**TERM 2-2022**

**BUSINESS STUDIES 565/1**

**FORM FOUR (4)**

**PAPER 1**

**MARKING SCHEME**

1. ***List four reasons why a business exists. (4 Marks)***
2. To make profit.
3. As an outlet of new innovation.
4. To utilize spare time.
5. To utilize local resources.
6. Source of goods.
7. For prestige/to be your own boss
8. ***State four elements that constitute the internal business environment. (4 Marks)***
9. Business structure
10. Business culture
11. Business owners
12. Business resources
13. Management styles
14. Business objectives
15. Research and development
16. ***Most firms are adopting electronic filing systems. Mention 4 demerits of using such a system***
17. Only suitable for areas with electricity
18. Information cannot be accessed during power failure
19. Information cannot be accessed during computer breakdowns
20. Storage devices can be damaged easily if not properly taken care of
21. Information may be damaged by viruses
22. Criminals may hack confidential information in the system
23. ***Identify the type large scale retailers described by each of the following* *statements***
24. Huge shopping complexes with many shops under one roof each under a different management **hyper market**
25. Many shops under one roof and one management each selling a particular line of products **departmental store**
26. Businesses where customers make their orders through the post

**Mail order business**

1. Shops operated by one company and located in different areas where they sell specialized products **tied shops**
2. ***Highlight four circumstances under which a co-operative may be dissolved***
3. When an order for dissolution is made by the Ministry of Co-operative Development
4. When a court of law orders that the co-operative is dissolved
5. When a member withdraw their membership leaving less than 10 members
6. When the co-operative is declared insolvent
7. When the members voluntarily decide to dissolve the co-operative
8. When there is persistent misunderstanding among members
9. When a co-operative fails to meet the purpose it was formed.
10. ***Highlight four barriers to effective communication***
11. Language barrier
12. Poor listening
13. Negative attitude
14. Poor timing
15. Wrong medium used
16. Pre judgement
17. Emotional responses
18. Unclear system within the organisation
19. Noise
20. Unfamiliar non-verbal signs
21. ***Identify four ways in which the efficiency of a warehouse can be guaranteed***
22. Ensuring that there are adequate handling facilities
23. Ensuring that the staff are well trained
24. Ensuring that appropriate security measures have been put in place
25. Ensuring that the warehouse is fitted with safety equipment/ firefighting equipment/ first aid kits
26. Ensuring that public health requirements have been met
27. Ensuring that all legal requirements have been met
28. Ensuring that a proper record of receipt and release of goods is maintained
29. Ensuring that special storage facilities are provided for goods requiring such facilities
30. Ensuring that the building design is appropriate for the kind of goods to be stored
31. Ensuring that the warehouse is located in a place that is convenient and accessible to the users.
32. Ensuring that the warehouse is spacious enough to allow easy movement and accommodation of goods and personnel
33. Ensuring that the warehouse is fitted with good communication equipment for ease of communication
34. ***State four circumstances under which an insurance policy may be terminated***
35. If it is discovered that the insured person did not act in ‘utmost good faith’ / did not disclose all the material information on the subject matter
36. Where the risk occurs and one is compensated i.e under general insurance
37. Where the policy matures and is settled i.e under life assurance
38. When the insured decides to terminate the contract
39. When a court of law orders the termination of the contract
40. When the insured fails to remit premiums
41. When the insured ceases to have insurable interest in the matter
42. Where the insurance company is declared insolvent
43. ***Highlight four factors that may cause the supply curve to shift to the right***
44. Improvement in technology
45. Fall in cost of production
46. Entry of new firms into the industry
47. Provision of subsidies by the government
48. Favorable natural factors
49. Expectation of a drop in future prices
50. Fall in the price of a substitute
51. Increase in the price of a joint product
52. ***State four measures that Kenya government may take to attract firms to an area. (4 marks)***
53. Providing security
54. Providing electricity
55. Building transport networks e.g roads
56. Giving free land or selling land cheaply
57. Tax incentives for businesses located in certain areas
58. ***The following is a representative basket of an average family.***

***Year Prices***

***2019 6,000***

***2020 7,200***

***Determine the increase in C.P.I using 2019 as a base year. (4 Marks)***

Increase in CPI = (Price during the current period – price in the base year) x 100

