**565/1**

**BUSINESS STUDIES**

**Paper 1**

**2 HRS**

**MARKING SCHEME**

**1. Highlight four reasons why people engage in Business activities. (4mks)**

1. To create employment opportunities
2. To make use of available local resources
3. To be their own bosses
4. To increase their present income
5. To utilize their free time
6. To commercialize their skills and talents

**2. Outline four types of resources that are important in Business. (4mks)**

1. Human resources
2. Financial resources
3. Physical resources
4. Technology

**3. State four functions of an entrepreneur in the production of goods and services. (4mks)**

1. They bear all the risks associated with production
2. They provide the required capital to carry out production
3. They acquire all other factors of production
4. They identify and set up viable business
5. They coordinate and organize the other factors of production

**4. Identify the machine used to perform the following tasks. (4mks)**

|  |  |
| --- | --- |
| **Statements** | **The machine** |
| 1. To count coins and notes | Money counting machine |
| 1. To trim paper into required sizes and shapes | Gullotine |
| 1. To fold documents, place them in envelope and seal the envelope | Composite machine |
| 1. To print postage impression on envelopes | Franking machine |

**5. Outline four differences between chain stores and departmental stores. (4mks)**

|  |  |
| --- | --- |
| **Chain stores** | **Departmental stores** |
| 1. They have branches all over the country e.g ART Ltd | All departments operate under one roof |
| 1. Stock a limited variety of goods | Stock a wide variety of goods |
| 1. All branches sell similar goods.   Purchases are centralized | Each department deals with different line of goods.  Purchases are decentralized |
| 1. Prices are uniform in all branches | Each department sets its own price |

**6. State four statistics that are associated with the measurement of National income. (4mks)**

1. Gross National Product
2. Net National product
3. Gross Domestic product
4. Net Domestic product

**7. Prepare Sunshine Traders Balance sheet from the following list of balances extracted from his books as at31 December 2013. (4mks)**

Capital 357,000

Stock 40,000

Machines 150,000

Furniture 7,000

Motor vehicles 200,000

Bank 20,000

Creditors 25,000

Cash 5,000

Debtors 60,000

Loan from KCB 100,000

**SUNSHINE TRADERS**

**BALANCE SHEET**

**AS AT 31/12/2013**

|  |  |
| --- | --- |
| **Assets Sh.** | **Capital + Liabilities Sh.** |
| Stock 40,000  Machines 150,000  Furniture 7,000  Motor vehicles 200,000  Bank 20,000  Cash 5,000  Debtors 60,000  **482,000** | Capital 357,000  Liabilities  Creditors 25,000  Loan from KCB 100,000    **482,000** |

**8. Outline four characteristics of a good filing system (4mks)**

1. Simplicity
2. Compactness i.e occupy little office space
3. Suitability
4. Should be economical
5. Safety
6. Accessibility

**9. Highlight four methods that Government uses to protect consumers. (4mks)**

1. Setting up standards
2. By licensing
3. Weights and measures act
4. Food and drug act
5. Trade description act / sale of good act
6. Public health act
7. Rent and tribunal act

**10. State four factors that a manager should bear in mind to ensure that he/she effectively communicates with the employees. (4mks)**

1. The timing of sending / passing information should be appropriate
2. There should be mutual respect between the two parties
3. Should speak in a proper language the is understood by all parties
4. The manager should into have negative attitude towards any employee
5. The manager should not have pre judgement

**11. State the meaning of the following principles of insurance. (4mks)**

a) **Subrogation** - This states that after the insured has been compensated the remnant of the insured item becomes the property of the insurer

b) **Contribution** - When a property is insured by more than one insurance company upon the occurrence of the event of loss, all the insurance companies will share the loss proportionately.

c) **Insurable interest** - One can only insure a property whose loss will affect him financial.

d) **Indemnity**- States that the insured can only be compensated for the actual loss suffered.

**12. Highlight four characteristics of underdevelopment. (4mks)**

* Low standards of living in the country.
* Low per capita of income
* Rapid population on growth rate
* Under- utilized natural resources
* Low literacy levels
* Use of simple / rudimentary technologies in production
* Pronounced income inequalities
* Low levels of productivity
* Poor infrastructure
* High levels of unemployment

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Price

Quantity supplied

**State four factors that may have caused the change shown in the diagram above**.

1. Use of traditional techniques in production process
2. Unfavourable weather conditions
3. Inadequate supply of factors of production
4. Unfavourable change in government policy
5. High cost of production
6. Expected increase in the price of the product in future

**14. Highlight four causes of unemployment in Kenya. (4mks)**

* Rapid population growth rate
* Introduction of capital intensive methods of production
* Inappropriate education system which is white collar job oriented
* The people may be too selective when choosing the jobs they want which may not be available.
* Low demand for goods and services due to low incomes.
* Inadequate resources required for production to be carried out.
* Rural – urban migration.
* Changes in seasons particularly in tourism and agricultural sectors.

