

FORM FOUR
565/1
BUSINESS STUDIES
MARKING SCHEME

1. Ways in which the utility of a product can be increased.

- By changing its location/transporting to different places
- By changing its ownership/through exchange/selling/trade.
- By changing its form/manufacturing/processing/construction.
- Through warehousing/storage.

An 4 x 1 = 4mks

2. Disadvantages of operating an enclosed office layout.

- It is costly to construct/maintain
- There is no close supervision of workers
- Encourages absenteeism.
- Encourages laxity in an office.
- A lot of time is taken by workers moving from one office to another.
- Possible misuse of office facilities/equipments
- Does not economize on floor space.
- Not flexible in terms of redesigning/resign
- Slowed work flow.
- May lead to breakdown of communication among members of staff

Any 4 x 1 = 4mks

3. Reasons why Countries may decide to trade with each other.

- Exchange their surplus
- To acquire quality goods.
- To acquire variety of goods
- To enhance factor mobility
- To enhance international relation
- To exchange skills and knowledge of producing certain goods and services.
- Acquire goods they are unable to produce.
- To acquire foreign exchange.
- To create employment.
- When it is cheaper to import
- To exploit resources optimally

Any 4 x 1 = 4mks

4. Functions of the Central Bank of Kenya.

- Issue of currency
- Banker to commercial banks
- Banker to the government
- Maintains an account for foreign exchange services
- Managing public debt.
- Adviser to the government
- Control of commercial banks
- Lender of last resort.

- Acts as a link to other Central banks
- Credit control.

Any 4 x 1 = 4mks

5. Trading account for the month ending 31st January 2019

Margin = $\frac{1}{5}$ mark up $\frac{1}{4}$

$$\text{C.O.S} = 200,000 + 500,000 - 300,000 = 400,000$$

$$\text{Mark-up} = \frac{\text{GP}}{\text{Cost of sales}} \quad \text{GP} = \frac{1}{4} \times 400,000 = 100,000$$

| Odhiambo Trading a/c For the month ending 31/01/2019 | | | |
|---|----------------|---------|----------------|
| Opening stock | 200,000√ | Sales | 500,000√ |
| Add: Purchases | 500,000√ | | |
| COGAFS | 700,000√ | | |
| less: Closing stock | 300,000√ | | |
| C.O.S | 400,000√ | | |
| GP. c/d | 100,000√ | | |
| | <u>500,000</u> | | |
| | | | <u>500,000</u> |
| | | G.P b/d | 100,000√ |

8 x 1/2 = 4mks

6. Indicators of Economic development.

- Improvement in health facilities
- Low rate of unemployment
- Increase in skilled manpower.
- Use of modern technology in production
- Improved life expectancy
- Reduced infant/mortality rate
- More equitable distribution of income.
- Reduction of illiteracy.
- Shift from Agriculture to manufacturing sector
- Improvement of entrepreneurial ability.
- Increase and improvement of institutions that handles new method of production.

Any 4 x 1 = 4mks

7. Consequences that may arise due to poor arrangement of goods in a warehouse.

- Damage/breakage of goods.
- Pilferage/theft of good.
- Wastage of time when searching for the required goods.
- Uneconomical/wastage of space in the warehouse
- Possible loss of government revenue in bonded warehouse
- Increased overhead costs.

Any 4 x 1 = 4mks

8. Positive effects of inflation

- Increased production in order to maintain living standard.
- Better utilization of available resources.
- Motivates people to work harder.
- Debtors may pay less in real terms.
- Sellers may earn more.

Any 4 x 1 = 4mks

9. Circumstances when manufacturers would market research.

- Where he wants to determine the competition level and how to face it.
- Where there is need to establish the best price that will suit the consumer.
- Where he intends to find the best method of distributing goods.
- Where the product is new.
- Where he wants to establish the best packaging of goods.
- Where he intends to establish the best method of producer promotion.

Any 4 x 1 = 4mks

10. Factors determining the amount of revenue collected by the Kenyan Government through taxation.

- Distribution of incomes/gap between rich and poor
- Social and political factors.
- Honesty and efficiency of the tax authorities.
- Citizens level of real income.
- Economic structure of the Country/vector/tax base.

Any 4 x 1 = 4mks

11.

