**MID- TERM THREE 2022**

**BUSINESS STUDIES FORM THREE**

**Marking scheme**

**1.Highlight three ways in which the cultural environment may influence business negatively (3mks).**

*-customs this relates to what the society may consider a taboo- consumption of rat meat may not be acceptable in Kenya*

*-Beliefs negative opinion about certain forms of business by the society. Such business will not do well*

*-Values Some things are not important in life and may be wrong – customers shun them*

2.Identify the mailing services that fits the following description (5mks)

|  |  |
| --- | --- |
| Description | Mailing service name |
| **i)Offered to traders who may wish to receive correspondence away from their post office box** | *Poste restante* |
| **ii)Used for sending correspondence and parcels to destination in shortest time possible.** | *Speed post* |
| **iii)Offered to those sending articles of value which require security handling** | *Registered mail* |
| **iv)Offered so that customers may be encouraged to reply to their letters** | *Business reply service* |
| **v)Service offerd and arrangement starts at the addreses post office so that the mail is not delayed.** | *Fetpress mail* |

3.Give four reasons why a perfect competition market structure is theoretical (4mks)

*-all farms may not produce perfectly homogeneous products*

*-the government may not let business continue unchecked*

*-some firms must experience transportation costs*

*-it is hard for buyers and sellers to have perfect knowledge*

*-uniformity of buyers and sellers may not be possible*

4.State three main reasons why motor cycles are becoming popular in Kenya (3mks)

*-are highly flexible can deliver door to door services*

*-cheap to buy compared to other means*

*-easy to maintain*

*Readily available*

*-saves time/ fast*

5.In the spaces provided indicate with a (√) whether each of the following transactions will increase / decrease or have no effects on the balance sheet totals.(5mks)

|  |  |  |  |
| --- | --- | --- | --- |
| Transaction | Increase | Decrease | No effect |
| i)Selling a business asset at a loss |  | √ |  |
| ii)Depositing extra cash in business account. | √ |  |  |
| iii)Drawing cash for personal use |  | √ |  |
| iv)Buying stock on credit | √ |  |  |
| v)A debtor paid by cash |  |  | √ |

6.The following information relates to Zawadi Traders rental income.

1/01/2015-Had Ksh. 50,000 in the rent income account at the beginning of the year

10/6/2019-Received Ksh 120000 from tenants Kinyua

12/11/2015-Mr Kinyua vacated the premises and was refunded Ksh 20000

Required: prepare Zawadi traders rental income account and balance it off as at 31st Dec 2015.

*RENTAL INCOME A/C*

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| *Date* | *details* | *L.F* | *Amount* | *Date* | *Details* | *L.F* | *Amount* |
|  |  |  |  | *Jan 1* | *bal* | *b/d* | *50,000* |
|  |  |  |  | *June 10* | *Kinyua* |  | *120,000* |
| *Nov 12* | *Kinyua* |  | *20000* |  |  |  |  |
| *Dec 31* | *bal* | *c/d* | *150,000* |  |  |  |  |
| *Total* |  |  | *170,000* |  |  |  | *170,000* |
|  |  |  |  | *Dec 31* | *bal* | *b/d* | *150,000* |

7.Use a well labeled diagram to illustrate equilibrium quantity and equilibrium price (4mks)

D S

Price

Pe

S D

Qe quantity

8.The following is a format of the credit side of a three column cash book (4mks)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date |  | V | W | X | Y |
|  |  | *Ledger folio* | *Discount recieved* | *cash* | *bank* |
|  |  |  |  |  |  |

Name the columns labeled V, W,X,Y

9.Outline four negative consequences of poor arrangements of goods in a warehouse(4mks)

*-wastage of space*

*-delayed release of goods*

*-possible damage and breakage*

*-difficult to note theft of good*

*-hinders movement of labour*

10.Mogambi and sons started a shoe making company which has grown to larger scale business in last four years. Disclose any five benefits that would accrue to the company due to the growth of the shoe industry (5mk)

*-presence of skilled labour force*

*-ready market from surrounding industries*

*-improved infrastructure facilities*

*-co-ordinated disposal of waste products*

*-enjoy services of support industry like insurance / banks*

11.Determine the missing figures in the table below.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | FA | CA | C | L |
| a) | 75500 | **I** | 65000 | 15500 |
| b) | 82000 | 28000 | **J** | 30000 |
| c) | **K** | 56400 | 63100 | 49900 |
| d) | 34400 | 76200 | **M** | 240600 |

ii)Identify the nature of business.(d)

*insolvent*

12.Outline four functions of the Kenya Bureau of standard (KEBS)

*- to ensure commodities meet the required standards*

*-Institute legal proceedings against unscrupurers traders who violate standard*

*-carry out testing of measuring and weighing equipments*

*-put stamps of approval on products*

*-warn consumers of goods that don’t meet starndards*

*-control entry of poor quality goods to the country*

13.Disclose four types of errors that may not affect the balancing of the trial balance.

