**BUSINESS STUDIES**

**FORM FOUR END OF TERM 2 EXAMINATION**

**PAPER: 1**

**MARKING SCHEMES**

1 Services offered by commercial bank to its customers

* Acceptance of deposits
* Safeguarding valuable items
* Advancing loans and overdrafts
* Advisory services on financial matters
* Trustee service

**2 Goals of development to a country**

* Alleviation of poverty
* Provision of security
* Alleviation of unemployment
* Improvement of infrastructure
* Alleviation of illiteracy
* Maintenance of political sustainability .

**3 Sources of public finance**

* Taxes
* Loans
* Fines
* Licences
* Fees
* Treasury bonds and bills.

**4 Basic concepts of population**

1. Optimum population
2. Fertility rate/birth rate
3. Declining population
4. Ageing population

**5 Benefits of a bonded warehouse to the government**

* Source of data for planning purposes
* Source of revenue
* Enable check of quality for goods
* Enable verification of documents for goods transit

**6 Benefits of personal selling to a trader**

* Its personal nature, nothing is persuasive as personal communication.
* Flexible, marketer is able to meet the needs of each individual.
* Through asking and answering questions the sales person is able to clarify issues.
* Sales person can demonstrate the use of a product.
* Gives the buyer an opportunity to negotiate.

7 Factors that may cause the supply curve to shift to the right

* Reduced cost of production
* Bumper harvest
* Increase in the price of complementary goods
* Government incentives
* Reduced prices of substitute goods
* Improved production methods.
* Entry of new firms to the market.

8 Measures that a country can take to reduce the level of inflation.

* Increase in income taxes to reduce the disposable income available to consumers
* Reduce government expenditure
* Introduce compulsory saving schemes
* Reduced exports
* Enforce wage guidelines
* Increase interest rates on loans

**9 Characteristics of an efficient tax system**

* Equity
* Economical
* Convenient
* Certainty
* Flexibility
* Diversity
* Difficult to evade

**10 Meaning of the following forms of sales**

L O C O – The price of goods quoted at the exporters warehouse/premises.

C I F – Cost insurance and Freight included up to the port of entry

F A S – Free alongside shop- Cost incurred on goods up to the point where they are ready to be loaded into ship.

F O Q – Free on Quay – means the price quoted included all costs incurred up to the quay.

***11(a) Capital owned***

Capital owned = Initial capital + Net profit – drawing

90,000 + 15,000 – 5,000

= 100,000

***11(b) Acid Test ratio***

Acid test ratio = Current Assets – Stock

Current liabilities

40,000 – 20,000 = 1:1

20,000

**12 Circumstances under which a firm may be located near the source of raw materials**

* When raw materials are heavy and bulky and makes cost of transport high.
* The nature of raw materials
* Perishable raw materials
* If the raw materials are bulky
* If the raw materials are in the same location with the markets.
* If it is the government policy.

**13 Assumptions associated with perfect competition**

* Large number of sellers and buyers exist in the market
* Production of identical (homogenous ) products by different firms.
* There is no government interference.
* There is free entry and exit from the industry
* Uniformity of buyers and sellers

**14Equilbrium Price and Quantity**

Where Qde = 4p + 50 and Qse = 8p + 30

4p + 50 = 8p +30

50-30 = 8p-4p

5= p

Equilibrium Price = 5

Equilibrium Quantity = (5 x 4) + 50 = 70

**15 Features of liner**

* Ferry passengers or cargo
* Follow a regular timetable or schedule
* Call at ports at regular intervals.
* Follow a regular route.
* Form associations and conferences to protect themselves against unfair competition.
* Charge fixed freightage and fare regardless of demand.

**16 Characteristics of Money**

* Must have general acceptability
* Should be limited in supply
* Should be divisible into smaller units
* Should be portable.
* Should be durable enough to last a long time.
* Should be stable
* Should be easily recognisable.

**17 Reasons why it is necessary for a country to control imports**

* In order to protect the infant domestic industries.
* To avoid dumping of goods into the country.
* To correct balance of payment deficit
* In order to raise revenue
* To protect key industries.

**18 Features of economic resources**

* They are limited in supply.
* They have monetary value
* They have ability to create utility when combined.
* They are unevenly distributed from region to region, country to country etc.
* Some can be transferred from one person to another.

**19 Methods of controlling inflation**

* High taxation
* Encouraging the public to save their money
* Monetary policy whereby the government reduces the amount of money in circulation.
* Credit squeeze through the central bank.
* Administrative control.

**20 Reasons why government levies taxes on citizens**

* To raise government revenue
* To discourage consumption of certain commodities
* To discourage dumping
* To protect local industries from foreign competition.
* To discourage location of firms in certain areas.
* To bridge the gap between the rich and the poor.

**21 Benefits of operating a small retail outlet**

* Small capital required
* Personal attention is given to customers
* Operations are flexible
* There are fewer legal formalities.
* Profits do no have to be shared
* Decision making is faster
* Business secrets can be maintained.

**22 Use of a three column cash book**

* Records income received in cash or through the bank.
* Records payments in cash or through bank .
* Details discounts allowed and discount received.
* Show the opening and closing cash and bank balances.

**23 Features of a good filing system**

* Should occupy less space (ie) should be compatible
* Should be simple and easy to understand (simplicity)
* Should protect documents from hazard such as theft, water fire and pests
* Should be capable of expansion(elastic)
* System should be appropriate to the organisation requirement
* The initial and maintenance costs should be affordable by the organisation.
* Should be cost effective.

**24 Advantages of a current account**

* Bank overdraft can be enjoyed.
* Money can be deposited any time.
* Withdrawals can be made anytime.
* No minimum balance is required
* Cheque facilities are provided for making payment

**25 Features of a chain store**

* Branches are coordinated from a head office.
* Have standardised prices in all branches.
* Purchasing of stock is done collectively for all branches
* Advertising is done collectively for all branches.