MARKING SCHEME

BUSINESS STUDIES

565/1

**1. Unit of carriage**

- Human beings

-Carts

- Ships

- Airplanes

**2. *Elements of demographic environment that may influence operation of business***

-Population size

-Geographic distribution of population

-The population density

-Distribution of population by sex/gender

-Distribution of population by age

-Population growth rate. 4x1=4

**3.Reasons why consumers have to make choices between competing wants**

-Wants are unlimited in number

-Commodities differ in quality and others have salient features

-There may be varieties of products that satisfy the same wants

-Some wants are more urgent and intense than others

-Due to limited/scarce resources

-Some commodities sell at different prices

-Consumers financial position vary with time

-Some wants are recurrent

-Human wants are competitive.

1. x 1 = 4mks

***4. utility created by each of the following business activities***

-Possession

-Place

-Time

-Form 4x1=mks

***5.Circumstances under which differed payment may be appropriate***

-When the seller wants to attract or retain customers

-When the seller wants to increase sales

-When the seller wants to use credit facilities as a competing tool

-When the seller want to dispose off slow moving stock

-When credit worthiness of a customer is unquestionable 4x1=4

**6. Advantages of transacting business through the internet**

* Facilitates access to a worldwide market
* It’s a faster way of doing business
* Large and small businesses can transact internationally without discrimination.
* Reduces paper work and number of transactions
* Saves money in terms of sending, receiving and storing business information.
* One can access other business information from the internet that can improve running of business.4 x 1 = 4 mk

**7.** Gross profit

i)Margin = Gp x 100

Sales

Gp = 25 x100

920,000

100Gp = 920000 x 25

100 100

Gp = 230,000 1 mk

ii) cost of sales

sales – Gp = 920,000 – 230,000

= 690,000 1mk

iii)Purchase for the year

COGS = OS + P + CI– RO – CS

690,000 = 150,000 + P – 230,000

= 770,000 1mk

iv) Net profit

Gp – expenses

230,000 – (15 x 920000) = 230,000 – 138,000

100

= 92,000 1mk

8.

|  |  |  |
| --- | --- | --- |
| **Transaction** | **A/c debited** | **A/c credited** |
| 1. Received discount from Top Suppliers | Disc. Received | Top Suppliers |
| 1. Allowed discount to Shujaa Traders | Disc. Allowed | Shujaa Traders |
| 1. Sold furniture to Owuor in cash | Cash | Furniture |
| 1. Took stock worth Sh. 200 for personal use | Drawings | Stock |

8 x ½ = 4mks

**9.Benefits of international trade to a country**

-Enable a country to sell (dispose of its surplus)

-Enable a country to acquire goods and services which its unable to produce locally

-A source of government revenue when import taxes are received

-Creates employment to people when they engage in various trading activities

-Enable a country to get variety of goods 4x1=4 marks

**10**. Opening capital 160,000

Profit 130,000

Drawing 1500 x 12 18,000

Closing capital ?

Cc = OC x P – D

160,000 + 130000 – 18000

= 272,000 3 marks

**11. Reasons that would make an organization use cell phones for communication within and outside the organization**

* One gets immediate feedback
* It is fast and can be used to send urgent messages
* The sender has a good opportunity to convince and persuade the recipient
* There is personal appeal
* It is not very expensive particularly for making calls for a short duration of time
* It can be used even when both the sender and recipient are far apart 4x1=4mks

**12.Benefits of pooling of risks to insurance company**

-Enables insurance company to compensate those who suffer loss when risks occur.

-Enables insurance company to create a common pool of funds

-Enables insurance company to spread risks over a large over a large number of insured.

-The surplus funds can be invested e.g giving out loans or buying shares in real estates

- Enables company to meet operating cost by using the pooled funds

-Enables insurance company to calculate premiums to be paid by each client 4x1=4mks

***13. Circumstances under which a firm may locate near source of raw materials***

- When raw materials are bulky

-Where constant supply of raw materials is required to ensure continuous production

- Where raw materials are highly perishable

-Where the firm would like the raw materials to ensure the production of right quality.

-Where the government policy gives incentives to industries that set up near source of raw materials

-Where the market of the product is concentrated near the source of raw materials 4x1=4

***14. Measures that the government can take to reduce mortality rate****.*

- Availing better health care

--Ensure food security

-Minimize internal conflicts and wars

-Improve the environment

-Vaccination

-Disaster preparedness

-Alleviating poverty

-Control crime 4x1 = 4

**15.Characterics of underdeveloped countries**

-Low per capita income

-High population growth rate

-High degree of pervert

-Low literacy levels

-High level of unemployment

-Poor health care

-Low life expectancy

-Over reliance on primary level of production

-Poor infrastructure

-Outdated cultural practices 4x1 = 4.

**16.Ways of improving service delivery in parastatals and state corporation**

-Regular auditing of books of accounts

-Setting targets to be achieved by all firms

-Retrenching some of the idle workers

-Make them adapt modern technology

-Employing qualified /skilled managers

-Workers signing performance contract 4 x 1 = 4

**17.Locations in country where bonded warehouses are likely to be found**

-Along the airport

- Along the sea port

- Along the border town

- Along the railway terminals 4x1=4

**18. AMANI TRADERS**

**TRIAL BALANCE**

**AS AT 31ST DEC 2010**

|  |  |  |
| --- | --- | --- |
| Item | Dr | Cr |
| Commission received  Sales  Loan interest  Purchase  General expenses  Drawings  Rent  Salaries owing  Electricity prepaid | 52,500  474,000  30,000  96,000  120,000  85,000 | 22,000  763,500  72,000 |
|  | 857,500 | 857,500 |

**19.Factors that cause a decrease in the quantities of good supplied**

-Increase in the cost of production

-Unfavourable weather conditions

-Unfavourable government policies e.g high taxation

-Low level of technology/use of outdated technology

-In availability of factors of production

-Strikes of workers

-Exit of firms from the industry 4x1=4mks

**20. Contributions of households to the national income of a country**

-Providing a ready market for commodities produced

-Providing labour for firms

-Paying taxes to the government

-Providing savings and investments in the country

-Providing land to firms

-Offering capital to firms to facilitate production. 4 x 1 = 4mks

**21. Circumstances under which a customer would prefer to be paid by a bankers cheque**

-When debtors financial status in a doubt

-When there is fear of delay in payment

-When the amount involved is large

-in case the traders deals in different currencies 4x1=4 marks

**22.Benefits of becoming a member of a savings and credit cooperative society (SACCO)**

-Will get advice on area of finances

-Earn interest on investment

-Receive loans at low interest

-Receive credit facilities

-Assisted in times of problems (benevolent)

-Source of savings

**23**. **Methods used by a monopolistic firm to differentiate products. 4mks**

* Packaging in different sizes
* Branding
* Blending into different colours
* Trademarks/salient features
* Persuasive advertisement
* Pricing

**24. Circumstances under which a business firm may use photocopying as a means of reproducing documents**

* When high quality copies are required
* When copies are required fast since it quicker than duplicating or printing
* When coloured copies are required
* When there is no need for comparison with original
* When the business does not want to pollute the environment

**25.Sources of government revenue**

* Taxes
* Fines and penalties
* Escheats
* Interests and dividends on loans and investments
* Profits form parastatals of public investments
* Fees from government utilities like national parks
* Proceeds from sale of government property
* Rent and rates paid for use of government property.