**MID TERM SERIES-TERM 1-2023**

**BUSINESS STUDIES FORM FOUR**

**PAPER ONE**

**TIME: 2 HRS**

1. **Benefits of business studies to an individual.**
2. ˗ Assist individual in appreciating the role of business in provision of goods and service.
3. ˗ Assist individual to acquire self discipline and positive attitude towards work.
4. ˗ Equips individual with abilities to promote cooperation in society through trade.
5. ˗ Enables individuals to understand the role of government in business activities.
6. ˗ Helps individuals to develop positive attitude towards the environment.
7. ˗ Equips the individual with knowledge and skills required to evaluate business performance. Any 4 x 1 = 4Mks
8. **Features of economic resources.**
9. ˗ Scarce in supply.
10. ˗ Have money value.
11. ˗ Unevenly distributed.
12. ˗ Have utility.
13. ˗ Have alternative uses.
14. ˗ Can change ownership
15. ˗ Can be combined
16. ˗ Can be complimentary
17. **Challenges that a firm would experience as a result of expansion in the entire industry**
18. ˗ Scramble for raw materials
19. ˗ Scramble for land for expansion
20. ˗ Scramble for available labour
21. ˗ Competition for available markets
22. ˗ Easy target especially in times of war 4mks
23. **Factors that affect business activities and which the business has control over. (4 Marks)**
24. Business structure
25. ˗ Business culture
26. ˗ Business resources
27. ˗ Business objectives
28. ˗ Business owners
29. **Gaps that may create a business opportunity in a market. (4 Marks)**
30. Poor services
31. Inavailability of products
32. Insufficient / inadequate / not enough goods
33. Unaffordable prices
34. **Merits of an open office layout to a business (4 Marks)**
35. Easy supervision of workers
36. Construction cost is low because partitions are few
37. Easy location of workers
38. Staff movement is minimised thus saving lime in passing information
39. Office equipment and machinery are not misused due to close supervision of workers
40. Office equipment and machinery can be shared
41. Promotes teamwork amongst employees
42. Maintenance cost is low
43. Floor space is saved
44. It is cheap to decorate
45. Discourages absenteeism by employees
46. **Reasons why cash payment is preferred to cheque payment**
47. Cash is legal tender but cheque is not
48. ˗ When the amount is small
49. ˗ Bank account is not a requirement for cash payment
50. ˗ Personal cheques can easily be dishonoured
51. ˗ No bank charges incurred as is the case in cheques
52. ˗ Cash is immediate while cheque may have to wait 4mks
53. **Insurance policies relevant to a supermarket owner**
54. ˗ Fidelity guarantee
55. ˗ Workman‘s compensation
56. ˗ Sprinkler leakage
57. ˗ Cash In transit
58. ˗ Third party policy
59. ˗ Personal accident cover
60. **The following information relates to Kembe Traders as at 31st December 2008**

Gross profit

ROSTO = COGS

COGS = 3

180,000

COGS = 540,000

Mark up = GP

COGS

G.P = 20

540,000 100

G.P = sh.108,000 2mks

ii) Sales

Sales = COGS + GP

= 540,000 + 108,000

= 648,000

1. **Characteristics of a perfect competitive market.**
2. Large number of buyers and sellers.
3. The buyers and sellers have perfect knowledge of the market conditions.
4. No government interference in the market.
5. No transport costs incurred.
6. Free entry and exit of firms in the industry.
7. Identical or homogeneous products are produced.
8. Uniformity of buyers and sellers.
9. No excess or shortage on demand and supply.
10. Buyers and sellers are price takers.
11. Perfect mobility of factors of production.
12. **The table below relates to four different businesses, insert the correct values for A, B, C and D. (4marks)**

|  |  |  |
| --- | --- | --- |
| ASSETS | CAPITAL | LIABILITIES |
| 2,310,642 | **A 1,823,710** | 486,932 |
| B **136, 868** | 40,385 | 96,483 |
| 941,682 | 31,685 | C **909,997** |
| 3,104,611 | D **2,709,263** | 395,348 |

