**BUSINESS STUDIES PAPER 1 MARKING SCHEME**

**DECEMBER EXAM 2021**

**FORM FOUR**

1. Highlight four benefits that a community should derive from a manufacturing firm. (4mks)
* Provision of job opportunities.
* Proper disposal of waste products.
* Provision of safe and healthy working place.
* Conservation of environment.
* Production of safe products.
* Participating in community programs.
1. State four ways in which corona virus pandemic has negatively affected business activities.(4mks)
* Regular absenteeism of workers.
* Lose of skilled labour.
* Low productivity due to ill health.
* Increase in dependency ratio.
* Market loss.
* More resources being used to provide care for Covid 19 patients.
1. Highlight four ways in which a firm can improve the productivity of its human resources. (4mks)
* Giving promotions to deserving workers.
* Allowing workers to take part in some decisions making.
* Training the workers.
* Remunerating the workers according to their jobs.
* Providing proper working tools and equipment.
1. Classify each of the following production activities as either primary, secondary or tertiary. (4mks)

Digging clay soil – Primary

Construction of a bridge – Secondary

Growing vegetables – Primary

Transportation of medicine – Tertiary

1. Identify four gaps that may create a business opportunity in the market. (4mks)
* Poor services being offered.
* Insufficient quantities.
* Unaffordable prices.
* Unavailability of products.
* Poor quality products being offered.
1. Highlight reasons that would make an organization use cell phones for communication within and outside the organization. (4mks)
* One gets immediate feedback
* It is fast and can be used to send urgent messages.
* There is personal appeal.
* The sender has a great opportunity to convince and persuade the recipient.
* It is not very expensive for making calls for a short duration of time.
1. Give four reasons that make warehousing a vital aid to trade. (4mks)
* It ensures steady flow of goods.
* Buyers can inspect goods before they can buy them.
* Some goods stored in warehouses improves in quality.
* Ensures stability in prices of goods.
* Warehousing ensures continuous production.
* Goods stored in warehouses can be prepared for sale.
1. Highlight four features of insurable risks. (4mks)
* Possibility of the risk taking place must not be near certainity.
* There has to be larger number of similar risks.
* The insured must have insurable interests.
* Risks must be accidental.
* The risk must lead to a loss that is measurable in monetary terms.
* The value of the insured item must be easily determined.
1. State four circumstances under which a producer of a product may use personal selling to promote a product. (4mks)
* When launching a new product.
* When the product is tailored to meet customers specification.
* Where demonstration is required.
* When business can afford to finance the sales force.
* When the value of the product is high.
* When the market is concentrated in one area.
1. Give four benefits of operating a small scale business over a large scale. (4mks)
* Easy to raise capital to start the business.
* The business is highly flexible.
* Quick decision making.
* Able to keep top business secrets.
* Exposed to fewer risks due to their small sizes.
* Require less legal procedures during formation.
1. Identify four benefits that may lead to an increase in the level of national income of a country.(4mks)
* Availability of human resources.
* Good entrepreneurial culture.
* Increased foreign investment.
* Good governance/political stability.
* Availability of natural resources.
* High levels of technology in production.
1. Outline four ways in which a youthful population may be useful to an economy. (4mks)
* Less expenditure on social security.
* Wider market for goods meant for the youth like clothing.
* Guaranteed continuous supply of labour.
* Flexibility and adaptability to technological changes which improve production.
* Faster growth of some sectors like the music, fashion and fast food industries.
* Increased innovation due to their adventurous nature.
1. The following transactions relate to Jelimo stores;

October 10th 2015 Sold unused stationery for 3,000 on credit to K. Likia.

October 23rd 2015 Bought a motor vehicle on credit from Wamalwa motors 700,000.

