

**565/1**

**BUSINESS STUDIES FORM 3**

**PAPER 1**

**MARKING SCHEME**

1. a) Office practice  
b) Entrepreneurship  
c) Commerce  
d) Accounting  
(1 × 4 = 4 marks)
2. a) Favourable government policies e.g. fair taxation  
b) Availability of market of local produce  
c) High level of education and training on business issues  
d) Improved infrastructure  
e) Political stability and security in the country  
f) Adequate capital  
g) Positive entrepreneurial culture  
h) Fair competition  
i) Favorable natural factors (Any 4 × 1 = 4 marks)
3. **FOUR** challenges associated with a high ageing population in a country. (4 Marks)  
(a) High dependency ratio from many retirees.  
(b) Low mobility of labour since older people are less mobile.  
(c) Restricted patterns of consumption which lower demand.  
(d) Less progress due to resistance of the older people to change.  
(e) Low labour supply.
4. **FOUR** items that are included when computing national income using expenditure approach. (4 Marks)  
(a) Consumption by general public on consumer goods (personal expenditures – C)  
(b) Expenditure by general public on capital goods (Investments – I)  
(c) Government expenditure on goods and services (G)  
(d) Net expenditure on foreign goods (x – m)
5. **Four features of a market include.** (4 marks)  
(a) The product (a good or service offered for sale)  
(b) Existence of buyers and sellers  
(c) A place (a specific location)  
(d) Interaction between buyers and sellers (exchange of goods or services for money)

6.

	A/c to debit	A/c to credit
a)	Purchases✓	Kamene✓
b)	Drawings✓	Purchases✓
c)	Office expenses✓	Cash✓
d)	Bank✓	Motor vehicles✓

( 8 x ½ = 4marks)

**7. Factors that may necessitate re-insurance**

- High value of the property
- When chances of loss through insured risk are high
- When the insurance company has insured many different risks
- When the insurance company wishes to share liability in the event of loss
- When it is a legal requirement for an insurance company to re-insure 4x1=4marks

**8. Types of wholesalers**

- General merchandise wholesalers
- General line wholesalers
- Specialized wholesalers 3x1=3marks

**9. Need for consumer protection**

- a) Ensure commodities are of good quality
- b) Right quantity and size of goods
- c) Ensure standards of health are maintained
- d) Ensure building construction and safety standards are maintained
- e) Ensure fair prices are charged
- f) Ensure commodities are available
- g) Protect consumers from false advertising
- h) Protect consumers from sale of harmful commodities
- i) Protect consumers against breach of contract

Any 4@√=1mk x 4 =4mks

**10. Advantages of bonded warehouse to Government**

- a) Government revenue
- b) Control of entry of harmful goods
- c) Gvt can verify documents for goods in transit
- d) Gvt checks quality of goods entering country
- e) Gvt controls quantity of goods entering the country
- f) Gvt can inspect type/nature of goods imported
- g) Gvt can check on illegal goods entering the county

11.

- a) Equilibrium price

- b) Demand curve
- c) Supply curve
- d) Equilibrium quantity

@√ 1 = 1mk x 4 = 4mks

12. .

Mwenge Traders  
Balance Sheet  
as at 30<sup>th</sup> June 2010

Furniture	70,000 √	Capital	285,000√
Stock	25,000 √	Drawings	<u>30,000√</u>
Cash in Hand	50,000 √		255,000√
Debtors	120,000√	Creditors	240,000√
		10 year loan	<u>40,000√</u>
	<b><u>895,000</u></b>		<b><u>895,000√</u></b>

@√ = ½ mk x 8 = 4mks

**13. Circumstances under which face to face communication would be appropriate**

- When there is need to promote informal communication/ chatting
- When giving routine instructions to subordinate
- When there is need to discuss issues between workers and management
- When no written evidence of the communication is required
- When there is need for immediate feedback

