

KANGEMA / MATHIOYA SUB-COUNTIES JOINT EVALUATION 2016**BUSINESS STUDIES****PAPER 1****Marking scheme**

1. Below are some factors that influence the operation of a business. By use of a tick (✓) indicate in the appropriate column the business environment associated with each of the factors. 4mks

Factor	Micro	Macro
a) Political factors		✓
b) Economic recession		✓
c) Business structures	✓	
b) Human resources	✓	

2. Give four basic factors of production with their respective rewards. 4mks

Factors of production	Reward
i) Land	Rent /Royalty
ii) Labour	Salaries and wages
iii) Entrepreneurship	profit
iv) Capital	interest

3. Outline four advantages of warehousing to a consumer

- Steady flow of goods to him.
- Protects goods from physical damage and adverse conditions of goods.
- stable prices as a result of steady flow of goods
- can inspect goods before buying
- get quality goods /helps packet and grade

1X4=4mks

4. Outline four sources of oligopoly power. 4mks

- When huge capital investment is required / barriers to entry
- A few firms hold patent that relate to the technique of production of the product.
- A few controlling a source of raw materials used in the production of the product
- some firms may merge with others as takeover
- A few firms may enjoy large scale economies and offer lower prices for their products thus driving out competitors.

1x4=4mks

5. In the table below classify the accounts as personal, nominal, real or private. 4mks

Account	Account type
Machinery	Real
Kamau(creditor)	Personal
Electricity bill	Nominal
Rent income	Nominal

4x1=4mks

6. On 1st of October 2009 Sambu bought goods on credit quoted at Kshs.240,000. Terms of sales were 20% trade discount and 10% cash discount if payment was made on 29TH October 2009. Calculate the amount paid if payment was made on 26th October 2009. 4mks

Trade Discount	=—
Price to be paid	= 240,000-48,000 =192,000
Cash discount	=—
Amount paid	= 192,000 -16,200= ksh. 72,000

7. For each of the following sources document name the relevant day book. 4mks

Source Document	Daybook
Invoice issued	Sales Journal
Credit note received	Purchase return journal
Cheque received	Cash receipt journal
Invoice received	Purchase journal

8. Diana, Peter and James have been running a business as a partner without a written agreement. Advice them on the following matters as per the partnership Act. 4mks

- | | |
|---|---|
| a) Profit and loss sharing | share profit and loss equally |
| b) Salary to partners | no salary to partners |
| c) Loans given to the business by the partner | 5% interest on loans advance by a partner |
| d) Admission of a new partner | All partners must agree before a new partner is admitted. |

9. State whether each of the following transactions increased, decreased or had no effects on the balance sheet totals.

4mks

Transactions	Effect on balance sheet totals
a) Bought office equipment in cash	No effect
b) Paid a creditor by cheque	Decreased
c) Used business cash to pay dowry	Decreased
d) Converted private room for business	Increased

10. State four emerging trends in Matatu PSV transport sector in Kenya.

4mks

- Introduction of uniform for drivers and conductors
- Yellow line for all PSV matatus
- availability of certificate of good conduct for crews
- installation of speed governors
- intensified use of safety belts
- intensified use of alcohol blow

11. State four circumstances under which photocopying may be used to reproduce documents in a school. 4mks

- when limited number copies are required.
- When exact photographic reproduction is necessary
- when copies are urgently required because it is faster
- where there is no need to re-type /write the original copy
- where there is no need for special training for operators.

4x1=4mks

12. i) February 1 Balance brought forward shs. 2,000 cash in hand and shs. 5,000 cash at Bank
 ii) February 12 Received 19,000 shillings cash from Wanjala having deducted 1,000shillings cash discount
 iii) February 15 deposit shs. 15,000 from the cash till to the business bank account
 iv) February 26 paid Njeru 17,000 shillings by cheque after deducting 850 shillings discount

13. State four specific objectives of advertising as a tool of sales promotion.

4mks

- to inform the prospective buyers about the availability of products
- persuade customers to buy
- to create link between buyers and manufacturers
- to retain the existing market
- to create demand /create new markets /create sales
- to supplement other methods of sales promotion such as personal selling

4x1=4mks

14. Apart from government borrowing, outline four other sources of government revenue.

4mks

- taxes
- fees eg government utilities like gate charges
- Fines and penalties
- grants
- interest and dividend on loans and investments
- Appropriate in aids.

4x1=4mks

15. Give four reasons that make insurance companies decline to insure acts of nature.

4mks

- the loss may affect many people at a go
- the value of the loss may not easily be determined
- the loss is unpredictable
- there might be very few people willing to be involved to form a pool
- it may not be easy to determine premiums to be paid
- the possibility of the risk occurring is certain.

4x1=4mks

16. Using the accounting equation, fill in the missing figures in the following table.

4mks

	Liabilities(shs)	Assets (shs)	Capital(shs)
a)	45,820	74,520	28,700
b)	43,737	211,000	167,263
c)	348,170	518,510	170,340
d)	39,469	148,390	108,930

4x1=4mk

17. Identify four

- quotas
- import bans
- import export custom ties
- import export licensing(complicated procedures)
- foreign exchange control
- moral persuasion eg Buy Kenya build Kenya

4x1=4mks

- 18.
- increase in cost of production
 - shortage of inputs
 - exit of firms from the industry
 - price of related products is low
 - use of poor technology
 - future expectations of decrease in price
 - unfavourable natural factors /weather
 - price of the product has reduced
- 4x1=4mks
19. Give four basic characteristics of a business idea. 4mks
- what products or services to sell
 - the market to sell the goods and services
 - how the business will run
 - objectives of the business
 - the pricing of the products
- 4x1=4mks
20. More expenditure on premium of basic needs
- high dependence ratio
 - low saving and investment in the economy
 - dependence on foreign aid to increase investment
 - increase in imports
 - balance of payment problems
- 4x1=4mks
21. Identify four factors that may lead to an increase in the level of national income of a country. 4mks
- availability of human resources
 - availability of natural resources
 - high levels of technology in production
 - good governance /political stability
 - increased foreign investment
 - good entrepreneurial culture.
- 4x1=4mks
22. Mention four adverse effects of inflation. 4mks
- reduction in profit
 - wastage of time shopping around for reasonable prices
 - conflicts between employers and employees
 - decline in standards of living
 - loss of creditors
 - loss of confidence in the monetary system
 - discourages savings
23. Outline four functions of Kenya Bureau of standards. 4mks
- Carrying out testing of measuring apparatus to relate accuracy level of established standards
 - putting stamp of approval to show the established standards have been made
 - making regular inspection to ensure that the standards are adhered to
 - prosecute those who violate the set standards.
- 4x1=4mks
24. Identity four circumstances under which sign language may be used to communicate. 4mks
- language used must be understood
 - must be free from noise
 - use of appropriate simple and clear language
 - Must be free from distortion
 - medium used must be appropriate
 - information over load should be avoided
- 4x1=4mks
25. The central bank is a banker to the government. Outline four banking services it provides to the Kenya government.
- banking services the central bank it provides to the Kenya government
 - giving financial advice to the government
 - receiving payments on behalf of the government from foreign donors/income tax
 - giving credit /loan to the government
 - making various payments on behalf of the government
 - collecting credits /loans from other sources on government behalf
- 4x1=4mks