MARAKWET WEST DISTRICT JOINT EVALUATION TEST (MANESSE) - 2015
565/1
BUSINESS STUDIES
PAPER 1
JULY/AUGUST 2015
TIME: 2 HOURS

MARKING SCHEME

1. Mention four features which qualifies food as a primary want.
    (i)   Cannot be postponed.
    (ii)   Required for survival
    (iii)   It is a felt need
    (iv)   Satisfied first before secondary want
    (v)   Cannot be fully satisfied.

    (Any 4x1=4mks)

2. State four reasons for the population of motor cycles as a means of transport.
    (i)   Cheap to acquire
    (ii)   Low maintenance cost
    (iii)   Flexible- does not have fixed timetable or route.
    (iv)   Charge relatively lower fare
    (v)   Few legal formalities required
    (vi)   Fills faster
    (vii)   Does not require special skills
    (viii) Relatively faster than human porterage and cartage.   **(Any 4x1=4mks)**

3. The following information was extracted from the books of Musau Traders as at 30th April 2010.

    Cost of goods sold   sh. 343,200
    General expenses   sh. 59,800
    Capital   sh. 1,300,000
    Profit margin   20%

    Calculate the rate of Net profit to capital.

    $$\text{Margins} = \frac{Gross\ profit}{sales} = \frac{1}{5}$$

    $$\text{Mark- up } \frac{1}{5-1} = \frac{1}{4}$$

    $$\text{But mark up } \frac{Gross\ profit}{\cos t\ of\ sales} \Rightarrow \frac{1}{4} = \frac{GP}{343,200}$$

    $$\text{Gross profit } \frac{343,200}{4} = 85,800$$

    Net profit = Gross profit – expenses
    $$= 85,800 - 59,800 = 26,000$$

    $$\text{Rate of net profit to capital} = \frac{Net\ profit}{capital} = \frac{26,000}{1,300,000} = \frac{1}{50}\ or\ 2\%$$ **(Any 4x1=4mks)**

4. The central bank is a banker to the government outline four banking services that it provides to the government.
    (i)   Collecting credit on behalf of the government
    (ii)   Giving credit to the government.
    (iii)   Giving financial advice to the government

     (iv)   Receiving payments on behalf of the government from foreign donors, income tax, and customs departments.

     (v)   Getting credits from other sources on behalf of the government.   **(Any 4x1=4mks)**

5.   Highlight four circumstances under which a manufacturer may opt to sell his products directly to the consumers rather than through intermediaries.

     (i)   If the products are of technical nature and require demonstration

     (ii)   When the goods are of high value.

     (iii)   When the manufacturer wants to avoid competition

     (iv)   When the market served is small.

     (v)   When the manufacturer have enough financial resources.

     (vi)   When the market is concentrated in one area.

     (vii)   When the nature of the goods are perishable and require a shorter channel.

     (viii)   When the manufacturer wants to curb cases of boarding by middlemen. **(Any 4x1=4mks)**

6.   State four prominent features of retailer's warehouse.

     (i)   Mainly owned by large scale retailers.

     (ii)   Stock fast moving consumer goods.

     (iii)   Attached to the retail shops.

     (iv)   They hold reserve stock to ensure demand is constantly met.

     (v)   Designed to suite owners specifications.

     (vi)   Owners have full control over warehouse operation.   **(Any 4x1=4mks)**

7.   Highlight four roles of ethics in business.

     (i)   Encourage good working relationship among workers.

     (ii)   Ensures good employer and employee relationship.

     (iii)   Ensures protection of rights of individuals in a working environment.

     (iv)   Helps the workers to develop proper skills and right attitude towards their work.

     (v)   Helps workers to protect and uphold a good reputation of the business organization.

     (Any 4x1=4mks)

8.   Outline four merits of replacing manual systems with automated ones in carrying out office activities.

     (i)   They are labour saving

     (ii)   Faster (saves time)

     (iii)   They are accurate

     (iv)   Presentable output

     (v)   Control fraud

     (vi)   Uniformity of output.   **(Any 4x1=4mks)**

9.   Enumerate four benefits that a country would get as a result of locating firms away from each other.

     (i)   Balanced regional development will be achieved.

