**MUMIAS WEST JOINT EVALUATION TESTS 2022**

**BUSINESS STUDIES**

**PAPER 565/1**

**JUNE – 2022**

**MARKING SCHEME**

1. **Characteristics of Services (4 marks)**
2. They are intangible
3. They are inseparable from those providing them
4. Services are highly perishable
5. Quality of services cannot be standardized.
6. Price paid for services is for experience but not for ownership.
7. They can’t be seen
8. **Levels of Production**
9. Tertiary level
10. Primary level
11. Secondary level
12. Secondary level
13. **Types of business activities**
14. Extraction
15. Processing
16. Manufacturing
17. Construction
18. Distribution of goods
19. Trade
20. Provision of services
21. **Benefits that accrue to an entrepreneur who prepares a business plan. (4 marks)**
22. He/ she is able to allocate/ distribute resources well
23. He/ she is able to avoid mistakes
24. He/ she is able to get finances easily from the financiers, e.g. banks.
25. He/ she is able to compare and assess business growth from time to time
26. It is a motivating factor as a result of achieving goals and objectives.
27. **Differences between ordinary shares and preference shares. (4 marks)**

|  |  |
| --- | --- |
| **Ordinary shares** | **Preference shares** |
| 1. Have voting rights | No voting rights |
| 1. Receive dividends last | Receive dividends first |
| 1. Do not have a fixed rate of dividends | Have fixed rate of dividends |
| 1. Have a claim to business assets upon dissolution | Have no claim to business assets upon dissolution |
| 1. Non cumulative | Cumulative or non-cumulative |

1. **Reasons why the government issues licenses to business people. (4 marks)**
2. To collect/ raise revenue/ income
3. Regulate unfair competition
4. Control harmful products being sold to the consumers
5. Regulate illegal businesses
6. Control goods leaving and entering the country
7. Ensure those engaged in business meet the professional requirements
8. Ensure that traders engage only in trade activities that they are licensed for.
9. **Factors that would influence the amount of money held by an individual for transaction purpose. (4 marks)**
10. Individual’s level of income
11. Individual’s spending habits
12. Prices of commodities
13. Interval between receipts of income
14. Availability of credit
15. **Factors that may lead to the success of business. (4 marks)**
16. Presence of good infrastructure /well developed
17. Proper allocation of resources
18. Relevant entrepreneurial skills
19. Use of modern technology
20. Availability of market
21. Availability of capital
22. Good customer relations
23. Favourable government policies.
24. Proper time management.
25. **Circumstances when pipeline would be more preferred as a means of transport. (4 marks)**
26. When high volume of fuel is needed
27. When traffic jam needs to be avoided
28. When less labour is needed
29. Where there is need to maintain roads
30. Where there is need to minimize/ avoid road accidents
31. Incase supply is needed continuously
32. Where there is need to control environmental pollution.
33. **Name four source documents which are used to provide information used to make entries in the books of accounts. (4 marks)**
34. Invoice;
35. Receipt;
36. Credit note;
37. Debit note;
38. Payment voucher.
39. **Complete the table below for business W, X, Y and Z.**

|  |  |  |  |
| --- | --- | --- | --- |
| BUSINESS | ASSETS | LIABILITIES | CAPITAL |
| W | **A=950,000** | 250,000 | 700,000 |
| X | 85,000 | 30,000 | **B=55,000** |
| Y | 420,000 | **C=300,000** | 120,000 |
| Z | 600,000 | 175,000 | **D=425,000** |

1. **Benefits a trader receives from a warehouse. (4 marks)**
2. Goods are safe/ secure from being stolen
3. Able to look for transfers/ customers
4. Can prepare the goods for sale while still in warehouse
5. Can receive transport services
6. Can receive credit services
7. Customers can view the goods while in the warehouse, hence creating demand
8. Can sell goods while in the warehouse hence transfer cost of paying the expenses to the customer, e.g. customs duty.
9. **Emerging issues in communication. (4 marks)**
10. Development of paperless offices
11. Transformation of the language of *Sheng* among the youth
12. Wide use of mobile phones
13. E-mail replacing normal mails
14. Internet use.
15. **Factors that influence the fertility rate of a population. (4 marks)**
16. Economic status of population
17. Education levels
18. Health levels
19. Society’s level of morality/ social customs
20. Government policy on population
21. Political attitude towards family size
22. Natural calamities
23. Technological progress
24. Age and sex structure of population
25. Marriage role among those in productive age brackets.
26. **Expenditure items that are included in the measurement of national income using expenditure approach. (4 marks)**
27. Consumer expenditure
28. Government expenditure
29. Imports expenditure (international trade)
30. Expenditure by firms on capital goods or investments.
31. **The following information relates to Kamara Traders on 31st January 2018:**