*Any 4 x 1 = 4mks*

**14. Factors to consider before setting up a business**

- Potential demand for goods/ services
- Source of raw materials
- Security in the area
- Land availability
- Political stability
- Existing infrastructure
- Auxiliary services
- Legal requirement
- Source of labour
- Sources of technology
- Possible return on income
- Chances of growth
- Effects in the environment
- Competition
- Social cultural environment

**15. Benefits of a business plan to a business**

- Used to attract funding from potential investors and lenders Tests the business idea on paperore its implemented
- t minimises the impact of disruptions of business activities that may arise due to unforeseen ircumstances
- It can be used to evaluate the performance of a business
- It guides management decisions and actions on day to day basis *Any 4 x 1 = 4mks*

**16. Features of perfect completion**

- Freedom to entry and exit
- Products sold are homogeneous
- Many sellers in the market
- Perfect knowledge of the market by buyers and sellers
- No government interference (4marks)

**17. Four factors to consider when choosing a method of promoting products**

- Nature of the target group
- The size of the market
- Nature of the product
- The method used by the competitors
- Flexibility of the method / medium
- Availability of the medium
- Cost of the medium
- Physical characteristics of the medium
- Governments policy (4mks)

- 18.**
- Internal
  - External
  - External
  - Internal

19. Trade discount  $= \frac{5}{100} \times 10,000 = 500$

Amount to be paid  $= 10000 - 500$

$= 9500$

$$\text{Cash discount} = \frac{2}{100} \times 9500 = 190$$

$$\text{Amount paid to seller} = 9500 - 190$$

$$= 9310$$

20.

- (i) Producer  $\longrightarrow$  Customer
- (ii) Producer  $\longrightarrow$  wholesaler  $\longrightarrow$  Consumer
- (iii) Producer  $\longrightarrow$  Wholesaler  $\longrightarrow$  Retailer  $\longrightarrow$  Consumer
- (iv) Producer  $\longrightarrow$  Retailer  $\longrightarrow$  Consumer
- (v) Producer  $\longrightarrow$  M. board  $\longrightarrow$  Wholesaler  $\longrightarrow$  Retailer Consumer
- (vi) Producer  $\longrightarrow$  Co-op  $\longrightarrow$  M. board  $\longrightarrow$  Consumer

21.

DATE	PARTICULARS	FOLIO	Dr shs	Cr shs
2001 May 5	Wakulima enterprises a/c Tractor a/c <i>(being record of sale of an old tractor on credit)</i>		80,000	80,000
May 10 <sup>th</sup>	Bumbere restaurant a/c Office furniture a/c Gain on disposal a/c <i>( being sale of office furniture at a gain)</i>		90,000	80,000 10,000
May 20	Yusuf traders a/c Loss on disposal a/c Machine a/c <i>( being sale of a machine on credit)</i>		50,000 30,000	80,000

(8 X ½ MARKS)

**22.Functions of an office in an organization**

(1x4)

- (a) Receiving mails
- (b) Distribution of mails

- (c) Filing documents for future reference
- (d) Reproduction of documents
- (e) Co-ordinating other department in an organization
- (f) Safeguarding an organizations property

**23. Errors that may cause a trial balance to balance**

(1x4)

- (a) Error of total omission of a transaction
- (b) Error of commission
- (c) Error of principle
- (d) Error of complete reversal of entries
- (e) Compensating errors
- (f) Error of original entry
- (g) Transposition error

24.

- (a) Differences in quality of goods and services
- (b) Insufficient incomes
- (c) High prices of goods and services
- (d) Scarcity of goods and services
- (e) Political instability

(1x4)

**25. Give five differences between a cooperative and a parastatal**

**(5 marks)**

COOPERATIVE	PARASTATAL
a) Owned by share holders	a) Owned by government
b) Capital contributed by shareholders	b) capital contributed by government
c) Profit goes to shareholders	c) profit goes to government
d) Managed by a committee elected by members	d) managed by a board of directors appointed by president
e) Formed and governed by cooperative act	f) formed and governed by act of parliament
g) Formed to provide services to members	g) formed to provide essential services to members of public