**BUSINESS STUDIES 565/2**

**FORM 4**

**OPENER EXAMINATION TERM 3, 2022**

**SEP/OCT 2022**

**TIME: 2 ½ HOURS**

**MARKING SCHEME**

**INSTRUCTIONS:**

**ANSWER ANY FIVE QUESTIONS**

1. Explain five **advantages of an open office lay out.** (10mks)
2. Supervision is enhanced/ easy supervision since all employees are in one room thus easy to monitor
3. Save on space because of few partitions
4. Sharing of resources because workers are in the same room thus reducing cost of buying
5. Easy communication since there are no physical barriers between the workers
6. Easy reorganization because it is only one room when need arises
7. Enhances team work because workers are in one room they can work and learn together.
8. Less cost of construction since it is only one room with no subdivisions to be constructed.

b). Explain **five causes of unfavorable balance of payment for the most developing countries.** (10mks)

a) Reliance on primary products/raw materials/agriculture produce for exports which fetches low prices in the international markets

b) Heavy/high importation of finished goods/manufactured goods whose value are very high/spend more on them

c) Low levels of technology in production which compromises the quality of their exports/low/poor quality goods thus lowering the value

d) Too much reliance on foreign borrowing yet such loans are repaid with high interests

e) Natural disasters/calamities which interfere with production

f) Preference/demand for foreign goods since they believe they are good quality hence spending more on them

g) Low/poor foreign investment/inability to attract foreign investment leading to low capital inflow/low foreign receipts

h) Political instability/insecurity which may interfere with/lower export earnings

i) Appreciation/reevaluation of local currency which leads to lower export earnings

j) Devaluation of foreign currency which encourages more expenditure on imports and less export earnings

k) Low volume of exports leading to lower export earnings

l) Protection policies by other countries that leads to fewer/lower exports

m) Poor government policies/corrupt practices leading to capital flights/outflows

n) Unfavorable terms of trade leading to export earnings

o) Decrease in price for exports hence lowering the country’s exports

p) Unfavorable bargaining power/world economic order/forums the developing countries have little room in such forums

1. a) With the aid of a diagram, **explain the effect of an increase in supply to the equilibrium price and quantity of commodity. (10mks)**

S0

D0

Ep 0 S1

Price P0

(shs.)

P1 Ep 1

S0

S1

Q0 Q 1 Quantity demanded and supplied

b). Explain five **ways of improving the efficiency of a warehouse.** (10mks)

1. Ensuring there is adequate handling equipment to handle goods safely
2. Ensuring that personnel are well trained in carrying out their tasks
3. Ensuring proper use of space to ease movement
4. Ensuring proper system of inventory control to avoid fraud and losses
5. Ensuring that legal requirements are adhered to for smooth running.
6. Ensuring that there are safety measures in place to minimize damages
7. Provision of sufficient loading and offloading area to avoid delays.

**3 a) OKUMU TRADERS**

**TRADING, PROFIT& LOSS ACCOUNT**

**DR. FOR THE PERIOD ENDED 31ST DEC 2015 √ CR.**

|  |  |
| --- | --- |
| Opening stock sh.30,000 √ | Sales sh. 390,000 √ |
| Purchases sh.275,000 √ | Less return inwards 10,000√ |
| Add carriage inwards 16,000√ | Net sales 380,000 |
| Less return inwards 6,000√ |  |
| Net purchases 285,000 |  |
| Goods available for sale 315,000√ |  |
| Less closing stock 50,000√ |  |
| Cost of goods sold 265,000√ |  |
| Gross profit c/d 115,000√ |  |
| 380,000 | 380,000 |
| Carriage outwards 8,000√ | Gross profit b/d 115,000√ |
| Wages 20,000√ | Commission received 36,000√ |
| Rates 12,000√ | Discount received 7,000√ |
| Insurance 22,000√ |  |
| Discount allowed 5,000√ |  |
| Net profit c/d 91,000√ |  |
| 158,000 | 158,000 |

**20× ½= 10mks**

3 b). Explain **five characteristics of economic resources**. (10mks)

