NAME: ……………………..………ADM: …….CLASS: ……

BUSINESS STUDIES 565/1

MARKING SCHEME

FORM 4

TIME: 2 HOURS

INSTRUCTIONS:

ANSWER ALL THE QUESTIONS IN THE SPACES PROVIDED.

1. Outline four **ways in which** **business studies may be of benefit to an individual**. (4mks)
2. Equips the individual with skills and knowledge to manage a business.
3. Prepares one for further career in business
4. Enables one to relate issues affecting business to its environment.
5. Enables one to identify business opportunities to venture.
6. Prepares one for further studies.
7. Makes an individual to appreciate the role of government in business activities.
8. Outline four **features of capital as a factor of production**. (4mks)
9. Capital can move from one place to another/ it is geographically mobile.
10. It is man-made resource.
11. It is subject to depreciation.
12. Capital can be improved due to advancement of technology.
13. It is a basic factor of production.
14. Kamwenje a sole proprietor who operates a private school bought blankets for SH. 100,000. The terms of sale were 20% trade and 5% cash discount if payment was made within two weeks. **Calculate the net amount he paid after one week**. (4mks)

20/100\*100,000 =20,000

100,000-20,000= 80,000

5/100\*80,000 = 4,000

80,000- 4,000

=Sh. 76,000

1. Highlight four **reasons why the government trains business people**. (4mks)
2. To expose them to modern development in management.
3. To impart proper business ethics
4. To educate them to efficient methods of operating their businesses
5. To educate them on how to maximize their profits at minimal costs.
6. To inform them on available profitable opportunities they can venture in.
7. To identify their problems and look for possible solutions.
8. The conditions given below are for a monopoly firm or a firm operating in the perfect competition. Write the correct **market structure** against each of the conditions in the spaces provided.

|  |  |
| --- | --- |
| **Condition** | **Market structure** |
| 1. Market structure determines price for the product | Monopoly |
| 1. There is free entry and exit | Perfect competition |
| 1. Product involved is homogenous | Perfect competition |
| 1. Market structure regulates the supply of the product | Monopoly |

1. Outline four **elements of transport**. (4mks)
2. Unit of carriage
3. Method of propulsion.
4. The way.
5. Terminal.
6. State whether each of the following transactions will increase, decrease or have no effect on the balance sheet totals. (4mks)

|  |  |
| --- | --- |
| **Transaction** | **Effect on balance sheet** |
| 1. The owner deposited additional cash into the business from his private sources | **Increase** |
| 1. Paid a bank loan | **decrease** |
| 1. Sold an old machine and banked the money in the business bank account | **No effect** |
| 1. Bought office machine on credit | **Increase** |

1. Outline four **tools of monetary policy that the government may use to reduce excess money in circulation.**  (4mks)
2. Open market operations by selling securities to the public.
3. Raising bank rate.
4. Raising cash liquidity ratio
5. Raising margin requirements
6. Directives
7. Instituting selective credit control.
8. State four **factors that may lead to unfavorable terms of trade**. (4mks)
9. Appreciation of foreign currency
10. Higher increase in the price of imports
11. Fall in demand for exports
12. Devaluation /depreciation of local currency
13. Competition from similar export products.
14. High demand for imports.
15. Highlight four **characteristics of basic human wants**. (4mks)
16. They are felt needs
17. Cannot be postponed
18. Are essential for human survival
19. Are satisfied before secondary want
20. Are universal.
21. Outline **four differences between shares and debentures**. (4mks)

|  |  |
| --- | --- |
| **Shares** | **Debentures** |
| 1. Are units for capital | Are units of loan |
| 1. Shareholders earn dividend | Holders earn interest |
| 1. Holders have voting rights | Holders have no voting rights |
| 1. Dividends paid only when declared | Interest on loans must be paid yearly |
| 1. During dissolution of a company shares are paid last | During dissolution of a company, debentures are paid first. |

1. The government has risen the retirement age for civil servants from 55 years to 60 years. Highlight **four economic effects of such a move**. (4mks)
2. Retention of experienced and skilled man power
3. High unemployment for the youth who have to wait.
4. Savings in pensions.
5. Revenue to the government.
6. Non-training for new employees.
7. State the **meaning of the following entries in the following ledger accounts**. (4mks)

|  |  |
| --- | --- |
| Dr capital a/c | cr |
|  | 2021 June 15 Bank Sh. 500,000 |
|  |  |

|  |  |
| --- | --- |
| dr bank a/c | cr |
| 2021 Sh. | 2021 SH. |
| june 15 capital 500,000 | JUNE 16 MOTOR VEHICLE 250,000 |

|  |  |
| --- | --- |
| dr motor vehicle a/c | cr |
| 2021 sh |  |
| june 16 bank 250,000 |  |

