**BUSINESS STUDIES**

**PAPER 565/1**

**MARKING SCHEME**

**FORM 4 TERM ONE 2021**

1. **State internal (Micro ) environment factors that influence the business positively**

a) Good management style by owner

b) Availability of / a lot / adequate financial / capital

c) Well laid out business structure

d) modern bus facilities/adequate/sufficient facilities

e) effective communication systems

f) motivated workers/human resource

g) progressive business culture

1. **Outline disadvantages of division of labour**

- social problems

* create monotony and boredom
* create unemployment
* difficult to know who to identify with the final product
* converts man into a machine like creature
* makes man dependent on only one trade

1. **Your neighbor intends to start a business and has come to you for advice on how to identify a business idea. Highlight four sources she can use**

– Print media e.g. newspapers

* Electronic Media E.G Television
* Vocational Training
* Hobbies/talents
* Shows and exhibitations / trade fairs
* Business seminars / workshops / Training
* Listening to what people say
* Brainstorming with friends and relatives

1. **Name four machines /equipments found in a general office**

- computers

* Paper punch
* Stapler / stapling machine
* Telephone
* Staples remover
* Paper shredder
* Guillotine

**5. Outline four factors to consider when intending to buy office furniture**

– compatibility with the intended use and place

* Affordability
* Size of the firm
* Durability
* Adaptability to future needs
* Availability of spare parts
* Possibility of hiring rather than buying
* Effect on staff morale

**6. State four challenges facing small scale business in Kenya**

– Small capital – limited sources of capital

* May lack division of labour and specialization
* Limited managerial skills
* Lacks continuity since it depends on the life of the owner
* Lacks skills to choose a viable investment

**7. Give four instances when a seller may send a proforma invoice to a buyer**

- When terms of sale are cash with order (C.W.O) or cash on delivery (C.O.D)

* When it acts as a quotation
* When the seller is selling through agents
* When goods are custom made
* When buyer needs it to seek for funds from financial institutions to pay for the goods
* When seller does not wish to sell on credit
* When buyer needs to prepare for custom clearance in foreign trade

**8.Identify four clauses of a memorandum of association**

– Name clause

* Liability clause
* Objects clause
* Declaration clause
* Capital clause
* Situation clause

**9. outline four benefits Kenyan traders have enjoyed from globalization**

– Job creation worldwide

* Easy transfer of technology from developed countries
* Wider flow of information on business activities e.g better production skills, new techniques
* Wider market for Kenyan goods and services
* Easy access to goods and services from other countries
* Interdependence among countries create better understanding, peace and harmony in the world conducive for business operations.
* Sharing of research findings globally
* Access to information on available raw materials

**10.State four advantages of transporting oil by pipeline rather than road.**

– Transport cost is reduced

* Reduced environmental pollution
* Loss through accidents on the road is reduced
* Cases of theft of oil are reduced
* Fast transportation
* Regular/reliable supply

**11.Highlight four ways in which warehousing is useful to a trader.**

. – Stabilizes supply of goods to the market

* Goods are protected against damages caused by weather e.g. rains, sunlight
* Protects goods from theft
* Trader can prepare goods for resale while in the warehouse
* Prices of goods are stabilized as they are released steadily as need arises
* Some goods improve in quality while stored e.g. wine and bananas thus earning /fetching higher prices

**12. Highlight four ways that the government may put in place to create a favorable business environment**

– Provide security

* Political stability
* Favourable legislation
* Provide basic infrastructure
* Provide credit finance
* Giving subsidies/reducing taxes
* Providing an enabling environment

**13. Outline four advantages of audio –visual communication**

. – Reach a large audience at the same time

* Have entertainment valu
* Enhances the impact made by oral and written communication
* Draws quick attention
* Suitable for illiterate receivers
* Increases the audience’s concentration span

**14. State four policies covered under general insurance**

– Motor vehicle policies

* Workmen compensation scheme
* Aviation policies
* Personal accident cover
* Fidelity guarantee
* Constructors liability
* Bad debts
* Crops and livestock cover
* Fire and related perils
* Terrorism
* Riots cover
* Cash in transit and goods in transit

**15. Highlight four types of advertising**

. – Primary demand

* Institutional advertising
* Informative
* Persuasive
* Celebrity
* Corrective

**16. Explain four factors that may lead to the shift of the supply curve to the right.**

. – Improved technology / use of modern techniques

* Decrease in cost of production
* Favourable government policies e.g. reduced taxation
* Expectation of a fall in price of the commodity
* Favourable climatic / weather conditions for an agricultural product
* Absence of industrial strikes
* Entry of more firms in the industry
* Fall in price of substitute product

