**NAME OF THE SCHOOL: ………………………………………………………**

**FORM FOUR BUSINESS STUDIES. Paper 1 (565/1)**

**END OF TERM 2 2022 EXAMINATION**

**MARKING SCHEME**

1. **List four characteristics of direct production. (4 marks)**

* Goods are of low quality
* Goods are of low quantity
* Production is in small scale
* Little or no specialization
* Mechanization is minimal
* Production is mainly for own use/ No commercial exchange
* Promotes individualism
* Does not encourage invention and innovation/creativity
* Skills used cannot be improved
* Tools used cannot be improved

1. **The following features relate to warehousing. Indicate the most suitable type of warehousing (4 marks)**

|  |  |  |
| --- | --- | --- |
|  | **Feature** | **Type** |
|  | Used to store goods until excise duty is paid | * Bonded/Excise warehouse |
|  | Most located at strategic points and available at a fee | * Public warehouse |
|  | Used to store non-dutible goods from within or outside the country | * Free warehouse |
|  | Usually designed to suit one’s specifications | * Private warehouse |

1. **Outline four circumstances that would make an office manager to replace an existing machine with a modern one (4 marks)**

* Obsolescence-where the machine has outlived its usefulness
* Where a more efficient machine is required
* Where maintenance costs are higher than cost of acquiring modern machine
* Where there is need for increased production
* Where training skills have changed

1. **The following information relates to Gaturu Traders for the month of July 2013**

July 1: Bal b/f: Cash 280,000 (Dr) and Bank 80,000 (Cr)

July 4: Received cheque shs 150,000 from a debtor

July 9: Paid Kelvin shs. 40,000 by cheque for goods bought at shs 66,000 and the balance in cash

July 10: Sold stock worth shs 20,000 cash

**Enter the above transaction in relevant cash book (8x1/2=4 marks)**

Dr. Two column cash book Cr.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Details | Cash | Bank | Date | Details | Cash | Bank |
| 2013 |  |  |  | 2013 |  |  |  |
| July 1 | Bal b/d | * 280,000 |  | July 1 | Bal b/d |  | * 80,000 |
| July 4 | Debtor |  | * 150,000 | July 9 | Kelvin | * 26,000 | * 40,000 |
| July 10 | Sales | * 20,000 |  | July 10 | Bal c/d | * 274,000 | * 30,000 |
|  |  | **300,000** | **150,000** |  |  | **300,000** | **150,000** |
|  |  |  |  |  |  |  |  |

1. **State four disadvantages of barter trade (4 marks)**

* Lack of double coincidence of wants
* Indivisibility of some goods
* Perishability of some goods
* Difficult to measure value
* Problems of portability of good
* Lack of standard for making deferred payments
* Lack of unit of account

1. **Antony had the following balances at the end of the trading period on 31st Dec. 2014**

**Details: Ksh.**

Cash 40,000

Creditors 140,000

Premises 400,000

Fixtures 180,000

Bank loan 160,000

Vehicles 100,000

Debtors 70,000

**Prepare his balance sheet at the end of the trading period (4 marks)**

Anthony Traders

Balance Sheet

As at 31st Dec 2014

|  |  |  |  |
| --- | --- | --- | --- |
|  | Sh. |  | Sh. |
| Cash | * 40,000 | Capital | * 490,000 |
| Premises | * 400,000 | Creditors | * 140,000 |
| Fixtures | * 180,000 | Bank loan | * 160,000 |
| Vehicles | * 100,000 |  |  |
| Debtors | * 70,000 |  |  |
|  | * **790,000** |  | **790,000** |

1. **Name the factors of production the following resources relate to (4 marks)**

|  |  |  |
| --- | --- | --- |
|  | **Description** | **Occupation** |
|  | Receptionist | * Labour |
|  | Machinery | * Capital |
|  | Wind | * Land |
|  | Owner | * Entrepreneurship |

1. **Associate each of the following statements with the correct type of partner described**

**(4 marks)**

* A partner who is under age: …………………Minor Partner…………………………
* A partner who contributes capital: ……………Real Partner………………….……
* A partner who is inactive: ……………………Dormant/Sleeping/Passive…………
* A partner with unlimited liabilities: …………General Partner……………..………

1. **The following diagram represents the circular flow of income in a two sector closed economy**

**HOUSEHOLDS**

**FIRM**

a

b

**Identify two factors represented by each of the arrows labelled a and b (4 marks)**

* a) i) Payment of factors inputs
  + ii) Goods and Services
* b) i) Payment for goods and service
  + ii) Factors services/Inputs/factors of production

1. **Name four documents that may be required by the registrar of companies in order to register a public limited company (4 marks)**

* Articles of association
* Memorandum of association
* Prospectus
* List of directors
* Declaration of directors

1. **State four benefits that a trader may get by advertising products in a newspaper.**

**(4 marks)**

* Wide coverage-message can reach a lot of people
* Evidence of the message exists
* Graphical details can be included
* A trader has a chance to compete with other traders
* A trader has a chance of increasing sales
* A trader can choose a suitable page
* Easy to locate an advert

