****

**BUSINESS STUDIES**

**MARKING SCHEME**

**TRIAL 2, 2019**

**FORM FOUR PAPER 1**

1. - Increase in customers income
* Increase in population
* Political stability
* Favourable climatic conditions
* Lack of competition

Any other relevant 4 x 1=4mks

1. – Where market is concentrated in e area/localized.
* Where the product is of technical nature
* Where the product is of high value
* Where the product is perishable
* Where the producer has high own retail outlet
* If the goods are produced as per customer’s specification
* If the producer requires immediate feed back
* When the consumer can but in bulk.

Any other relevant 4 x 1=4mks

1. – Very high prices for products
* Hoarding of products
* False advertisement
* Harmful products
* Breach of contract
* Inferior quality goods

Any other relevant 4 x 1=4mks

1. i) Current ratio = $\frac{Current Assets }{Current liabiliies }$ = $\frac{650,000}{650,000}$ = 1:1

ii) Gross profit mark up =$\frac{Gross profit }{Cost of sales }×100$

Gross profits = Sales x margin = $\frac{20}{100}×200,0000$

 = sh 400,000

Cost of sales = sales – Gross profit = 2,000-400,000 = 1,600,000

Mark up = $\frac{400,000}{1600000}×100=25\% $or ¼

iii) Rate of stock turn over = $\frac{cost of sales }{Average stock }$

Average stock = $\frac{Opening stock+closing stock }{2}$

= $\frac{100000+200000}{2}$ = 150,000

Rate of stock turnover = $\frac{1600000}{150000}$= 10.67 times

iv) Capital employed = Fixed Assets + Current Asset

= 5,000,000 + 650,000

= 5,650,000

1. – Incase of overcharge in invoice
* If goods have been returned
* If one was charged for goods not supplied.
* If cost of empty containers was included in the invoice
* If merited discount has not been deducted for the invoice

Any other relevant 4 x 1=4mks

1. Qde = 4P + 50

Qse = 8P + 30

Qde = Qse

4P + 50 = 8P + 30

50-30 = 8P -4P

$\frac{20}{4}$=$\frac{4P}{4}$

P=5$√√$

q = 8P + 30

Q = 8 (5) + 30

= 40+ 30

Q = 70$√√$

1. – Poor location of the business (4mks)
* Stiff competition from other retailers
* Inadequate finances to meet the obligation of the business
* Kendi’s lack of commitment to the business
* Insecurity
* Improper management practices
* Poor customer relations
* Inappropriate pricing practices
* Political instability/wars
* Lack of market /low demand
* Any other relevant 4 x 1=4mks
1. a) Bonded warehouse

b) Pubic warehouse

c) Wholesaler

d) Manufacturer’s

1. – Bulky goods (4mks)
* Perishable goods /Durability
* Flammable /inflammable
* Fragile
* Expensive/value of goods
* Heavy
1. – If resources are not scarce (4mks)
* If wants are not complimentary
* If want s are not habitual
* If wants are not competitive
* If wants are not recurrent
* If wants don’t very in urgency and intensity

NB: A candidate must use circumstantial words such as if, when, where and incase to earn a mark.

1. – It enables one to acquire knowledge and skills to start and run a business. (4mks)
* It equips on with basic economic concepts
* It enables one to understand and appreciate the importance of business activities in the society
* Makes the members of society to appreciate the need for business management practices.
* Assist individuals to acquire self discipline and positive attitude towards work.
* Equips individuals with abilities to promote co-operation in society than trade.

Any other relevant 4 x 1=4mks

1. a) Purchases journal (4mks)

b) Cash payment journal

c) Return inwards/sales returns journal

d) Sales journal

1. a) Private/general ledger (4mks)

b) Sales/debtors ledger

c) Purchases/creditors/bought ledger

d) Cash book

1. – Easy supervision of workers (4mks)
* Construction cost is low because partitions are few
* Easy location of workers
* Staff movement is minimized thus saving time used in passing information
* Office equipment and machinery are not misused due to close supervision of workers.
* Promotes teamwork among employees
* Maintenance cost low
* Floor space is saved
* It is cheap to decorate

Any other relevant 4 x 1=4mks

1. Compensation = $\frac{value of the policy x loss }{value of prperty }$ $√$ (4mks)

$$\frac{2,000,000 ×600,000}{2,400,000}√$$

= sh 500,000$√$

Reason: He had under insured $√$

1. – Divisibility (4mks)
* Scarcity
* Malleability
* Acceptability
* Durability
* Portability
* Recognisability

Any other relevant 4 x 1=4mks

1. – Salary (4mks)
* Interest
* Rents/rates /loyalties
* Profit
1. – Increased dependency ratio on the young who may not yet fit in the job market. (4mks)
* The labour supply in the market will be low as many young people may not have attained working age.
* Move resources are used to feed the young and less is available for savings and investment.
* Most expenditure is diverted to providing goods and services for the young and other vital sectors are neglected
* Many young people being released on the job market may create unemployment.
* Young people particularly if they are idle tend to engage in social evils such as crime.

Any other relevant 4 x 1=4mks

1. – Perfect knowledge of the market by both the buyer and the seller. (4mks)
* Homogeneous product
* No government intervention
* Factors of production have perfect mobility
* Free entry and exit of the players in the market.

Any other relevant 4 x 1=4mks

1. – Horizontal communication (4mks)
* Upward vertical communication
* Downward diagonal communication
* Upward diagonal communicateon
1. a) Increase

b) Decrease

c) No effect

d) Decrease

1. – Household spend all their income in buying the goods and services from the firm and none is saved. (4mks)
* The firms sell all their goods to the households.
* There is no government intervention in the circular flow.
* There is no leakage or withdrawals from the closed economy.
* The firms spend all income renewed on production of goods and services.
* The firms spend all income on production of goods and services.
1. **WANJI TRADERS**

**BALANCE SHEET**

**AS AT 31ST DECEMBER 2008**

|  |  |
| --- | --- |
| Sh Machinery 450,000$√$Stock 60,000$√$Debtor 120,000$√$Bank 180,000$√$Cash 70,000$√$**880,000** | ShCapital 550,000$√$5 year loan 270,000$√$Creditor 60,000$√$**880,000** |

 8x½=4mks

1. – To reduce the number of entries made into the general ledger (4mks)
* To easily oral cash balances/show cash balances at a glance.
* To enhance specialization in book keeping by allocating different ledgers to different workers.
* To easily monitor cash inflow (receipts)
* To show the sources of funds into the business
* To show the expenditure in the business
* To easily monitor the cash outflow (payment)
* To show discount allowed to the debtor
* To show discount received from creditors
1. – Cost of the method (4mks)
* Geographical area to be covered /extent of the market/distance to be covered.
* Target group/type of consumers/nature of the market segrement
* Speed of the medium /urgency of the message/time
* Nature /type of the product
* Intended impression/impact
* Methods used by competitors

Any other relevant 4 x 1=4mks