**BUSINESS STUDIES PAPER ONE**

**565/1**

**TIME: 2 HOURS APRIL 2023**

**MOMALICHE 2 CYCLE 10**

**BUSINESS STUDIES PAPER ONE**

**MARKING SCHEME**

1. Outline four benefits of entrepreneurship in a country. (4mks)

1. *Helps in raising the standards of living of the people in the country*
2. *Helps in the creation of employment in the country*
3. *Helps the country to earn foreign exchange*
4. *Provides the government with revenue*
5. *Helps in exploitation of economic resources*
6. *Helps in creation of an entrepreneurial culture*
7. *Attracts infrastructural development in areas with production units*
8. *Helps in stabilization of prices*

2. Name any four occupations that are found at the extractive level of production. (4mks)

a) *Fishing*

*b) Mining*

*c) Lumbering*

*d) Farming*

3. The table below describes goods produced in a country. Name the goods described below; (4mks)

|  |  |
| --- | --- |
| ***Description of goods*** | ***Classification*** |
| *i) Goods used to produce other goods* | ***Producer/capital goods*** |
| *ii) Goods for final use by the consumers* | ***Consumer goods*** |
| *iii) Goods offered freely by the state* | ***Public goods*** |
| *iv) Goods still in the production process* | ***Intermediate goods*** |

4. State four benefits of SACCOs to members. (4mks) .

a*) It is easier to get a loan.*

*b) Members enjoy dividends*

*c) Members’ savings are secured.*

*d) Members are charged low interest rates.*

*e) Members are subjected to fewer formalities when applying for the loan.*

*f) Upon death of a member, his or her beneficiaries receive double the savings.*

*g) A loan is written off when a member dies.*

5. Highlight four features of a parastatal.

a) *They are started under an act of parliament*

*b) They are fully owned by the government.*

*c) They are established to provide essential goods and services.*

*d)They are managed by a board of directors appointed by the government/president/minister.*

*e) Initial capital is provided by the government.*

*f) Profits generated go the government.*

*g) They have limited liability.*

*h) They maybe started as monopolies to curb wasteful competition.*

6. State the principle of insurance described in the statements given below. (4mks)

1. Restoring the insured’s financial position after suffering loss from an insured risk

**Principle of indemnity**

b) Existence of a very close relationship between the losses suffered and insured risk.

**Principle of proximate cause**

c) The insurer taking ownership of the remains of the remains of the destroyed property after the insured is duly compensated **Principle of subrogation**

d) Proof that the insured will suffer direct financial loss if the property is destroyed

**Principle of insurable interest.**

7. Give four measures that the government may take to create employment for the youth. (4mks)

a) *Adopting relevant education system.*

*b) Adopting relevant technology*

*c) Increase government expenditure*

*d) Improving infrastructure in rural areas.*

*e) Greater exploitation of natural resources.*

*f) Initiating government projects that benefits the youths*

*g) Increasing access to credit by the youth to enable them to start a business*

8. Outline four channels of distribution that a local farmer may use to distribute her farm produce locally. (4mks)

*a) Farmer → Consumer*

*b) Farmer → Retailer → Consumer*

*c) Farmer → Wholesaler → Retailer → Consumer*

*d) Farmer → Cooperative society → Marketing Boards → Wholesaler → Retailer Consumer*

9. The following is a format of the credit side of a three column cash book

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Date** |  | **(a)** | **(b)** | **(c)** | **(d)** |
|  |  |  |  |  |  |

Name the columns labeled **a**, **b**, c and **d** (4mks) ***a) Ledger folio colum***

1. ***Discount received column***

***c ) Cash (paid) column***

***d ) Bank column***

10. Give four assumptions associated with the circular flow of income in a two sector economy. (4mks)

*a) The economy is made up firms and households*

*b) There are no savings*

*c) There is no government participation*

*d) There are no injections, neither do we have leakages.*

*e) Households consume all goods produced by the firms*

*f) Households use all their incomes to buy goods and services produced by the firms.*

*g) Firms spend all their revenue in buying factors of production.*

11. State four challenges that a business without a plan will encounter in its operations. (4mks)

*a) It will not be able to raise enough capital.*

*b) It will not be able to allocate resources well*

*c) It will be difficult to identify the strengths and weaknesses of the business.*

*d) Many mistakes may be committed.*

*e) It will be difficult to determine the finances required.*

*f) Lack of motivation to workers*

*g) Lack a tool for control*

12. Outline four circumstances under which gaps in the market may be identified. (4mks)

*a) When goods and services are highly priced.*

*b) When there is inadequate supply of goods or a service*

*c) When the goods and services are of low quality*

*d) When goods and services are lacking in the market.*

*e) Where there are no aftersales services.*

13. Outline any four trends in product promotion. (4mks) a) *Extensive use of billboards.*

*b) Increased use of road shows.*

*c) Extensive use of internet in advertising.*

*d) Introduction of outdoor advertising using LCD screens,*

*e) Greater use of vernacular advertising through the various vernacular radio stations.*

*f) Use of social media*

*g) Extensive use of branded T-shirts and shirts*

14. Highlight four functions of commercial attaches. (4mks)

1. *Looking for markets for the country’s exports abroad.*
2. *Giving advice to exporters on standards required for exports.*
3. *Publishing useful information that can be used by exporters.*
4. *Organizing seminars and education forums for exporters.*
5. *Maintaining useful statistics on the volume of exports.*
6. *Organizing shows and exhibitions in foreign countries to market his or her country’s exports*