1. **State four roles of intermediaries in the chain of distribution. (4 marks)**

* Accumulate bulk
* Breaking bulk
* Advice
* Prepare goods for sale
* Store goods until they are needed
* Transport goods to where they are needed
* Product promotion

1. **By use of the book keeping equation, determine the missing values in the table below (4 marks)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Assets (Ksh.)** | **Capital (Ksh.)** | **STL (Ksh.)** | **LTL** |
| 2,052,500 | 900,900 | 151,600 | * **a) ..1,000,000…** |
| 2,766,450 | * **b)……594,350………** | 350,850 | 1,821,250 |
| * **c)……1,674,030…….** | 1,010,000 | 464,030 | 200,000 |
| 2,770,970 | 1,260,860 | * **d)……578,110…** | 932,000 |

1. **The national income is measured using the expenditure method given as; Y=C+I+G+(X-M)**

**State what each of the following letters represents (4 marks)**

* C-Consumer expenditure
* I-Investment Expenditure
* G-Government Expenditure
* (X-M)-Net Exports

1. Murang’a Traders had the following information for the month ending 31st Jan 2015

**Sh.**

Opening stock 200,000

Closing stock 300,000

Purchases 500,000

Margin 20%

Prepare Murang’a Traders Trading Account for the year ended 31st Jan, 2015. (4 Marks)

Murang’a Traders

Trading Account

For the month ended 31st January, 2015

|  |  |  |  |
| --- | --- | --- | --- |
|  | Sh. |  | Sh. |
| Opening Stock | * 200,000 | Sales | * 500,000 |
| Add Purchases | * 500,000 |  |  |
| Cost of Goods available for sale | * 700,000 |  |  |
| Less Closing stock | * 300,000 |  |  |
| Cost of goods sold | * 400,000 |  |  |
| Gross profit c/d | * 100,000 |  |  |
|  | * **500,000** |  | **500,000** |
|  |  | Gross profit b/d | 100,000 |

1. **Outline four factors that may limit a country’s ability to attain its budgetary estimates (4 marks)**

* Poor collection of resources
* High rate of tax evasion/avoidance
* Failure to secure external debt
* Overestimation/ambitious plans
* High cost of collection
* Political interference
* Inflation
* Tax embezzlement/collusion between tax payer and collector

1. **Outline four characteristics of a good business opportunity (4 marks)**

* Availability of raw materials
* Availability of relevant skills
* A good opportunity should give good profit
* There should be adequate market for the goods or services
* The technology should be available
* It should be easy to join and exit the industry
* It should be easy to join and exit the industry
* It should be easy to manage the business
* There should be favourable government policies
* Capital required should be available
* There should be fair competition

1. **State four principles of public expenditure (4 marks)**

* Sanctions
* Maximum social benefit
* Flexibility
* Economy
* Proper financial management

1. **Outline four negative effects of overpopulation in a nation (4 marks)**

* Strain on available social amenities
* Low standard of living
* Encouraging rural urban migration
* High dependency ratio
* Imbalance in demand and supply
* Food shortage
* Increase in crime rate
* Environmental degradation

1. **The table below shows the price for a 2kg packet of Unga for various months in the year 2010. Calculate the consumer price index for each month (4 marks)**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Month** | **Price (Shs)** | **Consumer price index** |
| a) | January | 100 | * 100% |
| b) | February | 80 | * 80% |
| c) | March | 120 | * 120% |
| d) | April | 140 | * 140% |

1. **List four forms of retail shops that school leaver may engage in (4 marks)**

* Single shop/Unit shop/Duka/Stores
* Kiosk
* Tied shop
* Market stalls
* Canteen
* Mobile shop/stores
* Exhibition stalls/shop/store

1. **Highlight four importance of Subsidiary Books (4 marks)**

* Relieves the ledger accounts of too many records
* Gives details not found in the ledger accounts
* May be used for reference
* Minimises chances of fraud/enhances efficiency
* Helps in detection of errors

1. **State four reasons why short message services (sms) is replacing letters as a way of communication (4 marks)**

* Cheap to use sms services
* Faster than letters
* Can be sent to many people at once
* Provide immediate feed back
* It is reliable
* It is prestigious

1. **Highlight four disadvantages of cartage transport (4 marks)**

* It is slow compared to vehicles
* Cartage has smaller carrying capacity compared to buses and trains
* Not suitable for transporting fragile goods as they can easily break
* Movement of carts is affected by heavy traffic especially in urban areas
* Not suitable for transporting expensive goods since they would be susceptible to theft
* Not suitable for long distances
* Carts are nuisance to other road users
* Use of animals for transportation is against human rights

1. **The figure below shows a shift in demand for a commodity from D0D0 to D1D1.**

P1

Q1

Q0

D0

D0

D1

**Price**

**Shs.**

**Quantity demanded**

D1

**State four possible causes of this situation (4 marks)**

* Fall in price of complimentaries
* Rise in household income
* Rise in price of substitutes
* Expected increase in price of the commodity
* Positive taste/preference/fashion
* Favourable seasonal changes
* Favourable government policies