**565/1**

**BUSINESS STUDIES**

**PAPER 1**

**MARCH/APRIL – 2020.**

**MARKING SCHEME**

1. **Elements that may comprise the internal environment of a business. (4marks)**

* **Business structure -**that is the formal arrangement of activities carried out in the organization.
* **Resources –** that is the business resources such as human, financial, physical and technological resources.
* **Business culture-** that is a combination of employees’ expectations, beliefs and values within the business.
* **The owners –** that is the people who provide finances to start and ran the business. ***(1 X 4 = 4 marks)***

1. **Characteristics of money (4marks)**

* Acceptability
* Divisibility
* Portability
* Durability
* Stability
* Homogeneity
* Cognizibility
* Scarcity
* Malleability ***(Any 4×1=4 marks)***

1. **Assumptions associated with perfect competition. (4marks)**

* Large number of sellers and buyers exist in the market
* Production of identical homogenous products by different firms
* There is no government interference
* There is free entry and exit from the industry.
* Uniformity of buyers and sellers. *(****Any 4×1=4 marks)***

1. **Ways in which a warehouse is of importance to the manufacturer.(4 marks)**

* Goods can be produced in advance to meet unexpected customer demand.
* Production can be done steadily without a rush.
* Production can be continuous and when need arises.
* Manufacture can offer steady supply of seasonal goods.
* Goods are protected from physical damage (manufactured goods)
* Manufacturers can store raw materials.
* Goods are protected from pilferage.
* Goods can be prepared for final sale by branding, grading, blending etc.
* Some goods mature/improve in quality while still in the warehouse. ***(Any 4×1=4 marks)***

1. **Factors that an entrepreneur should consider before setting up a manufacturing business. (4marks)**

* Potential demand for goods and services.
* Sources of raw materials
* Security in the area
* Existing infrastructure
* Auxiliary services
* Legal requirements / government policies.
* Sources of labor
* Source of capital /technology
* Possible return on investments/ availability of market
* Chances of growth/ expansion
* Effects on the environment
* Competition
* Social cultural environment
* Availability of space
* Political stability. (***Any 4×1=4marks)***

1. **Indicate the type of entry to be made in the relevant ledger accounts. (*4marks)***

|  |  |
| --- | --- |
| **Statement** | **Type of entry** |
| 1. An increase in revenue | **Credit entry** |
| 1. A decrease in an asset | **Credit entry** |
| 1. An increase in an expense | **Debit entry** |
| 1. A decrease in liability | **Debit entry** |

1. **The meaning of the entries (4marks)**
2. Bank overdraft
3. Contra entry
4. Cash received from debtors
5. Closing cash in hand (***4marks)***
6. **Merits of promoting products through personal selling**

* Enhances personal appeal between the buyer and the seller.
* Can effectively counteract customer’s negative attitudes towards the product.
* Questions and complaints from customers are channeled directly to employees of the company and not middle men/ one is able to clarify issues.
* Demonstration on the use of the good can easily be done.
* Flexibility in presentation to suit customer’s needs e.g. negotiate new terms of sale.
* Provide immediate feedback from and to the clients.
* Effective in conducting market research
* One is able to persuade and convince customers.
* Can be directed to a specific target group.
* Enhances customer’s royalty to future sales.
* Buyers make informed decisions.
* Takes care of illiterate and literate customers. ***(Any 4×1=4marks)***

1. **Effects of family planning campaign causing a decline in the country’s population include.**

* Reduced pressure on land
* Shrinking market on goods and services/ low market.
* Reduced levels of unemployment
* Reducing government expenditure on the provision of social amenities
* Reduced dependency burden
* Low labor supply
* Reduced social problems like crime, lack of housing, traffic jams.
* Possibility of obtaining optimum population. ***(Any 4×1=4marks)***

1. **Functions of commercial attaches**

* Educating and advising exporters on trade regulations/ practices in other countries.
* Expansion and diversification of exports
* Organizing for trade fairs and exhibitions of local goods in foreign markets
* Expansion and diversification of foreign markets
* Providing information about available selling opportunities in foreign countries to local producers.
* Developments of bilateral and multilateral trade agreements
* Select buyers, agents and distributors of home countries exports.
* Assist sales mission from home country by organizing educational tours for them.
* Make a detailed report on commercial activities that may help improve exports.
* Keep statistics of products e.g. volumes, packaging, sizes and methods of manufacturing.
* Research and analyze markets of export for home countries
* Publish and advertise their country’s export in business journal magazine. ***(Any 4×1=4marks)***

1. **Closing capital = (opening capital + additional investment + profit – Drawings)**

