

## FORM 4

### BUSINESS STUDIES 565/1- MARKING SCHEME

1. Name the disciplines of business studies described in the statements below .(4 marks)

<i>Statement</i>	<i>Discipline</i>
a)study of trade and aids to trade	<u>Commerce</u>
b)study of activities involved in the process of identifying a business opportunities and getting the necessary resources to start and run a business	<u>Entrepreneurship</u>
c)study of how human beings strive to satisfy their endless wants using the limited resources	<u>Economics</u>
d)systematic way of recording business transactions	<u>Accounting</u>

2. Outline four external environmental factors that may negatively influence the operations of the business .(4 marks)

- i)stiff competition**
- ii)low/decrease in population**
- iii)unfavorable cultural practices**
- iv)political instability**
- v)poor state of technology**
- vi)unfavorable economic factors**

*Nb. Points should be stated negatively*

3.State four circumstances that may lead to dissolution of a company .(4 marks)

- i)if it does not start business within one year from the date of registration**
  - ii)when the company is not able to pay its debts and it is declared insolvent**
  - iii) in case the company is acting contrary to what is in the objective clause**
  - iv)in case the court of law orders it to dissolve**
  - v)in case the shareholders agree to dissolve it in a general meeting**
  - vi)if two or more companies join up to form a large company**
- NB. Statements should start with words incase, if, where,*

4.Give four reasons that make it necessary for the Kenyan government to license businesses.(4 marks)

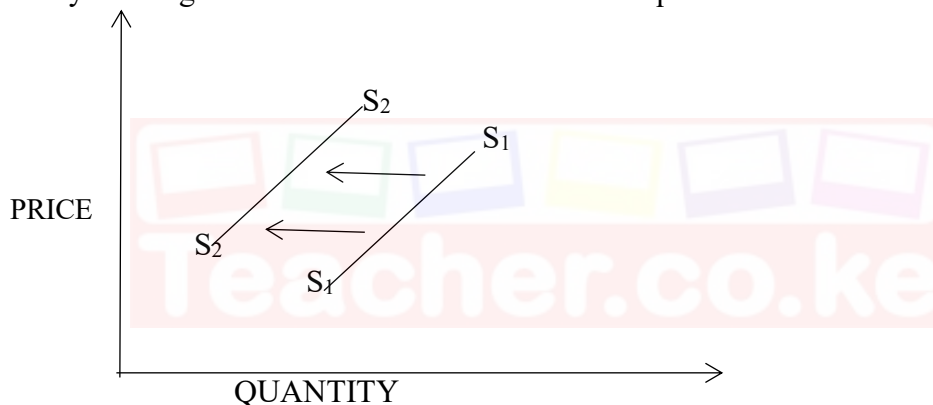
- i)to regulate the number of businesses in an area**

- ii)to ensure no illegal businesses take place
- iii)to ensure that those who engage in professional activities meet the requirements
- iv)to raise revenue for the government
- v)to ensure traders engage in activities they are licensed for
- vi)to control the type of goods entering and leaving the country

5. Outline four functions of a general journal as a book of prime entry .(4 marks )

- i)Recording purchase of a fixed asset on credit
- ii)Recording sale of fixed assets on credit
- iii)Recording opening entries
- iv)Recording closing entries
- v)Correction of errors
- vi)Writing off bad debts
- v)Issue of shares and debentures by companies

6. Study the diagram below and use it to answer the questions .out



Outlinefour circumstances that could have led to the situation shown above .(4 marks)

- i)If there is Increase in the cost of factors of production
- ii)incase of Shortage in factors of production
- iii)incase of Increase in taxation
- iv)incase of Withdrawal of government subsidies
- V)if there is Future expectations of increase in prices of commodity
- vi)incase of Withdrawal of a firm from the industry

**(NB: statements must include the if,incase, when or where to qualify a mark)**

7. Yusuf , a university graduate wants to start a business .State four areas he can sources business ideas from .(4 marks)

- i)Reading Newspaper
- ii)attending shows and exhibition
- iii)reading magazines and journals
- iv)hobbies
- v)vocational training

- vi) Carrying out surveys and market research ,improving on an existing business
- v) using waste products
- vi) brain storming
- vii) listening to what people say
- viii) improving on an existing business

8. State whether each of the transactions will increase ,decrease or have no effect on balance sheet totals .(4 marks )

a) Paid creditors in cash	<b>Decrease</b>
b) Bought motor van on credit	<b>Increase</b>
c) A debtor paid in cash	<b>No effect</b>
d) proprietor took goods worth 2000 for family use	<b>Decrease</b>

9. Identify four features of economic resources.(4 marks )

- i) Scarce in supply
- ii) Have money value
- iii) Have alternative uses
- iv) Can change ownership
- v) Can be combined
- vi) Can be complimentary
- vii) Have utility

10. Write down the international trade documents that relate to each of the following statements.(4 marks )

<i>Statement</i>	<i>Document</i>
a) prepared by an explorer giving details about the origin of goods	<b>Certificate of origin</b>
b) A document of title to the goods traded in international trade	<b>Bill of lading</b>
c) show prices charged as certified by the importing country's officials	<b>Consular invoice</b>
d) Enable the importers to initiate clearing of custom duty earlier enough to avoid delays	<b>Proforma invoice</b>