**Shiku Traders
Balance sheet
As at 30th June 2010**

| | | | |
|-----------|-----------------------|--------------|-----------------------|
| Machinery | 450,000√ | Capital | 550,000√ |
| Stock | 60,000√ | 5 years loan | 290,000√ |
| Debtor | 120,000√ | Creditor | 60,000√ |
| Bank | 180,000√ | | |
| Cash | 70,000√ | | |
| | <u>880,000</u> | | <u>880,000</u> |

8 x ½ mks

12. Factors to consider when evaluating business ideal opportunity

- Availability and size of market
- Profitability of the investment
- Legal requirements
- Possibility of growth of the business
- Ability to cope with competition.
- Ability to adopt technology
- Adequacy of resources necessary for operating the business
- *Any 4 x 1 = 4mks*

13. Mwaniki Traders cash book

| Date | Details | Disc All. | Cash | Bank | Date | Details | Disc. Rec. | cash | bank |
|---------|-------------|------------|----------------|----------------|---------|-------------|-------------|----------------|----------------|
| 1/1/06 | Balance b/d | | 180,000✓ | 170,000✓ | 10/1/06 | ABM traders | 1000✓ | | 25,000✓ |
| 16/1/06 | Sales | 700✓ | 13300✓ | | 16/1/06 | Bal. b/d | | ✓ | ✓ |
| | | <u>700</u> | <u>193,300</u> | <u>170,000</u> | | | <u>1000</u> | <u>193,300</u> | <u>145,000</u> |
| | Bal b/d | | 193,300 | 145,000 | | | | <u>193,300</u> | <u>170,000</u> |

8 x ½ = 4mks

14. Errors

- Error of omission
- Error of complete reversal of entries.
- Error of principle
- Compensation errors.

4 x 1 = 4mks

15. Factors that determine the amount of money held.

- Level of income
- Family status
- Age of an individual
- Number of dependant
- Individuals temperament/attitude towards life.
- Duration between incomes

Any 4 x 1 = 4mks

16. Factors determining size of country's national income

- Labour supply
- Capital/man-made resources
- Entrepreneurship
- Lan/natural resources.
- Level of technology
- Political stability/type of governance
- Attitude of citizens towards work.
- Foreign investment.
- Size of the subsistence sector

Any 4 x 1 = 4mks

17. Ways in which the nature of a product influences the choice of a distribution channel.

- Perishable goods require the shortest channel
- Bulky goods require shorter channels
- Highly valuable goods require short channels
- Technical goods require short channel than light goods.

Any 4 x 1 = 4mks

18. Documents issued

- Invoice /invoice issued/outgoing invoice
- Debit note/debit note issued
- Receipt/receipt issued
- Credit note/credit note issued.

Any 4 x 1 = 4mks

19. Why the Kenyan government has been organizing seminars and workshops for training youths in business.

- Expose them to modern development in business
- Educating them on efficient methods of operating business
- To impart proper business ethics.
- Inform them on profitable business opportunities available
- Educate them on government policies on business activities
- Expose them to problems facing them and the possible solutions.

Any 4 x 1 = 4mks

20. Ways in which the legal political environment may improve business performance.

- Improved infrastructural network may attract more businesses
- Political stability may make it attractive
- Increased subsidies lower costs of production
- Reduced taxes may attract more businesses
- Abolishing price controls enable businesses to get better profit margins.
- Favourable legislation reduces bureaucratic procedures

Any 4 x 1 = 4mks

21. Differences between a Public limited company and a partnership.

| Public Limited Company | Partnerships |
|--|--|
| (i) minimum of 7 shareholder and no maximum number of shareholders | (i) Performed between 2 – 20 Partners except for special partnership |
| (ii) shareholders have limited liability | (ii) partners have unlimited liabilities except for limited partners |
| (iii) has perpetual life | (iii) limited life |
| (iv) invite public to subscribe for its shares | (iv) over not invited public to subscribe |
| (v) Managed by a board of directors | (v) Managed by partners themselves |
| (vi) Governed by articles and memorandum of association | (vi) Guided by the partners act/deed |

Any 4 x 1 = 4mks

22. Effects of shift of the demand curve to the right.

- The price will increase.
- The quantity demanded will increase
- Equilibrium quantity shift to the right/increases
- The equilibrium price shift upwards/increases
- Equilibrium point shift upward to the right.

Any 4 x 1 = 4mks

23. Reasons why bill boards are popular in product promotions.

- They are positioned at strategic positions where they can be accessed by many people.
- The advertising message is not heavily worded thus making it possible to be remembered easily.
- They convey a message for a long time.
- They are conspicuous hence attractive to the audience.
- They can convey a message to the illiterate because off use pictures.

Any 4 x 1 = 4mks

24. Measures that a government may take to correct a balance of payment deficit in the Country

- Increasing to volume of export
- Decreasing volume of import
- Devaluation of a country's currency.
- Diversification of exports
- Encouraging foreign investment into the country
- Restricting capital outflow.
- Deflation on of the economy
- Selling government investments abroad.

Any 4 x 1 = 4mks

25. Benefits that may enjoyed by a Country that is experiencing over- population.

- Wide market for goods and services
- Better utilization of resources
- Creates a pool of resources
- Enhance creativity and innovation
- Stimulates investments
- Promotes labour mobility

Any 4 x 1 = 4mks