     (ii)   Rural- urban migration controlled.

     (iii)   Creation of employment opportunities.

     (iv)   Reduction of risk of wars.

     (v)   Promotion of exploitation of resources.   **(Any 4x1=4mks)**

10.   In less developed countries rapid population growth rate is a common phenomena. State four ways that this growth rate may negatively affect these countries.

     (i)   High level of unemployment

     (ii)   Strain on social amenities.

     (iii)   High dependency ratio.

     (iv)   Low standards of living due to inadequate resources.

(v)   Imbalance in demand and supply.   **(Any 4x1=4mks)**

11.   Imperfect competition takes many forms. Outline four features of retail trade as a form of monopolistic competition.
       (i)   There are many independent buyers and sellers of goods.
       (ii)   There's product differentiation.
       (iii)   There are no barriers to entry into or exit out of the market.
       (iv)   There's perfect knowledge of the market by buyers and sellers.
       (v)   The motive of traders in this market is to produce excess capacity as opposed to surplus profit.   **(Any 4x1=4mks)**

12.   Highlight four factors that make a risk valid for insurance.
       (i)   Parties involved must have legal capacity (round mind, not bankrupt and 18 years or above)
       (ii)   Insured and insurer must accept the terms and conditions of the contract.
       (iii)   There must be payment (premium) and a consideration (compensation).
       (iv)   The business must be for a legal purpose.(not prohibited by law.)
                                                           (4x1=4mks)
13.   Outline four benefits of privatization to Kenya's economy.
       (i)   Reduce government expenditure
       (ii)   Leads to efficiency in management
       (iii)   Attracts foreign investors
       (iv)   Promotes invention and innovation.
       (v)   Reduces polical interference in the economy
       (vi)   Promote accountability and reduce corruption.
       (vii)   Helps the government to raise revenue.
       (viii)   Leads to production of high quality goods and services.
       (ix)   Leads to the production of a variety of goods and services.   **(Any 4x1=4mks)**

14.   The table below describes various terms used in taxation listed below i.e impact, incidence, regressive and proportional. Match the terms with the relevant description.

Description	Term
(i) The rate of tax increases as income reduces.	Regressive
(ii) The person who bears the tax burden.	Incidence
(iii) The rate of tax is the same on all incomes.	Proportional
(iv) The person to whom tax is imposed.	Impact

                                                           (4x1=4mks)

15.   The balance sheet below was prepared by unqualified accountant. Use the order of permanency to draw the correct balance sheet.

Munene shop
Balance sheet as at 31ˢᵗ Dec 2006.

Capital	140, 000	Stock	40,000

Bank overdraft	20,000	ICDC loan	160,000
Debtors	80,000	Cash at bank	20,000
Cash in hand	40,000	Creditors	80,000
Premises	120,000	Motor vehicles	100,000
	400,000		400,000

Munene shop
Balance sheet as at 31ˢᵗ Dec 2006.

Fixed assets			Capital	140,000✓
Premises	120,000✓			
Motor vehicles	100,000✓	220,000	Long term liabilities	
Currencies assets			ICDC loan	160,000✓
Stock	40,000✓		Current liabilities	
Debtors	80,000✓		Bank overdraft	20,000✓
Bank	20,000✓		Creditors	80,000✓ 100,000
Cash	40,000✓	180,000		
		400,000		400,000

(10x ½ =5mks)

16. State four reasons why people engage in business.
(i)   Create employment opportunities
(ii)   To earn profit
(iii) Utilise spare time that one may have.
(iv)   To provide goods and services that consumers need.
(v)   To offer special services to help the less fortunate.
(vi)   Act as an outlet of new products.
(vii) To achieve self satisfaction.   **(Any 4x1=4mks)**