1. **The population of the youth in country X is likely to be 3/4 of the total population in ten years time. Highlight four challenges this country will face at this point in time. (4 Marks)**
2. High dependency ratio
3. High rate of unemployment
4. Increased social evils
5. Low labour supply
6. Pressure on goods / services used by the youth
7. Reduced savings / investment
8. Diversion of government expenditure towards needs of the youth
9. **Factors that may cause the demand curve to shift to the right (4 Marks)**
10. Incomes of the people could have increased.
11. The tastes, fashions and preferences for the commodity could have changed favourably.
12. Total population in the country could have increased.
13. The prices of substitutes could have increased.
14. Government policy (increase in subsidies, reduction of taxes.
15. Seasonal changes.
16. Future expectations of increase in prices.
17. Future expectations of decrease in quantities supplied.
18. Decrease in price of complementary goods.
19. **For each of the following transactions indicate the account to be debited or credited.**

|  |  |  |
| --- | --- | --- |
| Transaction | **A/C debited** | **A/C credited** |
| a) Received discount from Top suppliers | **Top suppliers** | **Discount received** |
| b) Allowed discount to Shujaa Traders | **Discount allowed** | **Shujaa Traders** |
| c) Sold furniture to Owuor on credit | **Owour** | **furniture** |
| d) Took stock worth sh.200 for personal use | **Drawings** | **Purchases** |

1. **Items that may affect the capital of a business (4 Marks)**
2. Profits
3. Losses
4. Drawings
5. Additional investments
6. **Ways in which advertising agencies assist in sales promotion**
7. They undertake advertising and other promotional work on behalf their Client
8. Advise on selling techniques and promotional policies
9. Assist in designing trademarks and logos of packaging materials
10. Select appropriate media to be used
11. Book space and time in various media houses on behalf of clients
12. **Characteristics of Kenyan currency.**
13. It is light in weight hence portable.
14. It is scarce.
15. It is difficult to forge.
16. It is generally accepted as a medium of exchange.
17. It is divisible in different denominations.
18. It is fairly stable in value.
19. **Advantages of using the internet as a means of communication. (4 marks)**
20. Worldwide connectivity
21. Helps send / receive email
22. Faster means of communication
23. Can advertise goods on internet
24. Helps in holding conference online
25. Helps in selling goods online
26. Helps download and print data
27. **Ways in which transport is important to a business. (4 marks)**
28. Helps bridge a gap between producer and consumer
29. Encourages specialisation
30. Ensures constant supply of goods and services
31. Ensures stability of prices of commodities
32. Helps dispose off surplus produce
33. Improves usefulness of a product
34. Avails variety of products
35. **Circumstances under which a producer would sell his goods directly to the consumer. marks)**
36. When the product is highly perishable
37. When the product is too costly
38. When the product is tailored to meet customer‘s specifications
39. When the goods are too sensitive in nature
40. When the government requires so
41. When the goods are few
42. When the market is concentrated / producer is closer to consumer
43. In the spaces provided state the source document for each of the subsidiary books given below. (4 marks)

|  |  |
| --- | --- |
| Subsidiary book | Source document |
| a) Sales Journal | **Sales / outgoing / invoice issued** |
| b) Purchases journal | **Purchases / incoming invoice/ received** |
| c) Returns inwards journal | **Outgoing / issued credit note** |
| d) Returns outwards journal | **Incoming / received credit note** |

1. **Assumptions of the circular flow of income in a two sector closed economy. (4 marks)**
2. The economy has only two players; firms and households
3. There is not government involvement
4. There is no foreign trade / the economy is closed
5. Households use all their incomes to acquire goods produced by firms
6. Firms spend all their revenues on acquisition of factor services from households
7. **Small scale retailers with shops. (4marks)**
8. Canteens
9. Unit/single shops
10. Kiosk
11. Mobile shops
12. Tied shops
13. Market stalls
14. Mail order stores
15. The following balances were extracted from the books of Highway stores on 31st Dec. 2015

Highway Stores

Balance sheet

As at 31st Dec. 2015

Land & buildings 650,000 Capital 870,000

Motorvan 150,000 10 yrs loan 500,000

Stock 470,000 Creditors 220,000

Debtors 350,000 Bank overdraft 80,000

Cash 50,000

1,670,000 1,670,000

1. **Factors to consider in establishing the warehouse. ( 4 Marks)**
2. Should be in an ideal location to receive and release goods.
3. Should have well trained and qualified staff.
4. Should have good inventory recording system.
5. Should be near a good transport and communication systems.
6. Should be secure.
7. Should have necessary equipment.
8. Should be spacious.
9. Ensure legal procedures are followed.
10. Proper building and structure appropriate for the type of goods to be stored