

# MARKING SCHEME

1. Highlight four factors that may positively influence the operations of a business. (4mks)

- i) **air competition**
- ii) **A stable political environment.**
- iii) **Favourable legal frame work/ legislation**
- iv) **A stable economic**
- v) **Ample security**

2. In the spaces provided below, indicate the type of utility created by each of the following activities. (4mks)

Activity	Type of utility
a) Store keeping	- <b>Time utility</b>
b) Selling goods to a customer	- <b>Possession utility</b>
c) Making a chair	- <b>Form utility</b>
d) Transporting goods	- <b>Place utility</b>

3. Outline four differences between a good and service. (4mks)

Good	Service
a) Goods and services are tangible	a) Services are intangible
b) Quality can be standardized	b) Quality varies
c) Some of goods can be stored	c) Services cannot be stored
d) Separable from the producer	d) Inseparable from the service provider
e) Not always perishable	e) Always perishable
f) Goods paid for ownership	f) Services paid for experience received.

4. Outline four factors that may encourage entrepreneurship in Kenya. (4mks)

- i) **Availability of infrastructure in many areas**
- ii) **Existence of consultancy institutions.**
- iii) **Existence of role models in entrepreneurship.**
- iv) **Availability of market for goods and services**
- v) **Access to business finance/ capital**
- vi) **Government support in development of entrepreneurs.**

5. Highlight four benefits of using electronic filing system. (4mks)

- i) **Easy access of data**
- ii) **Less paper work**
- iii) **Updated with ease.**
- iv) **Less storage facilities**
- v) **Highly portable**
- vi) **Environmental friendly**
- vii) **Presentable outlook**

6. Outline four considerations that a seller should take into account before giving credit to a customer. (4mks)

- i) **Honesty/ reliability of the customer.**
- ii) **Ability to pay back/ credit orthiness.**

[Download this and other FREE revision materials from https://teacher.co.ke/notes](https://teacher.co.ke/notes)

- iii) Credit period
- iv) Amount of stock available
- v) Collateral evaluate the security given to cover the credit
- vi) Preparing economic conditions whether it can allow giving credit.

7. Outline four circumstances under which a cooperative society may be dissolved. (4mks)

- i) Where the cooperative continuously makes losses
- ii) Increase of a court order
- iii) In case of a court order
- iv) in case of change in the law rendering its activities illegal
- v) If majority of members agree to dissolve it.
- vi) If membership falls below the required minimum (less than 10)

8. State four reasons why the government should create an enabling environment for investors. (4mks)

- i) To minimize lost of doing business
- ii) To enhance economic development in the country
- iii) To increase the level of national income
- iv) To avail a variety of goods and services
- v) To open new areas/ ventures neglected
- vi) To create employment opportunities

9. Name the essential elements of transport. (4mks)

- i) Model/way
- ii) Method of propulsion
- iii) Units of carriage
- iv) Terminus

10. Give four reasons why one would refer a letter to a telephone to send a message. (4mks)

- i) Provides evidence
- ii) Appropriate for confidential information
- iii) Can be filed for future reference
- iv) Relatively cheap
- v) Appropriate for complex messages e.g maps
- vi) No distortion of message
- vii) Can give detailed information

11. Outline four characteristics of property insurance. (4mks)

- i) Premiums charged depends on degree of risk
- ii) It's a contract of indemnity
- iii) It is a short term contract.
- iv) The policy cannot be assigned to the next of kin.
- v) The policy cannot be used as collateral for a loan
- vi) It has no surrender value

12. Outline four benefits to a business that uses its own warehouse. (4mks)

- i) Goods are safe from theft
- ii) Goods can be processed
- iii) It can be tailored to meet one's specifications
- iv) Can be conveniently located
- v) The business maintains a continuous supply of goods.

- vi) Saving increases for not renting storage space
- vii) Space is always guaranteed.