11 .State four measures that the central bank can take to reduce inflation in the country .(4 marks)

- i) Increase the rate of interest on leading to commercial banks /increase in bank rate
- ii) Selling government securities in open marked operations
- iii) Increase compulsory deposits by commercial banks with central bank
- vi) Institution of selective credit control measures
- v) Give directives of charging high interest on leading to commercial bank
- vi) Request the commercial bank to control /minimize on their leading
- vii) increase commercial banks cash or liquidity ratio

12 . Give four types of small scale retail business that can be operated by Musyoka without shops.(4 marks)

**i) Hawking /itinerant trading**

**ii) Roadside selling**

**iii) Open air market trading**

**iv) Automatic vending machine**

**(give a mark for trade NOT trader)**

13. The following information was extracted from the books of KawiraEntreprise.

Rate of stock turn over	3times
Mark –up	20%
Opening stock	160000
Closing stock	200000

Required: Calculate

i) cost of sales (2marks)

$$\text{average stock} = \frac{160,000 + 200,000}{2} = 180,000$$

**ROST = cost / average stock**

$$3 = \frac{\text{cost of sales}}{180,000}$$

$$\text{Cost of sales} = 540,000$$

ii) Gross profit (2marks)

$$\text{mark up} = \frac{\text{gross profit}}{\text{cost of sales}}$$

$$20 = \frac{\text{GP}}{540,000}$$

$$\text{GP} = 20 * 540,000$$

$$= 108,0000$$

14. Indicate the account to be debited and credited in the transactions given below .(4 marks )

Transactions	Dr	Cr
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a)A debtor paid sh.5000 in cash	<b>Cash</b>	<b>Debtors</b>
b)Paid rent sh.8000 by cheque	<b>Rent</b>	<b>Bank</b>
c)withdraw 1,500 from the bank for office use	<b>Cash</b>	<b>Bank</b>
d)Goods worth sh.2000 were sold on credit	<b>Debtors</b>	<b>Sales</b>

15. State four essential elements of effective transport .(4 marks )

- i)Units of carriage**
- ii)Method of propulsions**
- iii)ways**
- iv)Terminus/terminals**

16 . Outline four negative effects of an ageing population in an economy .(4marks)

- i)Less mobile Labor force**
- ii)Less labor supply as old people are less productive**
- iii)High dependence of old people on working population**
- iv)Society becomes less productive**
- v)Unemployment due to fall in demand of commodities used by the youth**

17. Highlight four ways in which consumers may be exploited by business in the society. (4marks)

- i)Being overcharged**
- ii)False advertisements**
- iii)Being sold to poor quality goods/sub standard goods**
- iv)Being sold to wrong quantity of goods /underweight**
- v)Being sold to harmful commodities**
- v)Bleaching trade agreements**

18. Other than accepting deposits,mention other four services offered by commercial banks .(4marks)

- i)Safekeeping valuable items**
- ii)Lending money**
- iii)Money transfer services**
- iv)Provision of foreign exchange**
- v)Giving advice on investment**
- vi)Trustee services**
- vii)Act as guarantor or referee**
- xi)Act as intermediaries between savers and borrowers**

19.Using the balance sheet equation ,determine the missing figures in the table below .(4marks)

	Assets	Capital	Liability
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a	40,000	<b>28,000</b>	12,000
b	<b>138,000</b>	78,000	60,000
c	27,000	56,000	<b>21,400</b>
d	124,300	<b>39,400</b>	84,900

20. State four principles of insurance .(4marks)

- i)indemnity**
- ii)proximate cause**
- iii)subrogation**
- iv)contribution**
- v)insurable interest**

21.Outline four demerits of written communication .(4marks)

- i)It lacks personal appeal**
- ii)Immediate feedback is not possible**
- iii)Takes time to prepare**
- iv)Does not offer room for persuasion**
- v)May be expensive**
- vi)Not suitable where there is language barrier**
- vii)Only convenient for persons who can read and write**

22. State the machine one would use to perform the following tasks .(4 marks)

Task	Type of machine
a)Creating postage impressions on envelopes	<b>Franking machine</b>
b)Destroying sensitive ,unwanted documents	<b>Paper shredder</b>
c)Storing large volume of data	<b>Computer</b>
d)Trimming papers to the required sizes	<b>Guillotine</b>

23.Outline four factors that a producer may consider in determining the channel he/she would use in distributing his/her products .(4 marks)

- i)Nature of product**
- ii)Nature of the market**
- iii)Resources and size of the firm**
- iv)Channels used by competition**
- v)Government policy**
- Vi)Marketing risks**

24.Highlight four assumptions made in the circular flow of income in a two sector economy.(4 marks)

- i)There are only two sectors in the economy that is households and firms**

- ii)Households spend all their income on goods and services produced by the firms**
- iii)Firms spend all their revenue on factors of production provided by the households**
- iv)There is no government intervention**
- v)The economy is closed /no foreign trade**

25. Outline four considerations that Auma a business studies student has taken to conclude that the neighboring firm is small.(4 marks )

- i)Small market served**
- ii)Few number of employees**
- iii)Covers a small floor area**
- iv)Makes small volumes of sales**
- v)Low volume of output**
- vi)Small capital invested**
- vii)Absence of specialization and division of labor**

