**MARKING SCHEME**

**BUSINESS STUDIES PAPER 1**

 **EAGLE PREMOCK EXAMS**

1. **State four reasons for the existence of businesses in the society. 4 marks**
* earn profit/income
* -create employment
* -provide goods/services
* -be own boss/independent
* -utilise extra resources
* -utilise spare time
* -offer special services
* -act as outlet of new information.
1. **State four positive implications of a large population in a country (4marks)**

 - increased market demand for goods and services

 `Enough labour supply

 -diversity talents

 -technology advancement/innovation hence specialization

 -encourage investment

 Maximum utilization of resources

 Promotes labour mobility

1. **State four features of a chain store (4mks)**
2. Owned by the same business organization
3. Managed and controlled by a central administration at the head office
4. Each shop is managed by a branch manager accountable to the head office
5. Goods are sold strictly on cash basis
6. The prices are standard in shops
7. Goods can be transferred from one shop to another
8. Mainly deal in fast moving goods such as household goods
9. **Outline four measures that can be taken by an officer to safeguard organization’s property. 4 marks**
* Ensuring physical care by people using the property
* -enhancing security against theft eg employing CCTV/employing guards/fencing
* Keeping proper records of movement and usage of each property
* Physical stock taking of each property
* Taking insurance cover
* Proper repairs, servicing and maintenance of property.
1. **State four reasons why SACCOs are popular in Kenya. 4 marks**

- they provide easy access to loans/few formalities needed to obtain loans

-they offer cheap loans to members/ low interest on loans

-offer many types of loans to members

-incase a member dies, the outstanding loan is written off.

-incase a member dies, his/her beneficiaries are given double the amount of savings.

-members contributions are channeled through checkoff system which is convenient.

1. **Outline four causes of business success. 4 marks**

-proper management

-proper location/ready market or customers

-proper financial management

-adequate finance/adequate capital

-good public relations

-proper market research

-proper pricing of goods

-fair competition

-right choice of business

-good time management.

1. **Identify four factors that influence the level of capital of a business enterprise. 4marks)**
2. Net profit /ploughed back profits/dividents✓
3. Additional investment/new investment ✓
4. Loss made✓
5. Drawings
6. **Outline four circumstances under which a trader would use informative advertising.**

-when introducing a new product in the market.

-when a trader is informing the consumers about changes in pricing/packaging of a product

-when a trader wants to remove customer’s prejudice about a product

-when a trader wants to increase the sales of an existing product.

-when a trader wants to maintain sales of an existing product.

1. **State four complaints that a consumer organization may receive from consumers.**

 **4 marks**

-poor quality of goods and services

-incorrect weights and measures

-unfair pricing/overcharging

-poor hygienic conditions

-expired goods

-non-compliance to building regulations

-hoarding by traders.

1. **SOURCE DOCUMENT Book of original entry 4 marks**
2. Invoice received -purchases journal
3. Receipt received -Cash Book/cash receipts journal
4. Invoice issued -Sales journal
5. Receipt Issued -General journal
6. **List four means of audio-visual communication that may be used in an organization**

 **4 marks.**

 -siren

 -television

 -photographs

 -signs

1. **State four ways in which demographic environment may positively affect the business operations. 4marks**

-growing/high population

-better education/jobs/literate population

-proper/even geographical distribution

-high birth rates

 low death rates

-appropriate age distribution

-appropriate sex distribution

1. **Outline four features of a monopolistic market (4 marks)**
* Free entry/exit from the market,
* Products are similar(close substitutes)
* Wide knowledge of the market
* Market has many buyers /sellers
* Exit/entry of a single firm does not affect the market
* No single firm has control over factors of production
1. **Highlight four benefits of the matatu reforms in Kenya. 4 marks**

-reduced cases of accidents on roads

-qualified drivers and touts operating the Kenyan roads

-government collects revenue through proper taxation and licensing

-there is comfort and safety of passengers facilitated by use of safety belts.

-Unroad worthy vehicles have been removed from roads.

-vehicles are adequately insured.

1. **State the effects of the following transactions on the balance sheet totals.(4 mks**)
2. Bought a piece of land Ksh. 500,000 in cash **No effect**
3. Paid a creditor through a cheque Kshs. 50,000 **decrease**
4. Sold a personal car Ksh. 300,000 and deposited the amount in the business bank account.**increase**
5. Took Kshs. 10,000 to pay for his son’s school fees **decrease**
6. **State four merits of warehousing to a retailer.** 4 marks

 -continuous supply of goods in the market

 -preparation of goods for sale in the warehouse.

 -protect goods from damage

 -safeguard goods from theft

 - look for market while goods are in the warehouse

 -some goods improve in quality

 -meet unexpected demands from consumers during off peak season

1. **State four factors that a trader may consider before selling goods on credit. 4mks**

-credit worthiness of the buyer

-repayment period

-availability of adequate stock

-amount of goods the customer wants

-honesty or reliability of the customer

--frequency at which the customer buys from the seller

-sellers intention to attract and retain customers.

1. **The term that best fit each of the following descriptions**  (4 Marks)
2. Capital
3. Stock
4. Drawings
5. Loan (Liabilities
6. **Highlight four challenges faced by consumers in the satisfaction of human wants (4mks)**

 -Low incomes /poverty/unemployment

 -political instability

 -High prices of goods and services

 -Scarcity of goods and services

 -Human wants vary in urgency and intensity

 -Human wants are recurrent /repetitive

 -Human wants compete for the scarce resources

 -Human wants are insatiable –numerous/endless

1. **Ouma enterprise started business one year ago with an investment of Ksh 1200 000. At the end of the year his capital was Ksh 1600000 and his monthly drawing was ksh 20000. Calculate his profit for the year ( 4marks)**

Final capital = initial capital + Additional investment + Profit – Drawings

 1,600,000 = 1,200,000 + P – 20,000

 P = 1,600,00 – 1,180,000

 Profit = sh.420,000

1. **The following cashbook was prepared by Jomo Traders for the month of July 2016.**

 Y = Ksh 40,000

 P= ksh. 54,000

 Q= ksh.80,000

 R= ksh170,000

1. **Outline four reasons why a firm may remain small. (4 Marks)**
* Flexibility of small firms
* Require little capital to start.
* Small firms are simple
* Quick decision making
* Small size market
* Need to retain control
* Belief that small firms are more manageable
* Legal constraints/ government policies
* Need to retain control
* Nature of products which are best offered by small firms
1. **Outline four features of a money (4 marks)**
* acceptability,
* homogeneity
* cognisability
* scarce
* stability
* divisibility
* durability
* malleability
* portability
* complexibility
1. **State the term given to each of the following statements as used in insurance. 4 marks**

a) Assignment

b) Cover note/ binder

c) Nomination

d) Premiums

1. **Give four ways through which prices of goods and services may be determined. (4mks)**
2. Price mechanism/forces of demand and supply
3. Government policy/taxation/price control/
4. Haggling/bargaining
5. Tendering
6. Recommended retail price
7. Collusion/cartels
8. Auctioning