1. Started business in June 15th 2021 with Sh. 500,000 in bank.
2. Bought a motor vehicle in June 16th 2021 for Sh. 250,000, payment made by cheque.
3. Highlight four **reasons why there is need for a business to observe ethics**. (4mks)
4. Ensures no discrimination in business
5. To create fairness in competition
6. To ensure protection of the environment
7. To ensure rights of employees are upheld.
8. To avoid consumer exploitation.
9. To eliminate the use of unfair means of achieving business objectives.
10. State four **characteristics of a good filing system**. (4mks)
11. Should be simple
12. Should be suitable.
13. Should be compact
14. Should be economical
15. Should be safe
16. Should be flexible
17. Indicate in the spaces provided **whether the following taxes are either direct taxes or** **indirect taxes**. (4mks)

|  |  |
| --- | --- |
| **Tax** | **Types of tax** |
| 1. Corporation tax | **Direct** |
| 1. Capital gain tax | **Direct** |
| 1. Value added tax | **Indirect** |
| 1. Income tax | **Direct** |

1. The following figures relate to Jumbo traders for the year ended 31.12.20.

|  |  |
| --- | --- |
| **Details** | **Sh.** |
| Capital (31.12.20) | 940,000 |
| Net loss | 20,000 |
| Additional investment | 420,000 |
| Monthly drawing | 5,000 |

**Determine the capital as at 01/01/20.** (4mks)

Initial capital =closing capital+ net loss +drawing- additional investment

IC=CC+ NL +D -AI

=940,000+ 20,000+(5,000\*12)-420,000

=Sh. 600,000

1. **Identify the source documents** into which the information given in the table below would be recorded. (4mks)

|  |  |
| --- | --- |
| **Information** | **Source documents** |
| 1. Payments received from debtors | Outgoing receipts/issued receipts/ duplicate copy of receipts |
| 1. Purchases made on credit | Incoming invoice/ received invoice / purchase invoice |
| 1. Validating payments made by the cashier. | Payment voucher/ cash payment voucher |
| 1. Requesting for additional payments from debtor. | Debit note |

1. State four **types of expenditure that are included in measuring national income using expenditure approach.** (4mks)
2. Personal expenditure
3. Investment
4. Government expenditure
5. Import
6. Export
7. Christine provided the following information for the month of January 2021.

**Sh**.

Stock as at 1/1/21 20,000

Stock as at 31/1/21 30,000

Purchases 50,000

Margin 20%

**Prepare her trading account for the period ended 31st January 2021. (4mks)**

CHRISTINE

TRADING ACCOUNT

FOR THE PERIOD ENDED 31ST JANUARY 2021

|  |  |
| --- | --- |
|  |  |
| Opening 20,000 | **SALES 50,000** |
| +purchases 50,000 |  |
| cogas 70,000 |  |
| -closing stock 30,000 |  |
| cogs 40,000  grosss profit c/d 10,000  50,000 | **50,000** |

1. State four **causes of cost push inflation**. (4mks)
2. Rise in wages and salaries
3. Increase in taxes.
4. Increase in profit margin
5. Increase in cost of inputs other than labor
6. Reduction subsidies
7. State the **line of communication involved** in each of the following. (4mks)
8. The manager of EFG company Ltd talking to the manager of XYZ company Ltd.

**Horizontal communication**

1. A secretary asking for time off from her boss **upward vertical communication**
2. The production manager giving instructions to the secretary of the sales manager

**Downward diagonal communication**

1. The store keeper giving explanations to the chief accountant **upward diagonal communication.**
2. State four **elements of the economic environment that may influence the operations of a business.** (4mks)
3. Interest rate
4. Inflation
5. Changes in buyer’s income / purchasing power
6. Prices of goods and services.
7. Highlight four **benefits that accrues to a trader who advertises goods using a radio. (4mks)**
8. Different languages may be used to reach different people.
9. One can choose the time to advertise to reach a particular group of listeners
10. It has a wide coverage because many people listen to the radio
11. It can be used to reach the blind as it requires listening only.
12. The advert can be repeated several times to reach more people
13. Use of entertainment or music in the advertisement can attract people.
14. The advertisement can reach both literate and illiterate people since it only requires listening to the message.
15. Achieng owned a motor vehicle valued at Sh. 1,000,000. She comprehensively insured the car at Sh. 300,000. The motor vehicle was involved in an accident and declared a write off. **Calculate the amount Achieng should get from the insurer**. (4mks)

AMOUNT OF COMPENSATION = SUM INSURED\*ACTUAL LOSS

VALUE OF PROPERTY

= 80,000\*1,000,000

1,000,0000

= Sh. 800,000