Opening stock 40,000

Purchases 480,000

Gross profit 100,000

Mark-up 25%

Calculate:

1. **Closing stock. (2 marks)**

Markup = GP/ Cogs

25/100 = 100,000/ Cogs

Cogs = (10,0000 \* 100) / 25

Cogs = 400,000

Cogs = OS + P – CS

400,000 = 40,000 + 480,000 – CS

CS = 520,000 – 400,000

=120,000

6 ticks \* 1/3 = 2 mks

1. Rate of stock turnover for the year. (2 marks)

ROSTO = COGS/ A.S.

A.S. = (OS + CS) / 2

= (40,000 + 120,000) / 2

= 80,000

ROSTO = 400,000 / 80,000

=5 times

4 ticks @ ½ = 2 mks

1. **Ways in which the demographic environment affects the performance of the business. (4 marks)**
2. High population creates wider market
3. Large population may cause security/ moral threat to business
4. Population offers labour for business
5. Brings innovation and invention for better technological advancements.
6. May provide raw materials.
7. **Factors to consider when making a choice of channel to use in distributing locally produced agricultural products. (4 marks)**
8. Consumers/ market
9. Nature of products
10. Firm’s characteristics
11. Level of competition/ competitors
12. Marketing risks
13. Government policy
14. Middlemen cost
15. **Benefits received by a student who finished form four and had done business studies as a subject. (4 marks)**
16. Is a career subject;
17. Can be able to start and run a business;
18. Is able to appreciate the role of government in business;
19. Is able to appreciate the role of business in society;
20. Will have self-discipline;
21. Will utilize skills acquired for self-development.
22. **Indicate which accounts to be debited and which accounts to be credited from the following transactions: (4 marks)**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Transaction** | **A/c Dr** | **A/c Cr** |
|  | Proprietor took cash Sh. 18,000 and paid rent | **Rent** | **Cash** |
|  | Brought in personal table and made it to be a business asset. | **Furniture/ Table** | **Capital/ Investment** |
|  | A debtor paid Sh 80,000 by cheque. | **Bank** | **Debtor** |
|  | Transferred Sh 20,000 to a private bank account. | **Drawings** | **Bank** |

8 \* 1/2 = 4 mks

1. **Mumias West Wholesalers insured their business worth Ksh. 2,850,000 for Ksh. 2,300,000 against fire. Eight months later, fire destroyed the business leading to a loss of Ksh. 1,248,000. Calculate what the insurance company will compensate. (4 marks)**

Compensation = (Value of policy \* Loss) / Value of property

= (2,300,000 \* 1,248,000) / 2,850,000

= 1,007,158

1. **Trends and emerging issues in office management. (4 marks)**
2. More open and landscape office layouts
3. Introduction of public relations departments
4. Improved security, e.g. use of CCTV cameras
5. Extensive use of computers and computerized systems
6. Use of modern office furniture and equipment
7. Health, Safety and Exercise and breakout areas
8. Use of identification name tags.
9. **Decisions made when deciding which goods and services to produce. (4 marks)**
10. Demand/ market scope for the goods and services to produce
11. The cost of production
12. Government policies affecting production
13. Availability of resources
14. Availability of technology
15. Skills requirement
16. Financial viability
17. Return on investment.
18. **How the following utilities are fulfilled: (4 marks)**

|  |  |  |
| --- | --- | --- |
|  | **Utility** | **How it is fulfilled** |
|  | Place | **Transport** |
|  | Form | **Manufacturing/ Production/Processing** |
|  | Time | **Warehousing/ Storage** |
|  | Possession. | **Selling/ Trade** |

1. **Circumstances when a high population growth rate may be desirable. (4 marks)**
2. When large market is needed to be offered by the high population
3. When large labour is needed
4. When a pool of talents and gifts is needed
5. When there is need of utilizing resources to the maximum
6. Where there is need to improve technology