervision of workers

 (iv) Maintenance cost is low

 (v) Easy location of workers

 (vi) Discourage absenteeism

 ( vii)Decoration found in the office creates an attractive and conducive environment to work in.

**23.State four importance of balance sheet. (4marks)**

*a) Financiers will know whether the business will be able to meet its claims*

*b) Shareholders will determine whether their funds are invested wisely*

*c) It is a requirement for taxation by the government*

*d) Potential investors will be able to make decisions on which shares to buy*

*e) The management will be able to compare its performance between periods or with other similar businesses to identify areas of urgent actions for business success.*

**25. The following balances were extracted from Mwangaza traders’ books of accounts.**

**Shs.**

**Opening stock 25,000**

**Closing stock 35,000**

**Purchases 190,000**

**Mark - up 20%**

**Calculate:**

**Cost of sales (1mark)**

**Gross profit (1 mark)**

**Sales (1 mark)**

**Rate of stock turnover (ROSTO) (1 mark)**

*i) Cost of Sales = Opening stock+ purchases – closing stock*

 *= kshs 25000+kshs190000-kshs35000*

 *= sh. 180,000*

*ii) Gross Profit = Cost Of Sales × Mark – up*

 *= kshs 180000x1/5*

 *= sh. 36,000*

*iii) Sales = Cost of sales + Gross Profit*

 *= shs180, 000+shs36, 000*

 *= sh. 216,000*

*iv) R.O.S.T.O*

 *Avg. Stock = (opening stock+ closing stock) ÷2*

*= (shs 35000+shs25000) ÷2 = kshs 30000*

*R.O.S.T.O =Cost of Sales / Avg. Stock*

 *= shs (180,000÷ 30,000)*

 *= 6 times*