1. They are scarce/limited in supply in comparison to many uses of satisfying unlimited needs.
2. They have monetary value price at which can be sold or bought
3. They have alternative uses can be put into more than one use eg. Land can be use for farming or settlement
4. Can be combined in various proportions to produce goods and services
5. They are transferable/can change ownership through buying and selling
6. They are complimentary are raised together to satisfy human needs e.g. Car and petrol are used together.
7. They have utility, ability to satisfy human wants
8. a) Explain five **benefits that consumers get from advertising**. (10mks)
9. Consumers become aware/informed of existence of a product/on the products price/where it can be found
10. Consumers enjoy high quality goods/services resulting from competitive advertising/competitive producers seek to maintain very high standards of quality
11. Makes it easy to consumers to choose products from a variety offered in the market based on their advertised quality and contents
12. Protects consumers from exploitation/malpractices since they are aware of prices and quality of items and can therefore enforce their rights.
13. Communicates changes about the product like new product lines/change of name and physical address. This enhances convenience for the consumers
14. Educates the consumer on the proper use of products where advertising messages involve demonstration of product usage.
15. Entertainment by use of drama/music/plays accompanying advertisement
16. Aiding budgeting/planning as they are made to know about price and existence of goods
17. May enjoy lower prices due to competition
18. Correct misconception hence assist in making decisions

NB**: reminding/increasing sales market and employment are not relevant for they benefit the seller**.

b). Highlight five **differences between perfect competition and monopolistic competition. (10mks)**

|  |  |
| --- | --- |
| **Perfect competition** | **Monopolistic competition** |
| 1. Goods are homogenous | Goods are differentiated |
| 1. Perfect knowledge of market conditions | No perfect knowledge of market conditions |
| 1. Demand curve for individual firms is perfectly elastic | Demand curve for individual firm is highly elastic |
| 1. Firms are price takers | Firms can influence price to some extent |
| 1. All firms earn normal profits in the long run | Possible for firms to earn super normal profits in the long run |

1. a) Explain five **means of payment that a trader can use to settle business debts**. (10mks)

* Cash- in form of currency coins and notes serving as legal tender in the country
* Cheque- where an account holder order his/her bank requiring it to pay a named person or bearer a specified amount of money
* Banker’s cheque- cheque drawn by a bank on itself on receiving payment from a customer
* Credit transfer-making payments through a bank to several payees by use of one cheque e.g. Paying employees
* Standing order-instruction by an account holder to his bank to be making payments of a specified amount to a named party at regular intervals
* Electronic fund transfer-payment can be affected using computer network
* Credit cards-the card holders can purchase goods or services from specifies business enterprises.

b). Explain five **problems encountered in development planning**. (10mks)

a) Lack of accurate or detailed data for planning which may lead to inappropriate plan being developed

b) Existence of large subsistence and sector which makes the planning unrealistic

c) Lack of qualified personnel to assist in planning which makes a country to rely on experts who don’t fully understand the country.

d) Problem of the private sector which will always require incentives for them to follow the plan.

e) Transfer of inappropriate plan. Some planners may simply borrow a plan form other countries which may not work in their countries

6. **OYAMO PROVISION STORE**

**BALANCE SHEET**

**AS AT 7TH MAY 2014**

|  |  |
| --- | --- |
| **Fixed assets** shs. | Capital sh. 90,000 |
| Furniture 40,000 |  |
| Equipment 30,000 | **Long term liabilities** |
|  | Community bank loan 120,000 |
| **Current assets** | **Short term liabilities** |
| Bank 130,000 | Creditors 60,000 |
| Stock 60,000 |  |
| Cash 10,000 |  |
| **270,000** | **270,000** |

b) Explain five **benefits that a savings and credit cooperative society (SACCO) provides to its members. (10 marks)**

a) Encourage/ help members to save by making regular contributions

b) Provide loan facilities to members based on members contributions

c) members receive dividends based on their shares

d) Members are educated/advised on cooperative societies /their rights/ their obligations

e) Some SACCOs have front office banking facilities/front office services for their members

f) They charge low interest on loans

g) They give loans on easy terms and conditions

h) Members savings/distribution is doubles upon death of a member