

MID-TERM TWO 2024
BUSINESS STUDIES FORM FOUR
MARKING SCHEME

NAME.....ADM CLASS

1 a) Outline four risks against which a kiosk owner may insure (4mks)

- occupational hazards for employees / workmans compensation – risk against possible harm on employment
- fire loss of property due to fire
- Theft and burglary- loss of property due to break ins
- Goods on transit

2.Highlight four reasons why a manufacture may wish to market their goods directly to consumers (4mks)

- if goods are tailored according to customer specification
- if the manufacturer has own retail outlets
- if the market is localized/ within the manufacturers proximity
- if the goods are technical in nature
- if the goods are highly perishable
- if the goods are expensive and middlemen cannot afford to stock them

3.Outline four assumptions that are associated with perfect competition (4mks)

- large number of sellers and buyers
- Products are homogeneous
- there is no government interference
- there is free entry and exit from the industry
- uniformity of buyers and sellers

4.Highlight four functions of the central bank (4mks)

- issuance of currency
- Banker to government
- Lender of last resort
- controlling of credit/ commercial banks
- management of public debts
- management of foreign exchange reserves
- implementing government monetary policy
- banker to commercial banks
- link back to other external financial institutions.

5.Outline four reasons why a multinational company may prefer setting up a production unit in a developing country instead of exporting finished goods to the country (4mks)

- take advantage of cheap labour in the country
- to avoid paying tax on the goods that would otherwise be on imports
- to take advantage of suitable raw materials in the country
- to make products cheaper hence more sales
- To make transport cheaper

6.Outline four types of unemployment experienced in the Kenyan economy today (4mks)

- cyclical unemployment due to relatively low demand for goods and services
- structural unemployment due to changes in technology
- seasonal unemployment due to low demand for labour at certain periods
- frictional unemployment due to time lags ie time taken in changing jobs
- involuntary unemployment –wanting jobs at prevailing wages and cannot get them

7.State four reasons why entrepreneurs may wish to expand their businesses (4mks)

- To enjoy economies of scale
- to enjoy large profit margins
- to be able to employ skilled labour
- To afford to advertise ones products
- to be able to get money from long term sources as the business can offer security

8.Identify the account to debit in each of the cases below (4mks)

a)Paid wages by cash

- b) Sold stock by cheque
- c) Returned goods to supplier
- d) Took cash for private uses

9. Highlight four factors that may limit an individual's ability to satisfy his basic wants.

- low income/unemployment
- high prices of products
- political instability / un conducive political climate
- poor health of the individual
- poor quality of goods or services
- inavailability of products
- overcommitment of finances

10. State the sources of each of the following documents (4mks)

- a) I.O.U Buyer / debtor / customer
- b) Bill of exchange Buyer / debtor / customer
- c) Promissory note seller / creditor / supplier
- d) Credit note seller / creditor / supplier

11. Highlight four negative effects experienced in Kenya in 2017 in due to political unrest (4mks)

- withdrawal of subsidies / financial support
- high taxation
- unemployment due to low demand of goods / services
- loss of jobs

12. Outline four circumstances under which a manufacturer would not require a lot of warehousing facilities. (4mks)

- where the scale of production is low
- where goods are produced in order and do not require storage
- where there are wholesalers / large scale traders who provide warehousing facilities / buy goods in bulk
- where the demand for goods is higher than the production

13. Highlight four differences between public corporation and a private limited company (4mks)

<i>Public corporation</i>	<i>Private limited company</i>
<i>Managed by a board of directors appointed by the govt</i>	<i>Managed by directors elected by shareholders</i>
<i>Initial capital comes from the govt</i>	<i>Initial capital comes from the shareholders</i>
<i>Formed through an act of parliament</i>	<i>Formed under company's act</i>
<i>Main objective is to provide essential goods and services</i>	<i>Main objective is to make profit</i>
<i>Owned by the government</i>	<i>Owned by shareholders</i>
<i>Auditing of books of accounts is done by govt auditors</i>	<i>Auditing of books of accounts is by private auditors</i>
<i>Losses are occasionally subsidized / borne by the govt</i>	<i>Losses may eventually lead to collapse of the business/ borne by share holders</i>
<i>Profits belong to the government</i>	<i>Profits belong to the shareholders</i>

14. Kiriamitii is a small scale retailer. Outline four considerations he needs to make before he advances goods on credit to Kamau his friend. (4mks)

- amount of stock available
- value of goods kamau wants
- Kamau's creditworthiness
- Kamau's ability to pay
- collateral / security given by kamau
- prevailing economic conditions
- Credit period
- locality of the customer

15. Highlight four circumstances under which a trader may wish to hire an office machine rather than purchasing it. (4mks)

- if the cost of hiring is lower than the cost of buying the machine
- if the machine is required for a short time only
- if there is no money to buy the machine
- where the business does not have qualified personnel to handle the machine
- if the procedure of buying the machine is lengthy and complicated as compared to hiring one
- if the machine is not available for buying in the market

16. The following information relates to Maji Tamu Traders as at 31.11.2017

Fixed assets	400,000
Stock	120,000
Current liabilities	60,000
Net profit for the current year	100,000

Calculate; i) Rate of return on capital employed (2mks)

$$CE = FA + CA - CL = 400,000 + 120,000 - 60,000 = 460,000$$

$$\text{Return on capital employed (CE)} = \frac{NP}{CE} \times 100 = \frac{100,000}{460,000} \times 100 = 21.7\%$$

ii) Current ratio (2mks)

$$= \frac{\text{current assets}}{\text{current liabilities}} = \frac{120,000}{60,000} = 2:1$$

17. State four gaps that an entrepreneur can exploit (4mks)

- unavailability of products
- poor quality / substandard products
- inadequate products
- customers being served poorly / poor services
- too high prices / customers being overcharged

18. Outline four ways of creating utilities (4mks)

- form utility-through manufacturing, construction or processing
- Place utility- through transportation
- Time utility-through storing / warehousing
- possession utility – through traders or gifts (explanation a must)

19. Outline any four disciplines covered by business studies (4mks)

- commerce – study of trade and aids to trade
- economics-study of how human beings strive to satisfy the unlimited resources
- office practice- study of activities carried out in an office
- accounting
- entrepreneurship

20. Land is a basic factor in the production process. Outline four characteristics that describe it. (4mks)

- Fixed in supply
- geographically immobile
- productivity can be improved by increasing quality of capital
- Quality is not homogeneous
- Subject to the law of diminishing returns
- Is a natural resources

21. Assuming you are a human resource manager in an institution, outline four measures you can take to improve employees productivity (4mks)

- further training
- pay increase
- Exposing employees to areas where they can obtain more experience
- Appreciating special talents and jobs extraordinarily done
- giving fair and equal opportunities for promotion
- Fair remuneration
- provision of social amenities
- Proper personnel administration
- Assigning employees to jobs that they are qualified for

22. Outline four limitations of using free samples in production promotion. (4mks)

- samples may be given to people who are not potential customers
- not appropriate method for very expensive commodities
- an expensive method
- if the sample is not appealing the product may not be bought

23. Outline four emerging trends in communication (4mks)

- Mobile phones
- Emails

24. Development planning is crucial in every economy. Highlight four reasons why it is crucial (4mks)

- appropriate resources allocation
- stimulation of effects
- support foreign aid bargain
- project evaluation
- long term decision making
- avoiding duplication
- promoting balance in regional development planning