*Required*

Record the above transactions in the general journal given below. (4mks)

**JELIMO STORES**

**GENERAL JOURNAL**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Particulars** | **Folio** | **Dr** | **Cr** |
| 2015 October 102015 October 23 | K. Likia A/C Stationery A/C (being a sale of stationery on credit)Motor vehicle A/C Wamalwa motors A/C (being a purchase of motor vehicle on credit) |  | 3000700,000 | 3000700,000 |

1. Identify the ledgers in which the following accounts are kept. (4mks)

 **Account Ledger**

1. Machinery General
2. Capital Private
3. Pendo (debtor) Sales
4. Rent Nominal
5. Fill in the missing figures on the table below. (4mks)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | FIXED ASSETS | CURRENT ASSETS | CAPITAL | LIABLITIES |
| a | 275,500 | 155000 | 315,000 | 115,500 |
| b | 182,000 | 108,700 | 73,600 | 217,100 |
| c | 138600 | 76,400 | 123,100 | 91,900 |
| d  | 313,450 | 211,340 | 189,170 | 335,620 |

1. Describe four channels that may be used to distribute imported products. (4mks)
* Foreign producer Foreign agent Local wholesaler Local consumer
* Foreign producer Foreign agent Local consumer
* Foreign producer Local retailer Local consumer
* Foreign producer Local wholesaler Local retailer Local consumer
* Foreign producer Local wholesaler Local consumer
1. Outline four reasons why banks current account is popular with traders. (4mks)
* The traders can withdraw money at any time without notice.
* There is no minimum balance required in the account.
* Traders can arrange for overdraft facilities with the management of the bank.
* Cheques are used for payments instead of cash.
* The bank can pay on behalf of the traders e.g. by use of standing orders.
1. Outline four benefits of proper filing to an organization. (4mks)
* Vital documents will be kept for future reference.
* Helps to keep the documents neat.
* Documents are kept safe from damage/loss
* Easy retrieval and accessibility of documents.
* Aids in keeping the office tidy/neat.
* Limits accessibility of documents to only authorized personnel.
1. Identify any four characteristics of a monopolistic competitive market. (4mks)
* There is large number of buyers and sellers who act independently.
* Incur huge selling/promotional costs.
* Buyers and sellers have perfect knowledge of the market.
* There are no barriers to entry or exit from the market.
* The sellers offer similar products that are only differentiated.
* No single firm has control over the factors of production.
1. The diagram below shows a shift in demand curve from do do to di di

 di

 do

 do di

Identify four factors that have made the demand to shift from do do to di di. (4mks)

* Future expectation in increase of price.
* Increase in population.
* Positive tastes towards the product.
* Increase in price of complementary products.
* Increase in consumer income.
1. Outline four limitations of containerization. (4mks)
* May not be suitable for goods with irregular shapes.
* Not suitable for transporting small qualities of goods.
* Contributes to unemployment since containers are capital intensive.
* Requires special handling equipment which may be expensive.
* Containers are expensive and this increases the cost of transporting goods.
1. The following balances were extracted from the books of Wema traders on 30th October 2020.

Cash 20,520

Bank – 160,230

Premises – 800,000

Debtors – 40,000

Creditors – 62,000

2 year loan – 40,000

Stock – 2,500

Prepare a balance sheet. (4mks)

WEMA TRADERS

BALANCE SHEET

AS AT 30TH OCTOBER 2020

|  |  |
| --- | --- |
| FAPremises 800,000CACash 20,520Bank 160,230Debtors 40,000Stock 2,500 **1,023,250** | Capital 921,250Long term liabilities 2 year loan 40,000Short term liabilitiesCreditors 62,000 **1,023,250** |

1. State four causes of cost push inflation. (4mks)
* Rise in wages and salaries.
* Increase in taxes.
* Increase in profit margins by businesses.
* Increase in cost of inputs other than labour.
* Reduction in subsidies by the government to business.
1. Highlight four problems encountered in the process of implementing development plans. (4mks)
* Shortage of qualified manpower/personnel
* Political interference/lack of political support or good will.
* Natural calamities/unforeseen occurrence.
* Reliance on donor funding.
* Local people are not involved in planning.
1. Outline four roles of stock exchange market in the development of the Kenyan economy. (4mks)
* Facilitates the selling of shares.
* Facilitates the buying of shares.
* Provides useful information to investors.
* Promotes culture of saving.
* Helps to create employment for example brokers.
* Avails a variety of securities/shares to investors.
* Safeguard the investors’ interest.
* A source of revenue to the government.