MAGS TWO CYCLE SEVEN

BUSINESS STUDIES PAPER ONE

MARKING SCHEME

1. Challenges faced by a business without a business plan
2. Workers will not be motivated.
3. Since financiers need this document, it will be difficult to access more finances.
4. There will be very many mistakes
5. It will not be able to identify strengths and weaknesses
6. It will be difficult to know the finances required.
7. Allocation of resources will be difficult.
8. Potential investors will not have a reference document
9. Gaps in a business
10. Poor quality goods and services
11. High prices of products
12. Low quantities
13. Unavailability of a given product in the market
14. Lack of after sales services
15. Lack of varieties of goods and services
16. Trends in business ownership
17. Privatization
18. Globalization
19. Amalgamation/merger
20. Franchising
21. Internet
22. Absorptions/take overs
23. Holding companies
24. Cartels
25. Multinationals
26. Front Office Savings Account
27. Differences between direct production and indirect production.

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| **Direct production** | **Indirect production** |
| 1. Production is meant for one’s own consumption | Production is meant for sale |
| 1. Production is done on small scale | Production is done on large scale |
| 1. Poor quality produce | High quality produce |
| 1. Simple methods of production used i.e no use of machines | Modern technology extensively used |
| 1. No specialization | There is specialization |
| 1. No surplus production | There is surplus production for the market |

1. Determining the networth

Assets = Capital + Liabilities

Capital = Assets - Liabilities

Total Assets Total liabilities

Fixed assets 300,000 creditors 84,500

Current assets 123,700 5 year bank loan 125,000

423,700 209,500

Networth = 423,700 – 209,500

=214,200

1. Similarities between a bill of exchange and a promissory note
2. Both can be discounted before maturity
3. Both are acknowledgement of a debt
4. Both are negotiable from one person to another
5. Both allow debtors time to organize for payment.
6. Types of journal
7. Sales returned journal
8. Sales journal
9. Cash receipt journal
10. General journal
11. Methods of solving unemployment
12. Encouragement of local and foreign investment to increase production activities
13. Use of appropriate technology
14. Adoption of a relevant education system
15. Population control
16. Encouraging informal sector in order to encourage self-employment
17. Transforming rural sector in order to reduce rural-urban migration.
18. Increased government expenditure
19. Diversification of the economy
20. Ways in which commercial attatches may promote trade between their country and other countries
21. Assist in organizing trade fairs and exhibitions
22. Advise exporters on standards and legal requirements
23. Carrying out market research
24. Provide information about business opportunities
25. Aid in facilitating payments
26. Preparation of ledger accounts. (Title must exist)
27. Differences between insurance and assurance

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| **Insurance** | **Assurance** |
| 1. Has no surrender value | Has a surrender value |
| 1. The insurance contract is renewed yearly | Insurance contract is for life and does not require renewing |
| 1. Has no maturity date | Has maturity date |
| 1. There must be proof of insurable interest | There is no proof of insurable interest |
| 1. Risk insured may or may not happen | Risk insured against must happen |
| 1. Principle of subrogation/ Indemnity applies | Principle of subrogation/Indemnity does not apply |
| 1. Cannot be used as a saving scheme | Can be used as a saving scheme |
| 1. Protection is offered to property | Protection is offered to life |

1. Ways in which consumers benefit from advertising
2. Consumers get entertained from the adverts
3. It informs consumers about offers in the market
4. Consumers are guided on where to get the products
5. Consumers enjoy a variety of products
6. Competitions lead to quality products
7. Consumers are made aware of the products in the market
8. Consumers get cheaper prices due to competition
9. Features of monopolistic competition.
10. Firms set similar prices
11. There is free entry and exit
12. Factors of production are not controlled
13. There is perfect knowledge in the market
14. Sellers sell differentiated products
15. There are many buyers and sellers
16. Actions of one firm are closely monitored by other firms
17. Requirements for one to start a limited liability company as one of the business units
18. Memorandum of association
19. Article of association
20. List of directors
21. Declaration of compliance
22. Statement of share capital showing the total amount of capital that the company wishes to raise and it’s division into shares
23. Characteristics of a chain store
24. Similar shop appearance and name
25. Sell similar types of products
26. Charge standard prices for their products
27. All purchases are centralized
28. Goods are freely transferable from one branch to another
29. Administration is done from the head office
30. Operate several branches in the country
31. Sales are decentralized
32. Types of communication

i) Downward communication

ii) Informal communication

iii) Horizontal/lateral

iv) Upward

1. Reasons why E-mail is increasingly becoming popular as a means of communication
2. It is relatively cheap
3. It is fast
4. It can be used for future reference
5. There is easy access to information
6. There is easy retrieval of information
7. It is confidential in nature
8. It has immediate feedback
9. It is used worldwide
10. One can send detailed information through attatchment of documents.
11. Implications of a declining population(Both positive and negative)
12. Less government expenditure on social amenities
13. Increased job opportunities in a country
14. Less pressure on economic resources
15. Leads to even distribution of income in a country
16. Improved standards of living of the people
17. Less man power
18. Less market/ demand
19. Under utilization of resouirces
20. Items that affect the asset stock
21. Sales
22. Sales retuns
23. Purchases
24. Purchases returns
25. Types of accounts
26. Real account
27. Personal account
28. Private account
29. Nominal account
30. Causes of shift of the demand curve to the right ( Must qualify)

i. increase in the level of consumer incomes

ii. Increase in the price of substitute goods

iii. Decrease in price of a complimentary good.

iv. Population increase

v. Future expectation of an increase in price

vi. Favorable government policies e.g low taxation in consumers income

vii. Favorable change in taste/preference/fashion

1. Insurance compensation

Compensation= Valueof Policy xLoss

Value of property

400,000x3, 000, 000

5000 000

= 2,400,000

1. Trade malpractices that consumers need protection against
2. False advertisement
3. Overpricing
4. False measurements
5. Misleading advert
6. Poor hygienic standards
7. Unhealthy structures
8. Hoarding
9. Breach of contract
10. Functions of commercial banks
11. Accepting deposits
12. Transfer of money
13. Lending money
14. Collecting payments on behalf of customers
15. Remitting payments on behalf of customers
16. Facilitating trade
17. Providing safe custody of valuables
18. Acting as trustees
19. Provide foreign exchange services
20. Acting as referees for their clients
21. Types of capital in a business
22. Working capital
23. Borrowed capital
24. Capital owned
25. Capital employed
26. Fixed capital