**Term 2 - 2022**

**BUSINESS STUDIES (565/1)**

**FORM FOUR (4)**

**Time: 2 Hours**

**Marking Scheme**

**ANSWER ALL QUESTIONS IN THIS PAPER**

1. **Outline four benefits that consumers get from warehousing. (4mks)**
* *Consumers are assured of a steady supply of goods*
* *They are assured of quality goods and stable prices.*
* *They get goods in convenient quantities*
* *They are able to get a variety of goods*
* *Are able to choose the right goods where they are branded or blended*
1. **Name the business document that each of the following descriptions refers.(4 Marks)**

|  |  |
| --- | --- |
| Description | Document  |
| a)It is used to correct an overcharge in an invoice | **Credit note** |
| b)It is used to alert the buyer that ordered goods are on the way | **Advice note** |
| c)Summarize all monthly credit transactions between regular buyer and seller. | **Statement of account** |
| d)It is a reply to an inquiry which contains descriptions, illustrations, terms of sale and prices of goods | **Catalogue** |

1. **Outline four reasons why a business person may prefer written communication to verbal communication. (4mks)**
* *Can be re-read over again for better understanding/cannot be distorted*
* *Can be used for reference purposes*
* *Can be reproduced*
* *Can be used as evidence in the law court*
* *Can be used to convey confidential matters/information*
1. **Outline factors that may lead to a shift in the supply curve to the right. (4mks)**
* *Reduced cost of production*
* *Favorable climate conditions/ inseason*
* *Increase in the price of jointly produced production*
* *Favourable government policy*
* *Entry of new firms into the market.*
* *Reduced incidence of industrial strikes*
* *Availability of factors of production*
* *Future expectations of a fall in price.*
1. Using a tick(√) indicate the effect of the following transactions on capital (4mks)

|  |  |  |  |
| --- | --- | --- | --- |
| Transaction  | Increase  | Decrease  | No effect  |
| a)Withdrew cash for personal use |  | √ |  |
| b)Used personal savings to buy stock | √ |  |  |
| c)Paid a creditor by cheque |  |  | √ |
| d)Bought office furniture in cash |  |  | √ |

1. Omamo a trader had the following assets and liabilities on 1st February 2020.

*Omamo Trader*

*Balance sheet*

*As at 2nd February 2020*

 *sh sh*

*Stock in trade*

*(25,000 + 15,000) 40,000 Capital 120,000*

*Trade debtors Add capital gain 10,000*

*(20,000 – 10,000) 10,000 130,000*

*Bank(5,000 +10,000) 15,000 Total Creditors*

*Cash 90,000 10,000 + 15,000 25,000*

 *155,000 155,000*

***10* x *½ = 5mks***

***NB: Correct total on both sides one tick √***

1. **State four external factors that may positively influence the operation of a business.(4mks)**
* *Fair competition/lack of competition*
* *Use of appropriate technology in production*
* *Stable political environment*
* *A favourable legal framework/favourable government policies such as low taxes*
* *Reliable supply systems*
* *Well developed physical facilities/infrastructure*
* *Increasing/high population*
* *Favourable social cultural environment*
* *Enhanced security*
* *Positive publicity by media houses.*
1. **Outline four circumstances when the government may introduce regulatory measures to protect consumers from exploitation by business people.**
* *Where standards for operating business a low/unhealthy*
* *Where hearding is taking place*
* *Where there unsafe buildings*
* *Where customers are being charged unfairly high prices*
* *Where false advertising is taking place*
* *Where there are rampant branch of contract*
* *Where customers are being exploital on weights and measurements*
* *Where there is need to enforce trading laws*
1. **State four features of a perfectly competitive market (4mks)**
* *Large number of buyers and sellers*
* *Buyers and sales have perfect knowledge e.g market ……*
* *There is no government interference*
* *No transport costs are incurred*
* *There is free entry and exit by firms*
* *The products are identical*
* *There is no excess demand/ supply*
* *There is uniformity of buyers and sellers*
* *Both the buyers and sellers are price takers*
1. **Factors that may cause demand- pull inflation to occur in a country (4 Marks)**
	1. *Increased government expenditure*
	2. *Increase in population*
	3. *Expectation of price increment*
	4. *General shortage of goods and services*
	5. *Increased credit creation by commercial banks*
	6. *A fall in savings*
	7. *Increased in money incomes*
2. The following transactions relate to Salim traders

**GENERAL JOURNAL**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date Feb: 2020 | Particulars | Folio  | Debit  | Credit  |
| *15th*  | *Recovery motors* *Vehicle* *(Sale of vehicle on credit)* | *S.L* | *150,000* | *150,000* |
| *20th*  | *Sewing machine* *Singer limited* *(Purchase of sewing machine on credit)* | *G.L**P.L* | *50,000* | *50,000* |

1. **State four demerits that are associated with water transport.**
* *Relatively slow – hence unsuitable for transporting perishable and urgently required goods.*
* *Limited availability – since its only applicable where large water bodies are available and in places with navigable rivers*
* *Water ways may be affected by adverse weather conditions such as storms which hinder movement of water vessels*
* *High costs to construct and maintain /expensive to construct ports etc. unaffordable to many/some countries*
* *May lack flexibility – Door to door facilities may not be available/some follow fixed schedules/routes*
* *May be prove to piracy – leading to huge losses and increased insurance costs*
* *High cost of unit of carriage vessels. Thus unaffordable to many*
1. **State four advantages of an open office layout to an organization (4mks)**
* *Easier to communicate*
* *Supervision is enhanced*
* *Resources are evenly shared*
* *Saving on space*
* *Easier/cheaper to construct*
* *Enhance interpersonal relationship*
* *Workflow is made easy*
* *Service delivery is enhanced*
* *Reorganization is easier/cheaper*
* *Cheaper to decorate*
* *Cheaper to maintain*
* *Optimum use of resources.*
1. **Features private limited company (4 Marks)**
2. *Shareholders have limited liabilities*
3. *Managed by a minimum of 1 director*
4. *Owned by a minimum of 1 (or 2) to a maximum of 50 shareholders*
5. *Does not advertise its shares to the public*
6. *Share transfer is restricted*
7. *Not required to publish its financial reports*
8. **Open relevant ledger accounts using the following information (4 Marks)**

