**MINCKS GROUP OF SCHOOL**

**FORM FOUR**

**565/1**

**BUSINESS STUDIES**

**MARKING SCHEME**

1. **Ways in which the utility of a product can be increased.**

* By changing its location/transporting to different places
* By changing its ownership/through exchange/selling/trade.
* By changing its form/manufacturing/processing/construction.
* Through warehousing/storage.

***An 4 x 1 = 4mks***

1. **Disadvantages of operating an enclosed office layout.**

* It is costly to construct/maintain
* There is no close supervision of workers
* Encourages absenteeism.
* Encourages laxity in an office.
* A lot of time is taken by workers moving from one office to another.
* Possible misuse of office facilities/equipments
* Does not economize on floor space.
* Not flexible in terms of redesigning/resign
* Slowed work flow.
* May lead to breakdown of communication among members of staff

***Any 4 x 1 = 4mks***

1. **Reasons why Countries may decide to trade with each other.**

* Exchange their surplus
* To acquire quality goods.
* To acquire variety of goods
* To enhance factor mobility
* To enhance international relation
* To exchange skills and knowledge of producing certain goods and services.
* Acquire goods they are unable to produce.
* To acquire foreign exchange.
* To create employment.
* When it is cheaper to import
* To exploit resources optimally

***Any 4 x 1 = 4mks***

1. **Functions of the Central Bank of Kenya.**

* Issue of currency
* Banker to commercial banks
* Banker to the government
* Maintains an account for foreign exchange services
* Managing public debt.
* Adviser to the government
* Control of commercial banks
* Lender of last resort.
* Acts as a link to other Central banks
* Credit control.

***Any 4 x 1 = 4mks***

1. **Trading account for the month ending 31st January 2019**

Margin = ⅕ mark up ¼

C.O.S = 200,000 + 500,000 - 300,000 = 400,000

Mark-up = GP GP = ¼ x 400,000 = 100,000

Cost of sales

**Odhiambo**

**Trading a/c**

**For the month ending 31/01/2019**

|  |  |
| --- | --- |
| Opening stock 200,000√  Add: Purchases 500,000√  COGAFS 700,000√  less: Closing stock 300,000√  C.O.S 400,000√  GP. c/d 100,000√  **500,000** | Sales 500,000√    **500,000**  G.P b/d 100,000√ |

***8 x ½ = 4mks***

1. **Indicators of Economic development.**

* Improvement in health facilities
* Low rate of unemployment
* Increase in skilled manpower.
* Use of modern technology in production
* Improved life expectancy
* Reduced infant/mortality rate
* More equitable distribution of income.
* Reduction of illiteracy.
* Shift from Agriculture to manufacturing sector
* Improvement of entrepreneurial ability.
* Increase and improvement of institutions that handles new method of production.

***Any 4 x 1 = 4mks***

1. **Consequences that may arise due to poor arrangement of goods in a warehouse.**

* Damage/breakage of goods.
* Pilferage/theft of good.
* Wastage of time when searching for the required goods.
* Uneconomical/wastage of space in the warehouse
* Possible loss of government revenue in bonded warehouse
* Increased overhead costs.

***Any 4 x 1 = 4mks***

1. **Positive effects of inflation**

* Increased production in order to maintain living standard.
* Better utilization of available resources.
* Motivates people to work harder.
* Debtors may pay less in real terms.
* Sellers may earn more.

***Any 4 x 1 = 4mks***

1. **Circumstances when manufacturers would market research.**

* Where he wants to determine the competition level and how to face it.
* Where there is need to establish the best price that will suit the consumer.
* Where he intends to find the best method of distributing goods.
* Where the product is new.
* Where he wants to establish the best packaging of goods.
* Where he intends to establish the best method of producer promotion.

***Any 4 x 1 = 4mks***

1. **Factors determining the amount of revenue collected by the Kenyan Government through taxation.**

* Distribution of incomes/gap between rich and poor
* Social and political factors.
* Honesty and efficiency of the tax authorities.
* Citizens level of real income.
* Economic structure of the Country/vector/tax base.