17. State four errors that affect the agreement of a trial balance.
(i)   Undercasting errors
(ii)   Arithmetic error in the account.
(iii) Partial omission (failure to debit or credit an a/c)
(iv)   Posting a wrong balance to the trial balance .
(v)   Indicating a balance on the wrong side of the trial balance.   **(Any 4x1=4mks)**

18. Outline four benefits that Kenya derives from being a member of preferential Trade Area.
(i)   Get a wider market.
(ii)   Duty exemptions benefits.
(iii) Obtain concessionary loans from PTA banks.
(iv)   Increased investment opportunities.
(v)   Obtain a variety of goods.
(vi)   Peaceful co- existence is created.
(vii) The common currencies thus reduce the burden of currency exchange.
(Any 4x1=4mks)

19. Give four reasons why large business maintain books of prime entry.
(i)   Minimize fraud and promote efficiency because it is prepared by different people.

(ii) Facilitate the tracing/ location of errors.
(iii) Provide information for preparing control accounts.
(iv) Reduce bulkiness of the ledger accounts.
(v) Provide more information which may not be available in the ledgers.**(Any 4x1=4mks)**

20. Outline four reasons to account for continous existence of direct production in modern society.
  (i) Requires less capital/ lack of capital.
  (ii) Lack of entrepreneurial skills.
  (iii) Cultural background/ beliefs.
  (iv) Poor technology
  (v) Provide self employment
  (vi) Leads to independence .   **(Any 4x1=4mks)**

21. Highlight four limitations for the use of mobile phones in communication.
  (i) Poor network coverage in some areas.
  (ii) Prone to theft in crowded areas.
  (iii) Expensive to maintain (frequent top up)
  (iv) Not suitable for the deaf and dump.
  (v) Radio waves may cause health plights.
  (vi) May cause unnecessary noise.   **(Any 4x1=4mks)**

22. Use the cash book below to state the transactions that took place on 2nd , 5th , 6th and 7th of may 2010.

Date	Detail	If	Cash	Bank (sh	Date	Details	If	Cash(sh)	Bank (sh)
2010 may 1	Bal		100,000	250,000	2010 may 2	Creditors			30,000
5	Bank	©	20,000		3	Rent		4,000	
7	James			11,000	5	Cash	©		20,000
					6	Drawings		12,000	
			120,000	261,000	8	Bal	c/f	104,000	211,000
	Bal	b/f	104,000	211,000				120,000	261,000

  Transactions :
  (i) 2nd - paid a creditor sh 30,000 by cheque.

  (ii) 5th - Withdraw sh. 20,000 from the bank for business use.

  (iii) 6th - Took (withdrew) sh. 12,000 from the cash deal for private use.

  (iv) 7th - Received a cheque of sh. 11,000 from James. **(4x1=4mks)**

23. The membership of savings and credit co- operative societies in Kenya keeps on increasing with time. State four reasons to justify this trend.
  (i) Members can get more than one type of loans.

(ii)   Loans for a dead member is written off.
(iii) Few collateral securities required.
(iv)   Flexible repayment period.
(v)   Easy saving due to check off system.
(vi)   Members savings is insured with co- operation insurance service.
(vii) Charges low interest on loans.
(viii) Improve standards of living through dividends.   **(Any 4x1=4mks)**

24.   Fill in the document that match the statement given below.

	Statement	Document
(i)	Issued by an agent who sells on behalf of the owner.	Proforma invoice
(ii)	Issued by a carrier to a seller .	Consignment note
(iii)	Issued to make overcharge corrections to invoice.	Credit note
(iv)	Informs the buyer that goods have been dispatched.	Advice note

(4x1=4mks)

25.   Enumerate three distinguishing features between hypermarkets and departmental stores.

	Hypermarkets	Departmental stores.
(i)	Located in the outskirts of town.	- Situated in town centres.
(ii)	Comprises of many businesses under different management.	- Comprise of many single shops under one management.
(iii)	Each business controls its finances and personnel.	- Control of services of e.g. transport and finance are centralized.