15. State four types of internal economies of scale to a firm. (4mks)

a*) Financial economies*

*b) Managerial economies.*

*c) Technical economies*

*d) Marketing economies*

*e) Research economies.*

*f) Risk bearing economies.*

*g) Welfare economies.*

16. Outline four reasons why an organization needs to file its documents. (4mks)

a) *To secure the documents.*

*b) To guarantee confidentiality of information.*

*c) To facilitate easier and faster retrieval of documents.*

*d) To enhance tidiness and orderliness in the office.*

*e) For easier future reference.*

*f) To promote good communication*

17. For each of the following source documents, name the relevant book of original entry. (4mks)

|  |  |
| --- | --- |
| **Source document** | **Book of original entry** |
| *a) Invoice issued* | ***Sales journal/ Returns inwards journal*** |
| *b) Credit note received* | ***Purchases returns journal/ Returns outwards*** |
| *c) Cheque received* | ***Cash receipts journal/Three column cashbook*** |
| *d) Invoice received* | ***Purchases journal*** |

18. Sherry traders had the following assets and liabilities as at 1stJanuary 2004

SHS Furniture 350,000

Debtors 45,000

Cash 7,000

Creditors 48,000

During the year the following were realized i) Additional capital was 24000

ii) Drawings were 20,000 iii) Net profit was 34,000

Determine the capital as at 31st December 2004 (4mks)

*Initial Capital­ = Assets – Liabities*

*Total assets = Furniture+ Debtors + Cash*

*= 350,000 + 45,000 + 7,000*

*= 402,000*

*Initial capital = 402,000 – 48,000*

*= 354,000*

*Final capital = Initial capital + Additional investment + Net profit – Drawings*

*= 354,000 + 24,000 + 34,000 – 20,000*

*= Ksh.392,000*

19. State four characteristics of money

For anything to serve as money, it must have the following characteristics:

a) Acceptability

b) Durability

c) Divisibility

d) Cognizability

e) Homogeneity

f) Portability

g) Stability in value:

h) Liquidity

i) Scarcity

j) Malleability

k) Not easy to forge

20. Calculate the gross profit given the margin of 1/6 and the cost of goods solids said to be

Sh.400, 000 (4mks)

*Mark up = 1 \_ 01   
 6-1*

*= 1/5*

*Mark up = Gross profit\_*

*Cogs*

1. *= GP 01*

*5 400000*

*5GP = 400000*

*GP = 400000 01*

*5*

*GP = Ksh.80,000 01*

21. The following information was extracted from the records of Kimani Traders for the month of January 2022. Record in the relevant book of original entry.

January 2nd: Bought a motor car on credit from Onyango enterprises worth Ksh.250,000

*Kimani Traders*

*General Journal √*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| *Date* | *Particulars* | *L.f* | *Dr (Sh)* | *Cr (Sh)* |
| *January 2nd 2022* | *Motor cars √*  *Onyango √*  *(being a record of purchase of motor car from Onyango on credit) √* |  | *250,000 √*  *250,000 √* | *250,000 √*  *250,000 √* |

*Total = 8/2 = 4marks*

22. Record the following transactions in the respective ledger accounts.

2022

January 1st: Returned goods worth sh.5000 to Mary Mount Wholesalers

‘’ 3rd: Bought goods on credit from Kanze worth sh.6000

*Dr Returns outwards Account Cr Dr Mary Mount Account Cr*

*2022 2022*

*Jan 1st Mary 5000 Jan 1st Returns 5000*

*Mount outwars*

*Dr Purchases Account Cr Dr Kanze Account Cr*

*2022 2022*

*Jan 3rd Kanze 6000 Jan 3rd Purchases* 6000

23. Show the effect of each of the following transactions on the capital, liabilities and assets indicating whether it is an increase, a decrease or no effect. (4mks)

|  |  |  |  |
| --- | --- | --- | --- |
| ***Transaction*** | ***Capital*** | ***Assets*** | ***Liabilities*** |
| *a) Converted private land into business land* | ***Increase*** | ***Increase*** | ***No effect*** |
| *b) Paid creditors in cash* | ***No effect*** | ***Decrease*** | ***Decrease*** |
| *c) Sold goods on credit* | ***No effect*** | ***No effect*** | ***No effect*** |
| *d) Sold a business van valued at Shs. 600,000 for Shs.400,000*  *Shs. 400,000 on credit* | ***Decrease*** | ***Decrease*** | ***No effect*** |

24. Outline four measures that the government may take to attract firms to an area.

*a) Provide security in the area*

*b) By giving entrepreneurs free or cheap land to construct their firms.*

*c) By providing subsidies to the entrepreneurs in that area.*

*d) By offering financial assistance to industries in that area.*

*e) By providing appropriate infrastructure in that area*

*f) By providing social amenities like schools in that area*

*g) By giving out cheap loans to entrepreneurs in that area.*

*h) By giving tax incentives to those who locate industries in that area.*

25. Outline four factors that may negatively affect the demand for a product.

a) *Increase in the price of the commodity*

*b) Unfavourable government policy*

*c) Future expectation of reduction in prices*

*d) Decrease in the size of population*

*e) Unfavourable terms of sale*

*f) Increase in the price of complementary goods*

*g) Decrease in the price of substitute goods.*

*h)Reduction in the consumers’ disposable income.*

*i)Incomes that are poorly distributed*