Price in the base year

= (7200-6000) x 100

6000

= 20%

1. ***Highlight four factors which may contribute to business failure (4 Marks)***
2. Insufficient capital
3. Lack of business acumen
4. Lack of proper business controls
5. Failure to maintain proper business records
6. Failure to maintain proper business records
7. Poor public or customer relations
8. Failure to carry out a business viability study before establishing it
9. Increase in the level of insecurity in an area
10. ***Highlight four problems associated with the income approach of measuring the national income (4 Marks)***
11. Transfer payment poses a problem since it is difficult to impute the proportion of income constituted by those transfers
12. The problem in accurate data
13. Due to price fluctuation
14. The problem of handling illegal and unrecorded economic activities.
15. ***Highlight four features associated with a monopoly market structure. (4 Marks)***
16. One producer / one seller / one supplier in the market
17. Many buyers in the market
18. Buyers have all the relevant information about the market and will therefore act rationally
19. The firm’s product doesn’t have a close substitute
20. Price is set by the single producer / monopolist is the price maker
21. Barriers to entry and exit from the market exist

1. ***Outline four roles of transport in the facilitation of trade (4 Marks)***
2. Facilitates movement of factors of production and other inputs like raw materials.
3. Enables goods to be moved to the market from their point of production
4. Adds value (place utility) by moving them to their point of consumption
5. Opens up new markets
6. Makes it possible for exploitation of natural resources
7. Allows specialization since it allows people to access goods produced elsewhere
8. Promotes mass production since goods can be moved and be stored and sold elsewhere
9. ***The following balances were extracted from the books of Maua Traders on 31st December, 2020.***

***Fixed assets 300,000***

***Current assets 123,700***

***Creditors 84,500***

***5 year loan 125,000***

***Determine the net worth of the business as at 31st December 2020 (4 Marks)***

Capital = Assets – Liabilities

= (300,000+123,700) – (84,500+125,000)

= 214,200

1. ***Highlight three ways in which the introduction of money helped eliminate problems faced in barter trade (3 marks)***
2. Money eliminated the need for double coincidence of wants since it’s a medium of exchange
3. Stores the value of perishable goods by selling them and keeping the money for future use
4. Help in exchange of indivisible commodities since it can be divided into smaller denominations without losing value
5. Ensures that commodities exchanged are of comparable value by offering a standard measure of value
6. Provides a unit of account by which goods and services are valued unlike in barter trade
7. Money is a standard for deferred payment whereas it was not possible to make future payments under barter trade
8. Money enables exchange of immovable property like land
9. ***Highlight four forms of economic integration (4 marks)***
10. Free Trade Area
11. Preferential Trade Area
12. Customs Union
13. Common Market
14. Economic Union
15. ***State four measures that the government can use to encourage increase in the country‘s volume of exports. (4 Marks)***
16. Instituting export compensation scheme
17. Diversifying foreign markets
18. Offering customs drawbacks
19. Lobbying for removal of trade restrictions by the trading partners
20. Devaluing the local currency
21. ***Unemployment solving has been an agenda to Kenya. Identify the type of unemployment being solved below. (4 marks)***
22. Seasonal
23. Structural
24. Frictional
25. Residual
26. ***The following information relates to Makini Traders for the year ending 31st December 2015.***

***Margin 15%***

***Sales 640,000***

***Purchases 480,000***

***Stock on 1/1/2015 130,000***

***Closing stock ?***

***Required Trading Account of Makini Traders for the year ending 31st December 2015. (5Marks)***

Makini Traders

Trading Account

For the year ended 31st December 2015

Opening stock 130,000 Sales 640,000

Purchases 480,000

Goods available for sale 610,000

Less closing stock 66,000

Cost of goods sold 544,000

Gross profit c/d 96,000

640,000 640,000

1. ***State any four types of advertising that a trader may adopt (4 Marks)***
2. Primary demand/informative
3. Celebrity
4. Persuasive/competitive
5. Product
6. Institutional
7. ***State any four types of indirect taxes in Kenya (4 Marks)***
8. Sales tax
9. Value added tax
10. Export duty
11. Import duty
12. Excise duty
13. ***State four problems encountered at the plan implementation stage in economic planning and development (4 Marks)***
14. Reliance on donor funding
15. Lack of domestic resources
16. Failure to involve local people in planning
17. Occurrence of natural calamities
18. Over ambitious plans
19. Lack of co-operation among the executing parties
20. Effects of inflation
21. Lack of political goodwill

Wanja Enterprises

Balance Sheet

As at 7th October 2021

Current assets Capital 120,000

Stock 40,000 Loss (100,000) 1,100,000

Bank 100,000 Short term liabilities

Cash 70,000 Creditors 250,000

Debtors 150,000

1,350,000 1,350,000