**CATHOLIC DIOCESE OF KAKAMEGA EVALUATION TEST.**

**AUG/SEPT EXAM 2022.**

***BUSINESS STUDIES PP1 MARKING SCHEME***

***1. Outline four ways in which business studies may be of benefit to an individual.***  (4mks)

* Prepares one for future career in business
* Equips the individual with skills and knowledge to manage the business
* Enables one to relate issues affecting business and its environment.
* Prepares one for further studies
* Enables one to identify business opportunities to venture into
* Makes an individual to appreciate the role of government in business
* Makes an individual disciplined and have positive attitude towards work.
* Enables one to relate issues affecting business activities taking place globally.

***2. Highlight four demographic factors that may affect the performance of a business.***  (4mks)

* Size of the population
* Population age
* Population density
* Sex
* Level of education
* Birth rates
* Death rates
* Wealth distribution

***3. Mention the factors of production to which each of the following resources relate.*** (4mks)

|  |  |
| --- | --- |
| **Resource**  | **Factor of production**  |
| 1. **Manager**
 | Labour |
| 1. **Cotton**
 | Land |
| 1. **Owner**
 | Entrepreneurship |
| 1. **Factory**
 | Capital  |

***4. Fill in the missing figures in the following table. (4mks)***

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities  | Capital  | Fixed assets  | Current assets |
| 401,400 | 640,900 | 750,700 | **W 291,600** |
| **X 445,500** | 739,200 | 925,600 | 259,100 |
| 586,800 | **Y598,550** | 980,250 | 205,100 |
| 436,000 | 340,000 | **Z 511,100** | 264,900 |

***5. The diagram below shows shift in supply curve from SoSo to SISI***

 **SI**

 **Price** **SO**

 **SI**

 **SO**

 Quantity supplied

***State four factors that may account for the above shift. (4mks)***

* Increase in cost of production
* Shortage of inputs
* Exit of firms from the industry
* Use of poor technology
* Unfavourable natural factors
* Price of other related product is low

***6. The management of Rembo traders operates an open office layout. State four advantages the management gets from this layout. (4mks)***

* Easy supervision since workers are in one room
* Low cost of establishment
* Easy to locate a worker
* Reduction in movement of workers
* Discourages absenteeism
* Equipment are easily shared
* Enhances interpersonal relationships

***7. State four differences between life Assurance and General insurance. (4mks)***

|  |  |
| --- | --- |
| **Life Assurance** | **General Insurance** |
| (a)Covers life | Cover property |
| (b)Long term contract | Short term contract |
| (c)Does not require renewal | Requires renewal |
| (d)Has surrender value | No surrender value |
| Is not a contract of indemnity  | Contract of indemnity |
| Premium paid depend on the ability by the insured | Premium paid depend on the value of property  |

***8. State four benefits that a trader may get by advertising products in a newspaper.***  (4mks)

* Convey a message for long time
* Relatively cheap
* They cover a wider geographical area
* The message is readily acceptable by the reader
* Some can be written in local dialects hence suitable for a variety of traders.

***9. Highlight four problems which may be encountered when measuring national income using output approach.***  (4mks)

* Inadequate output data
* Inaccurate data
* Problem of valuing government output
* Problem of changing prices
* Problem of deciding on wanted goods and services to include in measuring national income
* Problem of valuing illegal activities
* Problem of valuing output in the subsistence sector.

***10. Highlight the role of consumer organisations in consumer protection. (4mks)***

* Receiving complains from consumers
* Seeking legal redress against offenders
* Educating consumers on their rights
* Taking consumer complains to the relevant government bodies e.g KEBS.

***11. Maendeleo Traders had the following Assets and Liabilities as at January 2020***

Furniture 300,000

Equipment 50,000

Debtors 45,000

Cash 7,000

Creditors 48,000

For the year ended 31st December 2020 there was

(i) Additional capital introduced amounting to Sh. 34,000

(ii) Drawings made during the year amounting to Sh. 20,000

(iii) Net profit amounting to Sh 34,000

***Determine the capital of the business as at 31st December 2020.(4mks)***

C=A-L

Total Assets=300000+50000+45000+7000

 =402000

Liability=48000

C=402000-48000=354000

Capital As at 31st Dec 2020

=354000+34000+34000-20000

 =Sh 402,000

***12. Farida company has developed a new product in the market. Outline four methods that may be used to determine the price of the product. (4mks)***

* Tendering
* Hagging/bargaining
* Auction
* Forces of demand and supply – price mechanism
* Price fixing
* Price control
* Taxation

***13. Outline four current trends in the transport sector in Kenya.(4mks)***

* Dual carriage
* Electric trains
* Containerization
* Use of boda bodas
* Bi – passes
* Super highways
* Pipeline transport

