**30.24 BUSINESS STUDIES STUDIES (565)**

**30.24.1 Business Studies Paper 1 (565/1)**

1.

* Development of individual skills.
* Increased output.
* Production of standardized goods.
* Maximum use of machinery.
* Development of new talents.
* Encourages invention/innovation.
* Saves time.
* Less use of mental and physical effort.
* High quality goods/services produced /offered.
* Increases employment opportunities.
* Reduces training time.
* Facilitates planning and management. ***(Any 4x1=4 marks)***

2.

* Must have at least one director.
* Shares not freely transferable.
* Public not allowed to subscribe for shares/shares not advertised/no prospectus needed.
* Has a minimum membership of two shareholders.
* Can start trading on receipt of a certificate of incorporation.
* Does not need to have the authorized minimum share capital before commencing operation. ***(Any 4x1=4 marks)***

3.

* Goods can be produced in advance to meet unexpected customer demand.
* Production done steadily without rush.
* Production can be continuous if need arises.
* Manufacturer can offer steady supply of seasonal goods.
* Goods are protected from physical damage.
* Manufacturers can store raw materials.
* Goods are protected from pilferage.
* Goods can be prepared fro final scale by branding, grading, blending etc.
* Some goods mature/improve in quality whole still in warehouse. ***(Any 4x1= 4 Marks)***

4. PQ = 500 - 200

40 40

= 300

40

= 7.50 ***(4 x 1 = 4 marks)***

5.

* Relatively cheap.
* Relatively fast.
* Enhances confidentiality.
* Sender may get instant feedback.
* Easy to access other information (like advertising).
* Relatively easy to retrieve information.
* It is universal.
* Can advertise to others (wider market).
* Can send detailed information.
* Can be used for future reference/evidence. ***(Any 4x1=4 marks)***

6. (a) ***Contra entry***:- This is a transaction affecting both sides of a two/three column cash book simultaneously. It is indicated by letter ‘C’.

(b) ***Cash discount***:- This is a reduction/allowance given to a buyer by the setter for making prompt payment. ***(4 marks)***

7. (a) Sales invoice/outgoing invoice.

1. Debit note.
2. Credit note.
3. Purchases invoice. ***(4 x 1 = 4 marks)***

8. (i) Nominal.

1. Nominal.
2. Creditors/purchases ledger.
3. Real/general ledger. ***(4 x 1 = 4 marks)***

9. (a) Working capital = CA - CL

= 220000 - (98200 + 11800)

= Shs110000 ***(4 x ½ = 2 marks)***

(b) Return on capital = Net Profit x 100

Capital invested

= 85000 x 100

425000

= 20% ***(4 x ½ = 2 marks)***

10. Expenses for the year

Expense A/c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Shs Shs

Cash 85000 31 Dec 2005 Balance b/d 24000

Dec. 2006 Balance c/d 30000 Profit and Loss A/c 91000

115000 115000

OR

Shs

Accrued expenses 31/12/05 30000

Add cash paid 85000

115000

Less: Accrued expenses 31/12/05 24000

91000 ***(4 x 1 = 4 marks)***

11. (a) ***Complementary wants:*** - where wants are simultaneous/when two or more items mut be used together at the same time for example:- car and petrol. ***(2 marks)***

(b) ***Wants become habitual***: - where one becomes addicted to a particular want/when one develops a taste/liking for a commodity so that he needs it again and again. ***(2 marks)***

12.

* Potential demand for goods/services.
* Source of raw materials.
* Security in the area.
* Existing infrastructure.
* Auxiliary services.
* Legal requirements/government policy.
* Source of labour.
* Source of capital/technology.
* Possible returns on investment/availability of market.
* Chances of growth/expansion.
* Effects on the environment.
* Competition.
* Social cultural environment.
* Availability of space.
* Political stability. ***(Any 4x1=4 marks)***

13.

* Personal identification.
* Initial deposit required.
* A letter of introduction from an existing customer.
* Physical contact address.
* Be of majority age/above 18 years old.
* Passport size photographs.  ***(Any 4x1=4 marks)***

14.

* Cost of the mode.
* Distance from market.
* Type/nature of goods.
* Availability.
* Reliability.
* Security (free from theft, damage).
* Value of the goods.
* Speed and urgency.
* Flexibility in terms of time and place.
* Safety (free from accidents).
* Quantity/amount of goods.
* Terminal facilities.
* Accessibility (ability to reach the required destination).  ***(Any 4x1=4 marks)***

15.