|  |
| --- |
| Dr Capital A/c Cr |
|  |  1.2.2011 cash 10,000✓ 1,2,2011 Bank 50,000✓ |

|  |
| --- |
| Dr Cash a/c cr |
| 1.2.2011 capital 10,000✓4.2.2011 Bank 2,000✓ |  |

|  |
| --- |
| Dr Purchases a/c cr |
| 2.2.2011 LK Trdaders 5,000✓ |  |

|  |
| --- |
| Dr LK Traders a/c cr |
|  |  2.2.2011 purchases 5000✓ |

|  |
| --- |
| Dr Bank a/c cr |
| 1.2.2011 Capital 50,000 |  4.2.2011 Cash 2000✓ |

(8x1/2 = 4 mks

1. **Outline four circumstances where personal selling is appropriate.**
* *When the product requires demonstration. Example technical products*
* *When the market is concentrated in one area e.g bank sales representative will go to institutions like school to sell their products.*
* *Where the organization has resources since personal selling is expensive to various expenses incurred.*
* *Where the product is new in the market, hence awareness creation persuasion and convincing is necessary*
* *Where a product is customer tailored that is where products are made to meet specific needs of customers who have different tastes and preference*
1. **Benefits that a firm may enjoy by preparing a business plan.**
* *Source of finance/capital/loans/credit – can be used to convince financial institutions investors to fund the firms operation*
* *A tool for evaluation – it can be used to determine whether the firms is achieving it’s goal/objectives/helps make necessary adjustment. It can be used for structuring the implementation of the firm’s activities /functions*
* *A tool for planning/organizing/directing/staffing/co-ordinating/budgeting/communication/controlling*
* *Gives the firm a competitive edge – it enables the firm to get better understanding of the market of competitors*
* *Enhances efficiency in the use of resources – (of the firm) ensures that the resources available are allocated/used in the best way possible without waste fullness*
* *Motivational tool – it inspires management/employees – creates teamwork. In accomplishing the objectives of the firm.*
* *Framework/blueprint/road map for implementing a new business thus assisting management in decision/ actions on a day to day basis.*
* *Increasing tool for analyzing possible strengths/weakness/opportunities/threats/unforeseen circumstances/ministries impact of disruptions*
* *Evidence proof of commitment (by the owner)who will devote his/her efforts to the success of the business/who is forced to think clearly through the business idea before starting it.*
* *A tool for testing business idea to determine whether it can succeed/not succeed.*
* *Adaptability tool – created room to cope with changing/prevailing circumstances/situations*
1. **Highlight four forms of economic integration (4 Marks)**
* *Free Trade Area*
* *Preferential Trade Area*
* *Customs Union*
* *Common Market*
* *Economic Union*
1. **A business had the following record for the year ended 31st December 2018**

*Final = Opening + Net + Additional – drawings – Net*

*Capital capital profit investments*

*64,000 = 42,000 + 14,000 + Ai – 18,000*

*64000 = 38,000 + AI*

*Additional = 64,000 – 38,000*

*investments*

*Ans = Shs. 26,000*

1. **Principles that guide a government in spending public finance**
	* *Maximum social benefit*
	* *Efficient allocation (wealth distribution)*
	* *Proper financial management*
	* *Flexibility –allow changes*
	* *Economy in spending*
	* *Surplus /reserve*
2. **Negative implications of ageing population in a country**
* *Low labour supply/shortage of labour/manpower*
* *High dependency burden as majority are 65years and above*
* *Strain on economic resources to carter for the welfare of the aged eg health and homes*
* *Low standards of living /low per capita income since national income is spread over a large non-productive population.*
* *Rigidity to change*
* *Less progressive/low/savings and low investment*
1. **State four errors which may affect the agreement of a trial balance**
* *Single entry for a transaction in the account*
* *Overcasting entry in an account*
* *Under costing entry in the account*
* *Wrong balance of an account/error of additional/arithmetical error*
* *Posting a balance on the wrong side of the trial balance*
1. **The following information relates to Mumbua traders for the year ended 31st April 2020.**

**Gross profit**

1. Margin = Gp x 100

 Sales

Gp = 25 x100

920,000

 100 Gp = 920000 x 25

 100 100

 Gp = 230,000 1 mk

ii) **cost of sales**

 sales – Gp = 920,000 – 230,000

 = 690,000 1mk

iii)**Purchases for the year**

 COGS = OS + P + CI– RO – CS

 690,000 = 150,000 + P – 230,000

 = 770,000 1mk

iv) **Net profit**

Gp – expenses

 230,000 – (15 x 920000) = 230,000 – 138,000

 100

 = 92,000 1mk

1. **Money transfer facilities offered by commercial banks**
* *Cheques*
* *Credit transfer*
* *Bank drafts/bankers cheques*
* *Standing orders*
* *Telegraphic transfers*
* *Debit cards*
* *Electronic funds transfer*
1. **Problems encountered at the plan implementation stage in economic planning and develop**
* *Reliance on donor funding*
* *Lack of domestic resources*
* *Failure to involve local people in planning*
* *Occurrence of natural calamities*
* *Over ambitious plans*
* *Lack of co-operation among the executing parties*
* *Effects of inflation*
* *Lack of political goodwill*