***14. State four features of a parastatal. (4mks)***

* Fully owned by the government
* Formed by the act of parliament
* Initial capital is provided by government
* Directors are appointed by the government
* Has limited liability
* Separate legal entity

***15. Indicate the type of journal in which each of the following transactions would be recorded. (4 mks)***

|  |  |  |
| --- | --- | --- |
|  | **Transaction** | **Journal** |
| **(i)** | **Purchase of goods on credit** | Purchases journal |
| **(ii)** | **Sale of Machinery on credit** | General journal |
| **(iii)** | **Goods previously bought on credit** | Purchases return journal |
| **(iv)** | **Correction of an error in account** | General journal |

***16. State the type of unemployment described in each of the following:-***

(a) Where people have temporarily lost jobs and are seeking for new ones.

* Frictional unemployment

(b) Where people are rendered jobless at a certain period of the year.

* Seasonal unemployment

(c) Where people lost jobs due to change in technology.

* Structural unemployment

(d) Where people lose jobs during a period of economic recession.

* Cyclical unemployment

***17. The following balances were extracted from the books of Haraka Traders as at 30th June 2021.***

 Shs

Sales 1,400

Carriage outwards 6,000

Discount allowed 11,000

Discount received 5,000

Returns inwards 12,000

Commission received 3,000

Purchases 2,000

Bank 50,000

Cash 80,000

Debtors 20,000

Capital 150,000

Creditors 9,000

 Haraka traders

Trial balance

As at 30th June 2021

|  |  |  |
| --- | --- | --- |
| Details | Dr(shs) | Cr(shs) |
| Sales |  | 1400 |
| Carriage outwards |  6000 |  |
| Discount allowed | 11000 |  |
| Discount received |  | 5000 |
| Returns inwards | 12000 |  |
| Commission received |  | 3000 |
| Purchases |  2000 |  |
| Bank | 50,000 |  |
| Cash | 80,000 |  |
| Debtors | 20,000 |  |
| Capital |  | 150000 |
| Creditors  |  |  9000 |
|  | 181000 | 181000 |

12$×\frac{1}{3}$ (4mks)

***18. Outline four factors which may limit the effectiveness of a warehouse.***

* Unsuitable location
* Inappropriate/lack of proper equipment
* Lack of qualified personnel
* Non – compliance with law
* Inadequate space
* Poor transport network/communication system

***19. Mention the type of document described in the statements below:***

(a) A document sent with the purpose of correcting an overcharge.

* Credit note

(b) A document sent to reply to a specific letter of inquiry.

* Quotation

(c) A document sent to demand for payment of goods sold.

* Invoice

(d) A document sent to request the seller to supply goods indicated.

* Order

***20. The following information relates to Uwezo traders for the year ended 31st December 2018***

Sales 480,000

Stock (1/1/2018 60,000

Stock (31/12/2018 30,000

Margin 25%

***Determine:***

(a) Gross profit (1 mk)

Margin$=\frac{gross profit}{sales}$

$\frac{25}{100}=\frac{G.P}{480,000}$

 = Sh 120,000

(b) Cost of sales (1 mk)

 Cost of sales =sales – gross profit

480,000 – 120,000

= Sh 360,000

(c) Rate of stock turn over. (2 mks)

Rate of stock = $=\frac{cost of sales}{AV.stock}$

= $\frac{360,000}{\left(\frac{60,000+30,000}{2}\right)}$

= 8 times

***21. Outline four features of money that enables it to facilitate the exchange of goods and services. (4 mks)***

* Should be scarce
* Should be easily divisible into different denomination
* Should not be easy to forge
* Should be durable
* Should be portable

***22. Mention four circumstances under which a partnership may be dissolved. (4mks)***

* When there is a court order to dissolve
* When partners mutually agree to dissolve
* Incase of death of a partner
* If the intended purpose is complete
* When there is a change in law, rendering the partnership illegal

***23. Highlight four challenges of locating firms at a central place (4mks)***

* Causes rural – urban migration
* Causes regional imbalances
* Leads to pollution of the area
* Easy target by enemy during war and terrorism
* Health hazards due to overpopulation congestion in the area

***24. State four uses of cash book. (4mks)***

* Easy monitoring of cash flows in and out of the business
* Shows total discount allowed or discount received during a given period
* It helps in his calculation of amount of cash in hand
* Used to preserve the initial and accurate accounts of cash transactions
* It can be used to dedicate any errors has all cash transactions are recorded in the cash book.

***25. Outline four characteristics of basic wants. (4mks)***

* One cannot do without them
* They are felt needs
* They cannot be postponed
* They are satisfied before secondary wants
* They are universal