

THIKA COUNTY
565/1
BUSINESS STUDIES
PAPER I
JULY/AUGUST 2015

MARKING SCHEME

1. a) Distribution
b) Business
c) Consumer
d) Production 4 x 1 = 4 marks

2. Outline four business resources that business can use to enable its operations.
 - a) Skilled human resource/appropriate human labour
 - b) Adequate finances
 - c) Availability of physical resources
 - d) Appropriate technology/upto date technology 4 x 1 = 4 marks

3. Outline four characteristics of basic wants
 - a) One cannot do without them
 - b) They are felt needs
 - c) Cannot be post poned
 - d) They are satisfied before secondary wants. 4 x 1 = 4 marks

4. Outline four gaps in the market that may give rise to a business opportunity.
 - a) Unavailability of product
 - b) Poor quality product
 - c) Insufficient quantities
 - d) Unaffordable prices
 - e) Poor services 4 x 1 = 4 marks

5. a) Composite
b) Dictaphone
c) Accounting machine
d) Guillotine

6. Highlight four features of subsistence production
 - a) Goods and services are of low quantity and quality
 - b) Encourages individualism.
 - c) Leads to low standards of living
 - d) Can be very tiring
 - e) Does not encourage invention and innovation
 - f) A lot of time is wasted as one move from one job to another.
 - g) No one has the ability to provide all that he/she requires.

7. Highlight four circumstances under which deferred payment may be appropriate.
 - a) Where the credit worthiness of the customer is unquestionable.
 - b) Where the seller want to attract or retain customer.
 - c) Where the seller wants to use credit facilities as a competing tools.

- d) Where the seller want to increase sales.
- e) Where the seller wants to dispose off slow moving stock. (4 x 1 = 4 marks)

8. Outline four advantages of consumer co-operatives

- a) Sells goods of high quality
- b) Sells goods to members at fair prices
- c) Sells goods to other people at high prices thereby making profit.
- d) Can give credit facilities to members.
- e) Can pay interest on capital to members
- f) Sell a variety of goods to the member at a place where they can easily get them.
- g) Buy goods directly from the producers thereby eliminating middle-men. (4 x 1 = 4 marks)

9. Outline four disadvantages of using a train as a means of transport.

- a) Not flexible as trains follow a strict time table
- b) Railways are expensive to construct and maintain.
- c) Not all areas are served by railway lines.
- d) Not suitable for transporting urgently required or perishable goods as it is slow.
- e) Unsuitable for transporting goods over short distances.
- f) Trains are expensive to acquire and maintain. (4 x 1 = 4 marks)

10. Highlight four functions of advertising agencies.

- a) They advertise on behalf of their clients.
- b) They help organizations in designing their trademarks, logos and advertising materials.
- c) They book space and airtime for their customers in various media.
- d) They offer advisory services to their clients on selling techniques.
- e) They choose on behalf of their clients the appropriate media to be used (4 x 1 = 4 marks)

11. Causes of the shift to the left

- i) High cost of production
- ii) Inadequate time
- iii) Unfavorable government policies e.g. high taxation.
- iv) Future expectations of an increase in price.
- v) Unfavorable weather conditions
- vi) Exit of firms from the industry. (4 x 1 = 4 marks)

12. (i) Capital owned = 2172000√ (1)

$$\begin{aligned} \text{(ii) Borrowed capital} &= \text{long term liabilities} \\ &= 400000 + 300000 \\ &= 700,000\sqrt{ (1)} \end{aligned}$$

$$\begin{aligned} \text{(iii) Working capital} &= \text{Current assets} - \text{current liabilities} \\ &= 182000 - 140000 \\ &= 42000\sqrt{ (1)} \end{aligned}$$

$$\begin{aligned} \text{(iv) Capital employed} &= \text{C.O} + \text{B.C} = 2172000 + 700000 = 2872000 \sqrt{ \\ &\text{OR} \\ &\text{FC} + \text{WC} = 2830000 + 42000 = 2872000 \\ &\text{(4 x 1 = 4 marks)} \end{aligned}$$

13.