13. Give four advantages of personal selling as a method of sales promotion. (4mks)

- i) **Creates good relationship between customer and the seller/ personal touch**
- ii) **The seller has a chance to explain finer details of the product/demonstrate its use**
- iii) **The seller corrects information regarding the demand of the product**
- iv) **Seller can persuade the customer to buy/ negotiate**
- v) **Ability to tailor the product according to customer needs**

14. Give the meaning of the following terms as used in business. (4mks)

- a) Law of demand – **Holding all other factors constant, the higher the price of a commodity, the lower the quality demand and vice-versa**
- b) Law of supply – **Holding all other factors constant, the higher the price of a commodity the higher the quality price of a commodity the higher the quality supplied and vice-versa**

15. Highlight four benefits that would accrue to a firm located near other existing firms. (4mks)

- i) **Access to a pool of trained manpower**
- ii) **Enjoy use of existing infrastructure**
- iii) **Collaboration with existing firms**
- iv) **Auxiliary services are available**
- v) **Easy access to raw materials**

16. State features of a monopoly market. (4mks)

- i) **Only one supplier for the entire market**
- ii) **Commodity supplied does not have chose substitute**
- iii) **Barrier to entry for new firms**
- iv) **Prices are fixed by the suppliers**
- v) **The firm practices price discrimination**
- vi) **The firm is also the industry**

17. Outline four ways in which households contribute to national income of a country. (4mks)

- i) **Consumption of goods**
- ii) **Payment of labour**
- iii) **Provision of savings for investments**
- iv) **Provision of entrepreneurship**
- v) **Payment of taxes.**

18. State four types of unemployment in an economy and give the cause of each. (4mks)

- i) **Cyclical unemployment – This is due to relatively low demand for goods and services**
- ii) **Structural unemployment – This is due to relatively low actor mobility**
- iii) **Seasonal unemployment – This is due to relatively low demand for labour at certain time of the year**
- iv) **Frictional unemployment – This is due to time lags i.e time taken in changing jobs.**

19. State the effects of each of the following transactions on the balance sheet totals by writing increase or decrease or no effect in each case. (4mks)

Transaction	Effect on Balance sheets totals
a) Brought machine on credit	<b>Increase</b>
b) Withdrew cash from the business for personal use	<b>Decrease</b>
c) Purchased stock in cash	<b>No effect</b>
d) Paid outstanding loan by cheque	<b>Decrease</b>

Download this and other FREE revision materials from <https://teacher.co.ke/notes>

20. Identify the ledger in which the following accounts are maintained;

Account	Ledger
a) Commission income a/c	<b>Nominal ledger</b>
b) Supplier a/c	<b>Purchase ledger</b>
c) Machine a/c	<b>General ledger</b>
d) Cash a/c	<b>Cashbook</b>

21. Give two reasons why a three column cash book is used both as a journal and a ledger. (4mks)

**Cash and Bank a/c column in cash book act as a ledger and total balances are used to prepare trial balance like other ledger accounts. (2mks)**

**Both discount allowed and discount received column act as a journal and their total balances are transferred to the ledger.**

22. Indicate the type of journal in which each of the following transactions would be recorded. (4mks)

Transactions	Journal
a) Goods previously sold on credit were returned	<b>Sales return Journal</b>
b) goods bought on credit	<b>Purchase Journal</b>
c) Goods sold for cash	<b>Cash receipt Journal</b>
d) Motor vehicle sold on credit terms	<b>General Journal</b>

23. Outline four benefits that accrue to a business that uses automated teller machine (ATM) banking services. (4mks)

**i) Saves time**

**ii) Withdrawing any time**

**iii) Deposit any time**

**iv) Cheaper to operate**

**v) Highly profitable**

**vi) Aim can be used to buy goods and services**

**vii) Can pay utility bills**

24. Outline four benefits of direct taxation to the government. (4mks)

**i) The tax collected at the source and hence predictable**

**ii) It simple to administer**

**iii) Economical to collect**

**iv) The tax has a wide base and therefore more is collected**

**v) Equitable payment according ti income**

**vi) Does not affect the price of goods and services**

**vii) Elastic may be raised or reduced according to the needs of the country.**

25. State four forms of economic integration that may exist between countries. (4mks)

**i) Common market**

**ii) Free trade area**

**iii) Customs union**

**iv) Economic union**