

**FORM FOUR**  
**BUSINESS STUDIES PAPER ONE**  
**MARKING SCHEME**  
**JULY/AUGUST 2024**

**1. State the term given to each of the following disciplines. (4 marks)**

- a) Study of how man strives to satisfy his unlimited wants using the limited resources. **Economics**
- b) Study of trade and aids to trade. **Commerce**
- c) Study of the activities that are carried out in an office. **Office Practice**
- d) Study of the process of identifying a business opportunity and acquiring resources to start and run a business. **Entrepreneurship**

**2. Outline four principles of insurance. (4 marks)**

- a) Insurable interest
- b) Indemnity
- c) Subrogation
- d) Proximate cause
- e) Contribution
- f) Utmost good faith/ Uberrimae Fidei

**3. The following are terms used in international trade; Loco Price, Free on Rail (F.O.R), Franco, Free on Board (F.O.B). Match each term with the appropriate description. (4 marks)**

	Description	Term
a	Price quoted covers the goods as they are in the seller's premises.	<u>Loco Price</u>
b	Price quoted covers goods up to when they are in the ship.	<u>Free on Board (F.O.B)</u>
c	Price quoted covers the cost of goods and any other expenses up to the buyer's premises.	<u>Franco</u>
d	Price quoted covers goods until they are loaded on rail.	<u>Free on Rail (F.O.R)</u>

**4. State four accounts to which changes in stock may be recorded. (4 marks)**

- a) Purchases account.
- b) Sales account.
- c) Purchases Returns account.
- d) Sales returns account.

**5. State four reasons why banks prefer open plan offices. (4 marks)**

- a) Cheap to construct/ maintain.
- b) Promotes team work.
- c) Discourages absenteeism.
- d) Promotes sharing of office equipments.
- e) Easy location of workers.
- f) Encourages easy supervision of workers.
- g) Saves floor space.

6. Outline four factors that may make a producer to by-pass the wholesaler when distributing goods. (4 marks)
- Having own retail outlets.
  - When dealing in perishable goods.
  - When dealing in technical goods that may require a demonstration.
  - When customers / retailers buy in large quantities.
  - When there is need to keep prices low.
  - Limited market / small market.
  - When production is on small scale.

7. State four reasons for consumer protection. (4 marks)
- To protect them against sale of poor quality goods / services.
  - To protect them from sales of harmful goods / services.
  - To protect them from sales of unhygienic goods / services.
  - Protect them from breach of contract.
  - To protect them from overpricing of goods / services.
  - To protect them against hoarding of goods / services that create artificial shortage.
  - To protect them against cheating through false advertisement.
  - To protect them against the sale of underweight goods.
  - To protect them against socially unacceptable goods / services.

8. The following information relates to Karibu traders for the year ended 31<sup>st</sup> December, 2020.

Details	Shs
Fixed Assets	1,840,000
Current Assets	400,000
6 year bank loan	600,000
Current Liabilities	150,000

Determine owner's capital using the above information. (4 marks)

Capital = Assets – Liabilities	
$\begin{aligned} \text{Total Assets} &= \text{F.A} + \text{C.A} \\ &= 1,840,000 + 400,000 \\ &= 2,240,000 \quad \checkmark \end{aligned}$	$\begin{aligned} \text{Total Liabilities} &= \text{L.T.L} + \text{S.T.L} \\ &= 600,000 + 150,000 \\ &= 750,000 \quad \checkmark \end{aligned}$
$\text{Capital} = 2,240,000 - 750,000 \quad \checkmark$	
$= 1,490,000 \quad \checkmark$	
4 x 1 = 4 marks	

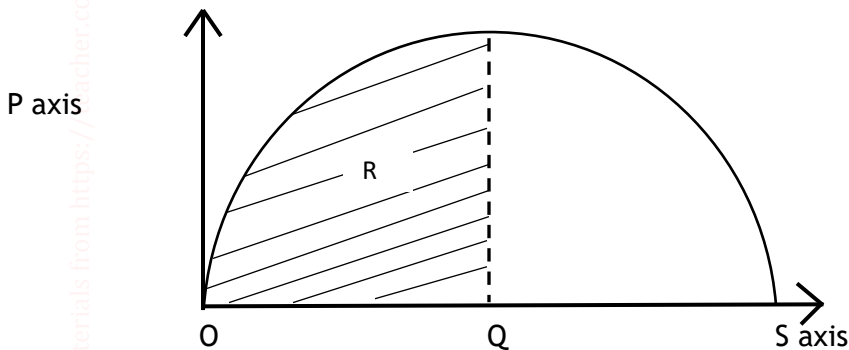
9. State four uses of a general journal. (4 marks)
- Recording purchase of a fixed asset on credit.
  - Recording sale of a fixed asset on credit.
  - Recording opening entries.
  - Recording closing entries.
  - Correction of errors.
  - Writing off bad debts.

g) Issue of shares and debentures by companies.

10. State the level of production involved in each of the following occupations.

	<u>Occupation</u>	<u>Level of production</u>
a	Road building	Secondary
b	Farming	Primary
c	Teaching	Tertiary
d	Food processing	Secondary

11. The diagram below represents the relationship between population and income per capita.



State what is represented by P and S (axes) and Letter R and Q. (4 marks)

- a) P axis Income per capita  
 b) S axis Population  
 c) R Under population  
 d) Q Optimum population / Optimal population

12. Highlight the unit of carriage associated with the following means of transport. (4 marks)

- a) Pipeline transport **Pipes**  
 b) Human portorage **Human beings**  
 c) Water transport **Ships, canoes, boats, dhows, ferries**  
 d) Cartage transport **Carts**

13. State four limitations of national income statistics as a measure of the standards of living. (4 marks)

- a) Data being used may not be accurate.  
 b) The national income figure does not reflect the distribution of income.  
 c) Consumption patterns and lifestyles are not constant.  
 d) It may not show the proportion of income spent on productive or non-productive activities.  
 e) A high income could be at the expense of the citizens' welfare.  
 f) Figures may not reflect depreciation / appreciation of assets.