DR					TWO COLUMN CASH BOOK					CR	
DATE	DETAILS	F	CASH	BANK	DATE	DETAILS	F	CASH	BANK		
2012			Shs	Shs.	2012			Shs		Shs.	
Jan 1	Capital		20000√	50000√	Jan 2	Purchases		120000√			
3	Sales		5000√		12	Cash	C1			8000√	
12	Bank	C1	8000√		15	rent				6000√	
20	debtor			4000√							

(8 x ¼ = 4 marks)

14. Problems the Kenyan government may experience implementing a development plan.

- (i) Over-ambitious plans
- (ii) Lack of political good will
- (iii) Lack of adequate and skilled personnel
- (iv) Inflation
- (v) Lack of cooperation among the executing parties
- (vi) Reliance on donor funding
- (vii) Failure to involve local people in planning.
- (viii) Natural calamities e.g. drought, floods, epidemics etc.
- (ix) Lack/inadequate skilled personnel
- (x) Insufficient/lack of funds (4 x 1 = 4 marks)

15. Ways in which government creates an enabling environment for business operation

- a) Subsidies
- b) Incentives
- c) Protection
- d) loan guarantees (4 x 1 = 4 marks)

16. Advantages of EPZs

- a) Encourage business due to incentives given by the government which in turn help to correct unfavourable balance of payment.
- b) Encourage foreign investors in the county.
- c) Create market for locally produced raw materials.
- d) Create job opportunities
- e) Stimulate industrialization
- f) Earn the government some revenue after the tax free holiday (any 4 x 1 = 4 marks)

17.

Dr	Bank a/c	Cr
2011	shs	2011
July 5 cash	5000	shs
		July 1 bal b/d 20000
		5 purchases 8000

Dr	Rent a/c	Cr
2011		
July 3	cash 4000	

Dr	Cash a/c	Cr
2011		2011
July 1	bal b/d 24,000	July 3 Rent 4,000
		5 Bank 5,000

Dr	Purchases a/c	Cr
2011		
July 4	Bank 8000	

8 ticks x ½ = 4 marks)

18. Give four reasons why firms choose to remain small in an economy dominated by large firms.

- Size of the market
- Nature of the market
- Simplicity of the organization
- Flexibility of small firms
- Quick decision making
- Belief that a small firm is more manageable
- Rising cost of production
- Need to retain control
- Legal constraints

any 4 x 1 = 4 marks

19. Outline four features of a perfect competition market.

- Large number of buyer and sellers
- No government interference
- Homogeneity of the product
- No transport cost
- Perfect knowledge of the market
- Freedom of entry and exit
- Uniformity of buyers
- No excess supply or demand
- Perfect mobility of factors of production.

Any 4 x 1 = 4 marks

20. Highlight four factors that may determine the amount of revenue to be collected through taxation.

- Distribution of incomes
- Social and political factors
- Honesty and efficiency of tax authorities.
- Citizens level of real incomes.
- Economic structure of a country.

Any 4 x 1 = 4 marks

21.

Sales Journal

Date	Particulars	Invoice No.	Ledger folio	Amount(shs)
2010				
Jan 2	Mwiti Traders ✓			50,000 ✓
5	Mutahi Traders ✓			150,000 ✓

Purchases journal

Date	Particulars	Invoice No.	Ledger folio	Amount(shs)
2010				
Jan 3	Solomon Traders ✓			80,000 ✓
4	Kanake Traders ✓			160,000 ✓

(8 ticks x ½ = 4 marks)

22. State four errors that does not affect the agreement of a trial balance. (4 marks)

- a) Error of total omission
- b) Error of original entry
- c) Error of commission
- d) Compensating errors
- e) Complete reversal of entry
- f) Error of principle

23. With the advancement of information technology (I.T), there has been a lot of revolution in communication, identify four current trends in communication.

- a) Telephone Bureau
- b) Mobile phones
- c) E-mail
- d) Internet

4 x 1 = 4 marks

24.

Whole life policy	Endowment policy
a) Compensation is paid after the death of the assured.	a) Compensation is paid after the expiry of an agreed period.
b) Premiums are paid throughout the life of the assured.	b) Premiums are paid only during an agreed period.
c) Benefit goes to the dependants rather than the assured.	c) The assured benefit unless death proceed the expiry of the agreed period
d) Aims at financial security of dependants	d) Aims on financial security of the assured and dependants.

25. Outline four factors that affect the circular flow of income

- a) Investment
- b) Government
- c) Savings
- d) Foreign trade

(4 x 1 = 4 marks)