***Any 4 x 1 = 4mks***

**Shiku Traders**

**Balance sheet**

**As at 30th June 2010**

|  |  |
| --- | --- |
| Machinery 450,000√  Stock 60,000√  Debtor 120,000√  Bank 180,000√  Cash 70,000√  **880,000** | Capital 550,000√  5 years loan 290,000√  Creditor 60,000√  **880,000** |

8 x ½ mks

1. **Factors to consider when evaluating business ideal opportunity**

* Availability and size of market
* Profitability of the investment
* Legal requirements
* Possibility of growth of the business
* Ability to cope with competition.
* Ability to adopt technology
* Adequacy of resources necessary for operating the business
* ***Any 4 x 1 = 4mks***

1. **Mwaniki Traders cash book**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Details | Disc All. | Cash | Bank | Date | Details | Disc. Rec. | cash | bank |
| 1/1/06  16/1/06 | Balance b/d  Sales  Bal b/d | 700√  **700** | 180,000√  13300√  **193,300**  193,300 | 170,000  √  **170,000**  145,000 | 10/1/06  16/1/06 | ABM traders  Bal. b/d | 1000  √  **1000** | √  193,300  **193,300** | 25,000√  √  145,000  **170,000** |

8 x ½ = 4mks

1. **Errors**

* Error of omission
* Error of complete reversal of entries.
* Error of principle
* Compensation errors.

***4 x 1 = 4mks***

1. **Factors that determine the amount of money held.**

* Level of income
* Family status
* Age of an individual
* Number of dependant
* Individuals temperament/attitude towards life.
* Duration between incomes

***Any 4 x 1 = 4mks***

1. **Factors determining size of country’s national income**

* Labour supply
* Capital/man-made resources
* Entrepreneurship
* Lan/natural resources.
* Level of technology
* Political stability/type of governance
* Attitude of citizens towards work.
* Foreign investment.
* Size of the subsistence sector

***Any 4 x 1 = 4mks***

1. **Ways in which the nature of a product influences the choice of a distribution channel.**

* Perishable goods require the shortest channel
* Bulky goods require shorter channels
* Highly valuable goods require short channels
* Technical goods require short channel than light goods.

***Any 4 x 1 = 4mks***

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1. **Documents issued**

* Invoice /invoice issued/outgoing invoice
* Debit note/debit note issued
* Receipt/receipt issued
* Credit note/credit note issued.

***Any 4 x 1 = 4mks***

1. **Why the Kenyan government has been organizing seminars and workshops for training youths in business.**

* Expose them to modern development in business
* Educating them on efficient methods of operating business
* To imprt proper business ethics.
* Inform them on profitable business opportunities available
* Educate them on government policies on business activities
* Expose them to problems facing them and the possible solutions.

***Any 4 x 1 = 4mks***

1. **Ways in which the legal political environment may improve business performance.**

* Improved infrastructural network may attract more businesses
* Political stability may make it attractive
* Increased subsidies lower costs of production
* Reduced taxes may attract more businesses
* Abolishing price controls enable businesses to get better profit margins.
* Favourable legislation reduces bureaucratic procedures

***Any 4 x 1 = 4mks***

1. **Differences between a Public limited company and a partnership.**

|  |  |
| --- | --- |
| Public Limited Company | Partnerships |
| (i)minimum of 7 shareholder and no maximum number of shareholders | (i) Performed between 2 – 20 Partners except for special partnership |
| (ii)shareholders have limited liability | (ii)partners have unlimited liabilities except for limited partners |
| (iii)has perpetual life | (iii)limited life |
| (iv)invite public to subscribe for its shares | (iv)over not invited public to subscribe |
| (v) Managed by a board of directors | (v) Managed by partners themselves |
| (vi) Governed by articles and memorandum of association | (vi)Guided by the partners act/deed |

***Any 4 x 1 = 4mks***

1. **Effects of shift of the demand curve to the right.**

* The price will increase.
* The quantity demanded will increase
* Equilibrium quantity shift to the right/increases
* The equilibrium price shift upwards/increases
* Equilibrium point shift upward to the right.

***Any 4 x 1 = 4mks***

1. **Reasons why bill boards are popular in product promotions.**

* They are positioned at strategic positions where they can be accessed by many people.
* The advertising message is not heavily worded thus making it possible to be remembered easily.
* They convey a message for a long time.
* They are conspicuous hence attractive to the audience.
* They can convey a message to the illiterate because off use pictures.

***Any 4 x 1 = 4mks***

1. **Measures that a government may take to correct a balance of payment deficit in the Country**

* Increasing to volume of export
* Decreasing volume of import
* Devaluation of a country’s currency.
* Diversification of exports
* Encouraging foreign investment into the country
* Restricting capital outflow.
* Deflation on of the economy
* Selling government investments abroad.

***Any 4 x 1 = 4mks***

1. **Benefits that may enjoyed by a Country that is experiencing over- population.**

* Wide market for goods and services
* Better utilization of resources
* Creates a pool of resources
* Enhance creativity and innovation
* Stimulates investments
* Promotes labour mobility

***Any 4 x 1 = 4mks***