**15. Outline four circumstances under which Mr Ondieki (a farmer) may distribute his products directly to his customers. (4mks)**

1. Where the goods are produced according to customer’s specifications
2. Where goods are technical in nature
3. Where goods are perishable in nature
4. Where the farmer is very close to the market
5. Where the market being targeted is small
6. Where the producer wants to have direct contacts with the customers
7. Where the producer has his own retail outlets

**16. Tripple SSS wholesalers had the following information as at 31 December 2013 (4mks)**

Closing capital 70,000

Total expenses 5,000

Drawings of goods 6,000

Total incomes 3,000

Calculate the capital at the beginning of the year.

O.C – L – D = C.C

O.C – (5000 – 3000) – 6000 = 70,000

O.C – 2000 – 6000 = 70,000

O.C – 8000 = 70,000

O.C = 78,000 

**17. Highlight four advantages of localization of firms. (4mks)**

1. A pool of skilled labour is created where the firms con get employees from
2. Employment is created in such areas
3. Development of infrastructure may be carried out in areas where localized firms are
4. Joint management of waste can be carried out by all firms
5. Establishment of solid amenities such as hospitals and schools
6. Firms may benefit from already established markets
7. It leads to development of auxiliary firms such as banks and insurance in he area.

**18. State four characteristics of good money. (4mks)**

- General acceptability - Stability

- Scarcity - Cognizability

- Durability - Homogeneity

- Divisibility - Malleability

- Portability

19**. Identify the day book associated with the following source documents given below. (4mks)**

|  |  |
| --- | --- |
| **Source documents** | **Day books** |
| Invoice received | **Purchases Journal** |
| Credit note received | **Purchases Returns Journal** |
| Receipt issued | **Cash receipt journal** |
| Credit note issued | **Sales returns journal** |

**20 Highlight four purposes of public finance. (4mks)**

1. To provide essential goods and services
2. To control consumption of certain products
3. Re-distribution of wealth
4. To promote balanced regional development
5. To raise revenue for the government
6. To control balance of payments

**21. The following balances were extracted from the books of Okinda wholesalers on 31st December 2006. (4mks)**

**Sh**

Capital 800,000

Sales 250,000

Debtors 70,000

Purchases 160,000

Creditors 45,000

Opening stock (1.1.2006) 40,000

Closing stock (31.12.2006) 20,000

General expenses 50,000

5 year bank loan 200,000

Insurance expenses 20,000

Salaries and wages 80,000

**Required, calculate**

1. **Mark up** = Gross Profit x 100 70,000 x 100 (1mk) Cost of goods sold 180,000

= 38.88%

1. **Current ratio** (1mk)

Current assets = 90,000

Current liabilities 45,000 = 2:1

1. **Rate of stock turnover** (1mk)

Cost of goods 180,000

Average stock 30,000

Average stock = 40,000 + 20,000 = 6 times

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1. **Rate on return on capital** (1mk)

Net loss

Capital invested

80,000 x 100%

720,000

= 11.11% or 1:9

**23. Highlight four uses of a proforma invoice. (4mks)**

1. It can be used to serve as quotation
2. Sent to show what the buyer would have to pay if the order s approved
3. Issued to an agent who sells goods on behalf of the seller
4. Used by importers to get customers clearance before goods are delivered
5. Sent when the seller does not want to give credit

**24. State four factors that affect the productivity of an office worker. (4mks)**

1. Personal attributes e.g hygiene and moral behaviours
2. Office etiquette e.g respect and punctuality
3. Knowledge and skills
4. Emotional qualities

**25. In each of the following cases, state the type of inflation described (4mks)**

|  |  |
| --- | --- |
| a) The unrest in Libya has resulted to an increase in the price of oil | **Imported inflation** |
| b)The price of bread has gone upto sh.60 due to increase in the price of wheat | **Cost-push inflation** |
| c) A lot of money in circulation has led to the general increase of price | **Demand pull inflation** |
| d) Arise in price due to uneven growth in some sectors of the economy. | **Structural inflation** |