**BUSINESS STUDIES 565/1**

**OPENER EXAMINATION TERM 3, 2022**

**FORM 4**

**MARKING SCHEME**

1. Outline four **components of business studies.** (4mks)
2. Accounting
3. Commerce
4. Entrepreneurship
5. Office practice
6. Economics
7. Outline four **features of secondary wants.** ( 4mks)
8. One can survive without them
9. They are satisfied after basic wants
10. They make a person’s life more comfortable
11. They are competitive
12. They can be postponed
13. They are not felt needs
14. Outline four **causes of unemployment**. ( 4mks)
15. Rapid population growth
16. Inappropriate education system
17. Inappropriate production methods
18. Seasonality in production
19. Lack of capital investments
20. Rural urban migration
21. Trade union demands for high wages
22. Low demand for goods and services
23. Outline four **circumstances under which a business man would choose to transport goods by air.** (4mks)
24. If it is the policy of a business
25. In case it is a government requirement
26. When goods transported are perishable
27. If goods transported are urgently required
28. When goods are transported across borders/long distance.
29. The following information relates to Otieno retailers for the month of July 2021.

Sales 50,000

Cost of sales 40,000

Calculate:

1. **Mark up**. ( 2mks)

GP=50,000-40,000

=10,000

* Mark up=10,000\*100 = 25%
* 40,000

1. **Margin.** (2mks)

* Margin= 10,000\*100
* 50,000

=20%

1. State four **ways in which governance may regulate business in a country**. (4mks)
2. By licensing of business in the country
3. Imposing taxation
4. Setting standards for both locally produced and imported goods
5. Formulation of rules and regulations that must be adhered to in various business operations
6. Fixing quotas
7. Imposing total ban on new businesses
8. Highlight four **duties of a clerk in an office**. (4mks)
9. Handling incoming and outgoing mails.
10. Filing and indexing of files
11. Reproduction of documents and operating various office machines
12. Performing simple bookkeeping function
13. Assist in store keeping and record keeping
14. Prepares payroll
15. Highlight four **internal diseconomies of scale in firm**. (4mks)
16. Managerial and administrative problems.
17. Slow decision making
18. Huge overheads
19. Problem of equipment operating below full capacity
20. Problem of getting market for surplus output
21. Stages of production become very interdependent
22. Problem of acquiring extra factors of production
23. The following information related to businesses A, B, C and D.

|  |  |  |  |
| --- | --- | --- | --- |
| **Business** | **Assets** | **Liabilities** | **Capital** |
| A | 250,000 | **M-100,000** | 150,000 |
| B | **N-1,000,000** | 400,000 | 600,000 |
| C | 150,000 | 60,000 | **P-90,000** |
| D | 350,000 | **Q-100,000** | 250,000 |

Determine the figures represented by M, N, P and Q. ( 4mks)

1. State four **ways in which commercial banks help in facilitating business activities in a country.** (4mks)
2. Accepting deposits of money from their customers
3. Lending both short term and long -term loans to business people
4. Enabling business people to access goods from other countries on credit by issuing letters of credit
5. Offering means of payment to enable the business people carry out their transactions smoothly
6. Offering advice on financial and investment matters
7. Highlight four **circumstances under which a business would prefer to use email instead of a telephone.** (4mks)
8. When there is need of evidence
9. When there is need of future reference
10. When there is need to communicate to more than one person at the same time
11. When there is need to send messages that contain photographs and diagrams
12. When there is need of details.
13. Identify the **external factors affecting business operations as described by the following statements.**  ( 4mks)
14. Law and policies that regulate business activities **legal political environment**
15. Affects buyers’ ability to buy commodities offered by a business **economic environment**
16. Firms selling similar products trying to outdo each other in their efforts to maximize profits **competitive environment**
17. Dictates how people live and what products they consume **cultural environment**
18. State four **factors that may affect capital of a business.** (4mks)
19. Profits
20. Additional capital /investments
21. Losses
22. Drawings
23. Kamau retail shop carried out the transactions given in the table below. For each transaction state the **source document applicable**. (4mks)

|  |  |
| --- | --- |
| **Transaction** | **Source document** |
| 1. Sold goods on credit | **Issued /outgoing/sales invoice** |
| 1. Informed a customer of an undercharge | **Issued /outgoing debit note** |
| 1. Sold goods for cash | **Issued receipts/ cash sale slip** |
| 1. Received allowance for goods returned to the supplier | **Issued receipts** |