**19,500 = 60,000 + 50,000 + 60,000 - D√**

**=170,000 - 19,500√**

**= 150,500 √√ (*4marks)***

1. **Factors that have caused the shift**

* Change in season which is unfavorable to consumption.
* Unfavorable change in taste, preference and fashion.
* Decrease in population
* Decrease in price of substitute
* Decrease in consumer incomes ***(Any 4×1=4marks)***

1. **Mark up =25%**

**Margin= 20%**

**Margin= × 600,000**

**G.P = sh. 120,000** *(****4 marks)***

1. **Types of source documents**

* Cash sale receipt
* Credit note
* Invoice
* Debit note
* Payment voucher (***Any 4×1= 4marks)***

|  |  |
| --- | --- |
| Baraka Traders  Balance Sheet  As at 31st Dec, 2005 | |
| Assets sh  Fixed Assets  Machines 150,000√  Motor vehicle 200,000√  Furniture 7,000√  Current assets  Stock 40,000√  Bank 20,000√  417,000 | **Capital and liabilities sh.**  Capital  Capital 292,000√  Long term liabilities  Loan from KCB 100,000√  Current liabilities  Creditors  **417,000** |

**(*8 ticks × ½ = 4 marks)***

1. **Factors that influence the level of national income in a country. (4marks)**

* Natural resource endowment
* Availability of capital or manmade resources
* Human resources
* Social-cultural attitudes of people
* Levels of technology
* Foreign investments
* Type of governance and political situation prevailing in the country. ***(Any 4×1=4marks)***

1. **Adverse effects of production activities on the environment and community health.**

* Depletion of productive resources e.g. forests
* Degradation of the environment
* Air and water pollution
* Improper disposal of solid and plastic waste
* Crime and other anti-social activities
* Diverse effects on the ozone layer
* Disease and poor health due to chemical handling in the factories
* Physiological diseases e.g. stress, poor social human relations, noise of industrial life which may lead to hearing problems. ***(Any 4×1=4marks)***

1. **Mention four circumstances under which an insurance company may re-insure**

* Where it is a government policy
* When there is need to spread risks insured by the company
* Where the value of the insured property is too high for the risk to be borne by only one insurer.
* When the possibilities of the risk occurring are very high
* When the company covers so many different risks ***(Any 4×1=4marks)***

1. **Elements of the communication process**

* Source/sender
* Message
* Medium
* Receiver
* Response/feedback *(****Any 4×1=4marks)***

1. **Provisions of the Partnership Act**

* All partners are equal
* Profits/losses to be shared equally
* No salary is to be paid to any partner
* No interest on capital
* No interest is to be charged on drawings
* Prescribed rate of interest is to be paid on loans by partners to the business
* All partners are presumed to be active ***(Any 4×1=4marks)***

1. **Features of open-air market traders**

* Assemble on markets places on designated days
* Display the wares on the ground and make shift structures
* Deal in a wide variety of items e.g. foodstuff
* Traders selling particular items are found in particular parts of the market
* Traders normally visit different market days of the week. ***(Any 4×1=4marks)***

1. **Emotional qualities of an office worker**

* Tolerance – respect another people’s opinion
* Adaptable – willing to accept change
* Humility -humble
* Temperature – able to control his/her emotions
* Prudence- careful when making judgment or decisions
* Diligence – keen and thorough in his/her work. (***Any 4×1=4marks)***

1. **Features of indirect production**

* Production is carried out mainly on large scales
* Goods and services produced are mainly for sale
* Modern technology is employed
* Surplus goods are produced
* It enhances division of labor and specialization
* Goods and services produced are of good quality
* Wide variety of goods and services are produced
* There is more independence among producers
* It is more pronounced in developed economies. (***Any 4×1=4marks)***

1. **Limitations of use of containers**

* Specialized equipment which is expensive
* Organization personnel/ talents/training/ operational/ management skills needed for the method may be lacking /training maybe expensive
* Volume of business may not be large enough/ warrant the heavy investment/ volume of business may be low.
* The method requires re – degrading of existing ports/ reconstructing part which is quite expensive.
* Use of medium technology which is limited/ lacing / not readily available/ limited medium technology (In a developing country) which may slow the rate of processing goods.
* General resistances to change by stakeholders/ interested / affected parties of people generally resist change. (***Any 4×1=4marks)***

1. **Characteristics of services.**

* Vary in quality over time
* Service cannot be stored for future use
* Service cannot be touched
* Service cannot be separated from the service provider
* Service is perishable
* Service cannot be owned by the buyer
* Services are mobile since they can be provided at different locations.

***(Any 4×1=4marks)***