14. Outline four merits of indirect tax. (4 marks)

- a) Tax payment is voluntary.  
 b) Not possible to evade.  
 c) Convenient to tax payers / paid in bits.  
 d) It is flexible.

- e) Can be used selectively.
- f) More revenues can be raised (wide tax base)
- g) It stimulates efforts.
- h) It promotes equality / paid by everyone who purchased the goods.

**15. State four difficulties faced in the satisfaction of human wants. (4 marks)**

- a) Too many to be satisfied.
- b) Resources required are scarce.
- c) Some are complimentary and attract other wants.
- d) Some are habitual yet habits are hard to break.
- e) Are repetitive / recurrent hence cannot be satisfied once for all.
- f) Wants vary in urgency and intensity.

**16. Highlight four benefits to a business that uses E-mail in communication. (4 marks)**

- a) Relatively fast.
- b) Confidentiality of information.
- c) Easy access to information.
- d) Used for future reference.
- e) It is universal.
- f) Get instant feedback.

**17. Highlight four uses of a business plan to a business man. (4 marks)**

- a) To foresee and avoid mistakes that could be committed in future.
- b) To enable the business organization, avoid goal blindness.
- c) To identify strengths and devise ways of dealing with the weakness.
- d) To allocate resources of the business appropriately.
- e) It's a requirement by the financiers.
- f) To use it as a monitoring tool.
- g) To help determine required resources.
- h) To be able to motivate employees.
- i) To enable entrepreneur, identify potential market.
- j) To adapt to future changes.

**18. Highlight four ways in which a firm may differentiate its products from those of its competitors. (4 marks)**

- a) Branding
- b) Wrapping
- c) Packaging
- d) Coloring
- e) Pricing
- f) Shaping
- g) Advertising
- h) Taste

**19. Outline four qualities of a successful salesperson. (4 marks)**

- a) Office etiquette e.g. honest
- b) Personal attributes e.g. neatness
- c) Ability to listen.
- d) Able to assess.
- e) Good knowledge of the product.
- f) Ability to communicate.

20. The following information relates to the business of Watamu Enterprises.

Opening stock sh 28,000  
 Closing stock sh 42,000  
 Rate of stock turn over 4 times  
 Mark - up 25%

From the above information, determine

i) Cost of goods sold. (2 marks)

$$\text{R.O.S.T.O} = \frac{\text{Cost of goods sold}}{\text{Average stock}}$$

$$\text{Average stock} = \frac{28,000 + 42,000}{2}$$

$$= 35,000$$

$$4 = \frac{\text{Cost of goods sold}}{35,000}$$

$$\begin{aligned} \text{Cost of goods sold} &= 4 \times 35,000 \\ &= 140,000 \end{aligned}$$

ii) The gross profit. (2 marks)

$$\text{Mark - up} = \frac{\text{G.P}}{\text{C.O.S}} \times 100 \qquad \text{G.P} = 25 \times \frac{140,000}{100}$$

$$25 = \frac{\text{G.P}}{140,000} \times 100 \qquad = 35,000$$

21. Outline four benefits to a business that uses it

- a) The business maintains a continuous supply of goods.
- b) Customers are retained as they are sure of getting the goods on demand.
- c) Goods are safe from theft.
- d) Savings increase for not renting storage facilities.
- e) Goods can be processed in the warehouse.
- f) Goods can be tailored to meet one's specification.
- g) Can be conveniently located.
- h) More secure from damage.
- i) Space is guaranteed.

22. The table below shows the demand and supply of shoes in a certain region. Use it to answer the questions that follow.

Price in Ksh	Quantity demanded	Quantity supplied
500	1200	602
650	900	780
730	850	850
820	700	905
940	620	1600

- (i) Determine the total excess supply. (1 mark)  
 $(905 - 700) + (1600 - 620) = 1185$
- (ii) Determine the total excess demand. (1 mark)  
 $(1200 - 602) + (900 - 780) = 718$
- (iii) Determine the equilibrium price. (1 mark)  
Ksh 730
- (iv) Determine the equilibrium quantity. (1 mark)  
850

23. Highlight four economic factors that affect the consumers' buying abilities and preferences. (4 marks)

- Level of income and distribution.
- Levels of prices and trends.
- The structure and level of savings.
- Debt patterns and repayment abilities.
- Credit availability.
- Changes in tax rates.
- Rate of inflation.

24. State four reasons that may make a firm locate close to source of raw materials. (4 marks)

- Where it's cheaper to transport finished goods than raw materials.
- Where the firm needs to ease handling of bulky raw materials.
- When dealing with highly perishable raw materials to avoid spoilage.
- If the government policy requires the firm to be located near source of raw materials.
- When the firm wants to control an important raw material.
- When the raw materials are fragile / when the raw materials are dangerous to carry over long distances.
- When the firm needs to easily handle heavy raw materials.

25. Mention four services that wholesalers offer to retailers. (4 marks)

- Break bulk.
- Provision of credit facilities.
- Advertising goods.
- Provision of a variety of goods.
- Preparing goods for sale.
- Ensure steady supply of goods.
- Storage relieving the retailer storage costs.
- Advising services.
- Transporting goods.