**NB: Increase in price of the product is wrong**

**17. Highlight four ways in which the production activities of firms in your country affect the environment negatibity**

. – Depletion of production resources

* Degradation of environment leading to climate change
* Pollution of air and water which is detrimental to human and animal life
* Problem of solid and plastic waste disposal which may result in spread of diseases
* Noise pollution which may cause hearing problems to human beings

**18. Fill in the missing figures in the table below**

|  |  |  |  |
| --- | --- | --- | --- |
| **Fixed asset** | **Current assets** | **capital** | **Liabilities** |
| 1. 275 500 | **115 000** | 315 000 | 115 500 |
| 1. 182 000 | 108 700 | **73 600** | 217 100 |
| 1. **138 600** | 76 400 | 123 100 | 91 900 |
| 1. 313 450 | 211 340 | 189 170 | **335 620** |

**19. The following balances were extracted from the books of Raji Enterprises on 1st July 2019**

**Raji Enterprises**

**Balance Sheet**

**As at 30th July 2019**

**Fixed assets** **Shs Shs shs**

Motor van 185000 capital 550000

Furniture 110000 drawings 8500

TFA 295000 net capital 541500

**Current assets Current liabilities**

Stock 109800 Bank loan 18000

Debtors 73000 creditors 95,000

Cash 176700

354500

664500

**20. Record the transactions given**

**DR CASH A/C CR**

**2018 Shs. 2018 shs.**

May 1 capital A/c 400000 May 3 Office Furniture A/c 90000

May 5 Wages A/c 3000

May 10 Purchases A/c 190000

**DR CAPITAL A/C CR**

2018 shs.

May 1 Cash A/c 400000

**DR OFFICE FURNITURE A/C CR**

2018 shs.

May 3 cash A/c 90000

**DR WAGES A/C CR**

2018 shs.

May 5 Cash A/c 3000

**DR PURCHASES A/C CR**

2018 shs.

May 10 Cahs A/c 190000

24 ticks X 1/6 = 4mks

**NB : i. If there is no A/c heading do not mark**

**ii. If there is no year do not mark the date**

**21. Prepare Trading profit and loss account for the year ended 31st Dec 2018**

**ALI GENERAL STORES**

**TRADING, PROFIT AND LOSS A/C**

**FOR YOUR ENDED 31ST DEC. 2018**

**Shs**. **Shs.**

Opening stock 24000 sales 442500

Purchases 370000

Cost of goods available 394 000

Less closing stock - 40000

Cost of goods sold 354000

Gross profit C/d 88500

442500 442500

Gross profit b/d 885000

Carriage on sales 12000

Expenses 88500

Total expenses 20850

Net profit c/d 67650

88500 88500

10 ticks x ½ = 5mks

**22. Calculate**

a) ROSTO = Cost of sales = 15000 / (2000 + 1000)

AV Stock 2

= 15000 = 10 times

1500

b) Purchases = COS – O.P stock + CR stock

= 15000 – 2000 + 1000

ksh = 14000

c) Return on capital sales = G.P + C.O.S

Mark up = ¼ -1 = 1/3 = 5000 + 15000

= 20000

Capital = 20000 x 4

= 80000

Gross profit = 1/3 x 15000 = 5000 expenses = 2/100 x 80000

= 1600

Net profit = gross profit – expenses

5000 – 1600

= 3400

ROC = Net Profit x 100 = 3400 x 100 = 4.25%

Capital 80000

**23. Give four roles played by the central bank of Kenya in the economy.**

. – Issue of currency

* Banker to commercial banks
* Banker to government
* Controls foreign exchange
* Control commercial banks / supervises the banks
* Advisor to the government on monetary policies
* Controls money supply / credit control using various tools e.g. bank rate
* Lender of last resort to commercial banks
* Managing public debt
* Clearing house for all commercial banks cheques
* Custodian of foreign currency reserves
* Collection of statistics and conducting research on monetary policies

**24.Name three sources of public finance**

* taxes
* Licenses
* Court fines
* Fees for government services
* Rent and rates for use government property
* Escheats
* Interest earned on loans
* Government borrowing
* Proceeds from the sale of government property
* Surplus from public corporations

**25. Give four benefits one gets from self -employement**

- independence

* Enjoys all the profits
* Job security
* Personal satisfaction
* Enjoys stus and pride