* To encourage selling of quality goods.
* To safeguard cultural practices.
* To encourage disclosure of information about the product.
* To ensure compliance with existing government legislation.
* To curb environmental degradation.
* To safeguard competitors in the market.
* To safeguard consumers against misleading advertisements. ***(Any 4x1=4 marks)***

16.

* Inequitable distribution of income.
* Projects undertaken by the government could be of long-term nature.
* The cost of living may have gone up thus eroding additional income earned.
* Income earned could have been used in ways that do not benefit the people directly.
* High population growth.
* Economic growth may have been obtained through a strain on people’s health.
* Unequal regional development/expenditure pattern of the government. ***(Any 4x1=4 marks)***

17.

* Rise in price of complementaries.
* A fall in household income.
* Fall in the price of substitutes.
* Expected fall in the price of the product.
* Negative tastes/preferences/fashion.
* Decrease in population.
* Unfavorable terms of payment.
* Unfavourable government policy (for example:- a ban on commondity).
* Unfaovourable seasonal changes. ***(Any 4x1=4 marks)***

18. Calculation of capital

Capital = Assets – liabilities

Assets = 200000 + 100000 + 400000 + 160000 + 10000

= Shs 870000

Liabilities = 10000 + 40000

= 140000

Capital = Shs870000 – 140000

= Shs730000 ***(8 x ½ = 4 marks)***

19.

* Check accuracy of posting transactions to the ledger.
* Check the arithmetical accuracy of ledger accounts.
* Provide account balances at year end.
* Check that debit and credit balances are in agreement.
* Summarizes the information in the ledger account.
* Facilitates the preparation of final accounts. ***(Any 4x1=4 marks)***

20. (a) ***Assets***

* Resource owned and controlled by the business.
* Must have been acquired in the past.
* An item of value that can be measured reliably in monetary terms.
* Future benefits associated with the net expected to be received by business entity.
* They are fixed or current. ***(Any 2x1=2 marks)***

(b) ***Liability***

* A present obligation for a business to settle as a result of past commitments.
* Settlement would reduce business assets.
* Amount involved can be measured reliably in monetary terms.
* Owed to outsiders.
* They are long term or current/short term. ***(Any 2x1=2 marks)***

21.

* Increase interest rate to discourage borrowings.
* Withdraw excess cash in circulation by issuing government bonds and treasury bills.
* Institute policies that make price of commodities steady (price control).
* Increase taxes on income to discourage extra income earned at expense of leisure.
* Raising liquidity ratio/cash ratio of commercial banks.
* Use of selective credit control measures.
* Increasing commercial banks special deposits with the central bank.
* Restriction of imports.
* Restricting wage increases.
* Raising margin requirements.
* Use of buffer stocks.
* Stimulation of production of goods and services.
* Appropriate regulations of printing national currency.
* Moral persuasion by government for people to buy only what is necessary.

***(Any 4x1=4 marks)***

22. Loss made = 20 x 1,000,000

100

= 200,000

Contribution made by:

1. Zebra = 600,000 x 200 000

1,000,000

= Shs 120,000

1. Simba = 400,000 x 200,000

1,000,000

= Shs80000 ***(8 x ½ = 4 marks)***

23.

* Speedy customer service.
* Confidentiality of business records.
* Records can easily be retrieved.
* Time saving.
* Clean and tidy records produced.
* Minimum storage space required/ a large amount of information can be stored.
* Accuracy is enhanced.
* Cost of maintenance is lower.
* Records not easily damaged.
* Records not easily lost.
* Business image is enhanced.
* Less labour required/saves labour cost.  ***(Any 4x1=4 marks)***

24.

* Show respect to both colleagues and visitors.
* Observe courtesy in dealing with people.
* Be organized at work at all times.
* Be honest/truthful in performing duties.
* Co-operate with other workers, visitors and management.
* Be punctual in offering service.
* Be loyal to the organization.
* Be diplomatic.
* Make sound judgment.
* Be accurate.
* Have initiative . ***(Any 4x1=4 marks)***

25.

* The standards for operating business are low/unhealthy operations.
* Generalized exploitation of consumers on weights and measures.
* There is need for the government to enforce existing laws, for example:- trading licence.
* Hoarding is taking place.
* Unsafe buildings.
* Substandard goods.
* Unfair prices.
* False advertising.
* Breach of contract. ***(Any 4x1=4 marks)***