1. Highlight four **disadvantages of a long chain of distribution to a buyer.** (4mks)
2. Leads to increased prices of goods
3. There is likelihood of delay of goods
4. There are chances of damage of goods
5. Perishable goods go bad due to delay
6. Highlight four **ways in which a firm can improve the productivity of its labor**. (4mks)
7. Education and training of workers
8. Compensating (paying) workers according to their work
9. Providing workers with suitable working equipment
10. Providing good working conditions eg. Proper lighting
11. Allowing employees to own part of the company by buying shares
12. Offering benefits such as transport facilities, housing, lunch and insurance cover.
13. Promoting good working relationships between workers and management
14. Giving promotions and offering awards to deserving workers.
15. Outline four **factors that may lead to a shift in demand curve to the right**. (4mks)
16. Increase in population
17. Favorable terms of sale
18. Increase in consumers disposable income
19. Future expectation of price increase
20. Favorable tastes and preference toward the product
21. Favorable season/ festivity
22. Outline four **ways that can be taken to improve the efficiency of parastatals in Kenya**. (4mks)
23. Employing qualified staff
24. Eliminating political influence in the running of parastatals
25. Restricting the organizations to make them more competitive
26. Motivating employees through various means such as promotions and salary increments
27. Use of legal means to deal with embezzlement of funds and corruption
28. Enter the following transactions in the relevant ledgers. (4mks)

2010 March 1 started a business with sh. 150,000 in cash

March 3 bought furniture worth sh. 15,000 on credit

Dr capital a/c √ Cr

March 1 cash 150,000√

Dr cash a/c √ Cr

March 1 capital 150,000√

Dr creditors a/c √ Cr

March 3 furniture 15,000√

Dr furniture a/c √ Cr

March 3 creditors 15,000√

|  |  |
| --- | --- |
| **Dr. capital a/c** | * **Cr.** |
|  | 1/3/2010 cash 150,000 |

|  |  |
| --- | --- |
| **Dr. cash a/c** | * **Cr.** |
| 1/3/2010 capital 150,000 |  |

|  |  |
| --- | --- |
| **Dr. furniture a/c** | * **Cr**. |
| 3/3/2010 cash 15,000 |  |
| **Dr. creditors a/c** | * **Cr.** |
|  | 3/3/2010 furniture 15,000 |

**8 ticks\*1/2=4mks**

1. Classify the following takes as either direct or indirect taxes. (4mks)

|  |  |
| --- | --- |
| **Tax** | **Classification** |
| 1. Income tax | **Direct tax** |
| 1. Value added tax (VAT) | **Indirect tax** |
| 1. Excise tax | **Indirect tax** |
| 1. Estate or death duty | **Direct tax** |

1. Outline four **uses of a cash book**. (4mks)
2. It serves as a ledger for cash and bank discounts
3. Discloses discount received and discount allowed
4. Relieves the main ledger of the many entries pertaining to cash and bank transactions
5. Helps to ascertain the amount of cash in hand and at the bank at a given time
6. Shows money paid out in form of cash or cheque
7. Outline four **reasons why it is advisable to take endowment policy instead of a whole life policy.** (4mks)
8. Premiums are paid during an agreed period
9. Compensation is paid after the expiry of an agreed period.
10. Assured benefits until death precedes the expiry of the agreed period
11. Acts as a saving plan for future investment
12. Highlight four **factors that discourage entrepreneurial development in Kenya**. (4mks)
13. Unfavorable government policies eg. High tax
14. Lack of relevant education and skills
15. Poor infrastructure
16. Lack of market
17. Lack of resources such as capital, human, physical and technological resources
18. Unable to cope with competition
19. Political instability
20. Highlight four **circumstances under which the per capita income would be a good indicator of the standard of living of the people of a country.** (4mks)
21. If the national income is evenly distributed among the people.
22. In case the data used to compute is accurate and not based on projections or assumptions
23. If the country is not experiencing inflation
24. When the income per capita is not as a result of people being overworked
25. In case the output is based on essential and final goods and services that are consumed by the masses
26. Identify the **type of inflation described** (4mks)

|  |  |
| --- | --- |
| **Description** | **Type of inflation** |
| 1. A use in prices due to an increase in money supply | **Demand pull inflation** |
| 1. A rise in prices due to an increase in the cost of factors of production | **Cost push inflation** |
| 1. A rise in prices due to buying expensive goods from foreign countries | **Imported inflation** |
| 1. A rise in prices due to uneven growth in some sectors of the economy | **Cost push inflation** |