

**BUKAKACLUSTER EXAMINATIONS**  
**END OF TERM 1, 2025**  
**BUSINESS STUDIES PAPER 1**  
**MARKING SCHEME**  
**FORM 4**

1. State four elements of the external environment that may negatively affect business operations.

- political instability
- Unfavorable demographic factors
- Unfavorable economic environment
- Use of poor technology
- Unfavorable legal political environment
- Unfavorable social cultural factors
- Stiff market competition
- Unfavorable physical environment

2. A business is expected to be socially responsible to various groups such as customers, employees, government, public and suppliers. Indicate against each statement the most appropriate group (5mks)

<i>Statement</i>	<i>Group</i>
i)Fair remuneration	Employees
ii)Timely tax returns	Government
iii)Fairness in tender allocation	suppliers
iv)Equal job opportunities	Public
Quality products	customers

3. Identify three activities in the extractive level of production (4mks)

- Farming
- Fishing
- Mining
- timbering (lumbering)

**4. Outline four ways in which partners may be classified (4mks)**

- role played by partners
- liabilities of the partners for business debt
- ages of parties
- capital contribution

**5. Highlight four characteristics of mail order store (4mks)**

- goods are sold through the post office
- have large warehouse
- don't deal with perishable goods
- customers don't visit selling premises
- there is heavy advertisement
- goods are dispatched through CWO basis or COD basis

**6. Outline four factors that make office managers to communicate to their staff in writing. (4 Marks)**

- Confidentiality
- Accuracy
- Completeness of message
- Future reference
- Reliability of the means
- Economy
- Accessibility
- Acceptability

**7. Highlight four sources of monopoly power (4 Marks)**

- Where one firm controls the source of raw materials
- Where the goods or product can only be efficiently produced by one firm only
- Where firms merge or amalgamate to operate as one firm
- If a firm grows naturally due to economics of large scale
- Where patent rights and trademarks are granted to one firm
- Where the capital outlay is too huge denying entry of any new firm in the market
- Where the government establishes a firm to provide an essential good / services

8.

Jakayo's Trades  
Balance sheet  
As at 1<sup>st</sup> July 2010

Furniture	20 000	Capital	23 000
Stock	8 000	Long term loan	10 000
Cash bank	<u>12 000</u>	Creditors	<u>7 000</u>
	<u>40 000</u>		<u>40 000</u>

8 @ ½ = 4 mks

**9. State four circumstances under which cash with order is mostly practiced. (4marks)**

- If the business is conducted through post office eg mail order

- If customer is new to the business
- If credit worthiness is in doubt
- If it is the business policy
- If the goods involved are produced to the customer specifications
- If seller requires cash urgently
- If seller needs to avoid the bother and expenses of debt collection.
- If seller intends to minimize keeping records relating to debts.

**10. Highlight four reasons why a producer of goods may use intermediaries to distribute his goods. (4marks)**

- Where market is spread out.
- Where there is Poor infrastructure making it difficult to distribute goods.
- Where products require ready finance which can be provided by intermediaries.
- Where there is Management problems ie manufacturer is unable to manage distribution outlets.
- Where nature of goods requires middlemen to carry out certain services.
- Where government policy dictates
- Where producer wants to distribute risks.

**11. Consequences of poor arrangements of goods in a warehouse.**

- Loss of goods/theft.
- Damage of goods.
- Time wastage in trying to access the goods.
- Contamination of goods.
- Wastage of space.

**12. Highlight four reasons that may influence consumers to satisfy basic wants before secondary wants. (4marks)**

- They are essential for survival
- The consumer has limited resources
- They cannot be postponed
- They are felt needs

**13. Highlight four circumstances under which personal selling may be used as a strategy in product promotion. (4marks)**

- If goods are tailor made to customer specifications.
- If introducing new product in the market.
- If products require installation.
- If products are technical – require demonstration.
- If goods are of high value
- If market is concentrated.

**14. Highlight four benefits of using electronic filing system in an office. (4mks)**

- Easy access of information
- Reduction of labour costs
- Less storage facilities
- Easy updating
- Less paper work
- Environmental friendly
- Safe since there's use of password

- Presentable outlook
- Highly portable

**15. Give four causes of business success.**

**(4marks)**

- Availability of capital
- Proper management
- Application of appropriate technology
- good customer relation
- Availability of ready market
- Good infrastructure
- Favorable government policy
- Availability of raw materials/ stock
- Fair competition
- proper research
- Owner's commitment to the business
- Proper debt management
- Security
- Availability of skills

**16. Give four ways in which the government can increase demand for bread in the country.**

**(4marks)**

- Lowering tax
- Imposing subsidies
- Favourable laws that encourage consumption
- Fixing price at a lower rate

**17. State the effect of each of the following transaction on the balance sheet by writing increase or decrease or no effect in each case**

Transaction	Effect
a) Bought machinery on credit	Increase
b) withdrew cash from the business for personal use	decrease
c) Purchased stock in cash	No effect
d) Paid outstanding by cheque	Decrease

**18. Circumstances under which a firm would be located near the market for its product**

- If the product is bulky
- If the market is localized
- If the products is highly perishable
- If the product is delicate
- When the firm wishes to reduce the cost of production
- When the value of the product is low

**19. Circular flow of income**

- A – Factors of production
- B - Rewards of the factors of production
- C - Goods and services
- D - Expenditure on goods and services

**20. Highlight four trends in the transport sector in Kenya.**

**(4 marks)**

- Electric vehicles
- Dual carriage roads are being developed
- Use of technology such as google maps

- Use of boda boda/ motor cycles for convenient purpose
- Private personal vehicles with less carrying capacity referred to as taxis
- Electric motor cycles
- Introduction of standard guage railway system
- Use of tri-cycles eg tuktuk
- Express way

**21. Outline four channels that may be used to distribute imported products. (4 marks)**

- Foreign Manufacturer → Agent → Wholesaler → Retailer → Local Consumer
- Foreign Manufacturer → Local Wholesaler → Retailer → Local Consumer
- Foreign Manufacturer → Local Consumer
- Foreign Manufacturer → Local Wholesaler → Local Consumer
- Foreign Manufacturer → Local Retailer → Local Consumer
- Foreign Manufacturer → Local Agent → Wholesaler → Retailer → Local Consumer

**22. State four characteristics of life assurance policy**

**(4 marks)**

- May cover life until death or for an agreed period of time
- It deals exclusively with life
- It usually a long term contract and annual renewal is not necessary
- Its value depends on the assureds ability to pay premiums
- It may be as security when acquiring a loan
- The policy can be assigned to beneficiaries
- It has a surrender value
- It has a maturity date
- It may be used as a savings plan

**23. Highlight any four trends in forms of business units**

**(4 marks)**

- Trusts
- Franchising
- Mergers/amalgamation
- Check off system
- Absorption
- Burial benevolent fund
- Cartels
- Globalization
- Holding companies
- Privatization
- Front office savings account

➤ Performance contract

24.State the journals used to record the following

- a) Goods previously bought on credit were returned .....returns outward/purchases returns
- b) Goods sold on credit .....sales journal
- c) Goods bought by cash.....cash payment journal/cashbook
- d) A tractor sold on credit.....general journal/journal proper

**25. Fill in the table below.**

**(4 marks)**

Fixed assets	Current assets	capital	liabilities
779000	281000	600000	460000
9099000	3033000	10062000	2070000
80800	35000	70000	45800
_325500_	34500	236000	124000