*-error of total omission*

*-error of commission*

*-error of original entry*

*-error of principle*

*-error of complete reversal of entries*

*-compensating errors*

14.In which ledger is each of the following accounts found?

|  |  |
| --- | --- |
| a)Mutiso (a customer) | *Sales ledger* |
| b)Igoki company (distributors | *Purchases ledger* |
| c)Bank | *Cash book* |

15.Highlight five qualities of a successful sales person (5mks)

*-attractive personality*

*-honest and sincere*

*-ability to study customer psychology*

*-Fair level of education*

*-good communication skills*

*-Persuasive and thankful*

*-clear knowledge of the product*

*-good language command*

16.State three types of equipments used to reproduce documents in an office.

*-photocopier*

*-stencil duplicator*

*-printer (any other relevant equipment)*

17.The following are balances of assets liabilities and capital of Gichogu Enterprises on 31st Dec 2017.

Capital 248,000

Land 400,000

Bank overdraft 160,000

Stock 20,000

Debtors 40,000

Electricity bill 100,000

The owners made drawings of 4000 per month during the year.

Required: Prepare Gichogas balance sheet on 31st Dec 2017.

GICHOGU ENTERPRISES

BALACE SHEET

AST AT 31ST DEC. 2017

Assets Capital + liabilities

Fixed assets Capital 248,000

Land 400,000 less drawings(4000x12) 48000 200,000

Current assets short term liabilities

Stock 20,000 Bank overdraft 160,000

Debtors 40,000 60,000 Electricity due 100,000 260,000

460,000 460,000

19.Identify four possible channels of distributing imported machinery from Germany.

*-German dealer government agent consumer*

*-German producer – German agent machinery distributor consumer*

*-German dealer consumer*

*-German dealer machinery distributor consumer*

20.State four uses of National income statistics

*-measure of standards of living*

*-compare standards of living*

*-influence investment decisions*

*-help to plan economy*

*-encourage foreign investment*

21.Give any four characteristics of free good. (4mks)

*-found freely as provided by nature*

*-no effort is required to obtain them*

*-have no price tag*

*-plenty in supply*

22.Distinguish the following term as used in population.

i)Immigration and emigration

*immigration moving into an area while emigration moving away from an area*

ii)Declining population and under population

*declining population is one that is continuously reducing while under population is below optimum and said to be lower in comparison with available resources*

23.Classfy the following resources as either natural human or man- made.

|  |  |
| --- | --- |
| Resource | Classification |
| Book | *Man-made* |
| Engineer | *Human* |
| Gold | *Natural* |
| Panga | *Man-made* |

24.State four ways in which HIV /AIDs prevalence has negatively impacted on business. (4mks)

*-loss of man hour due to absenteeism*

*-ill health lead to low productivity*

*-loss of qualified personnel due to Aids related deaths*

*-business loose market for their products*

*-Business resources divided to cater for aids victims*

25.Use the two column cash book below to answer the questions that follow.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Details | L.F | Cash | Bank | Date | Details | L.F | Cash | Bank |
| 2014 |  |  |  |  | 2014 |  |  |  |  |
| Feb 1 | Bal | b/f | 20300 | 40000 | Feb 16 | Electrical bill |  |  | 8000 |
| Feb 2 | Sales |  | 2800 |  | Feb 25 | Bank |  | 10000 |  |
| Feb 20 | Purchases |  |  | 3000 | Feb 28 | Furniture |  | 25000 |  |
| Feb 25 | Cash |  |  | 10000 |  |  |  |  |  |

a)Identify and aate an error in the cashbook (1mk)

*-transaction on 20/2/2014 purchases was wrongly recorded should be credited*

*b)Describe the transactions recorded on 16th , 25th and 28th February respectively (3mks)*

*-16th Feb paid electricity bill sh. 8000 by cheque*

*-25th Feb deposited shs 10000 into the business bank a/c from the cash till*

*-28th Feb bought furniture work Sh. 25000 by cash*