(3x1=3mks)

MARAKWET WEST DISTRICT
565/2
BUSINESS STUDIES
PAPER 2
JULY/AUGUST 2015
TIME: 2 HOURS

MARKING SCHEME

1. a) Explain five measures that the government can take so as to improve the efficiency of the road transport system in the country.
    - Improving the road network system by tarmacking more roads particularly in rural areas.
    - Ensuring that vehicles do not exceed their load capacities as this causes damage to roads.
    - Educating the providers and the consumers of roads transport services of their moral obligation to observe the taraffic code.
    - Improving rail transport so as to ease congestion on roads.
    - Undertaking regular maintenance of roads to ensure that they are in good condition at all time.
    - Ensuring that there is strict adherence to traffic laws.
    - Ensuring that only trained and licenced people are allowed to drive vehicles on the roads.
    - Ensuring that corruption is eradicated on the roads, by imposing heavy panalties on those who practice it.
    - Establishment of by- pass road systems in the outstirts of urban centres does not have to pass through it.   **(5x2=10mks)**

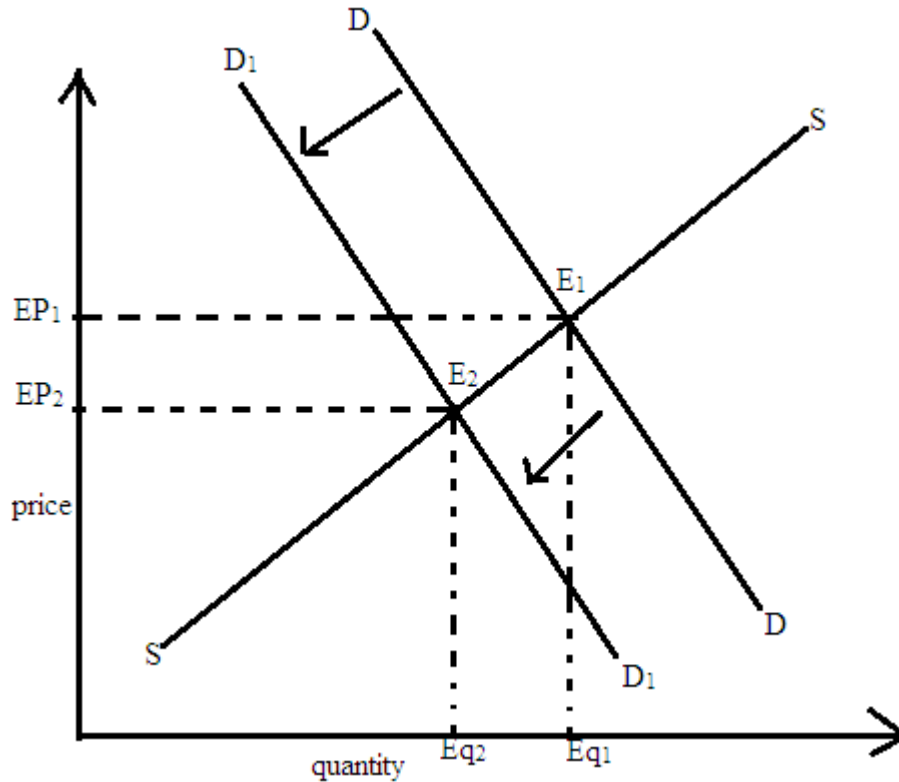   b) Enumerate five differences between a chain store and a departmental store.

Departmental store	Chain store
(i) Each department sets its own price.	- Prices are uniform in all the branches.
(ii) stocks variety of goods.	- Stocks limited variety of goods.
(iii) All departments operate under one roof.	- Have branches all over the country.
(iv) Each department deals with a different line of goods.	- All branches sell similar goods.
(v) Purchases are decentralized.	- Purchases are centralized.
(vi) Goods remain in their departments even if demand is low.	- Goods may be moved to other branches where their demand is high.

(5x2=10mks)

2. a) Describe five roles of the Kenya Bureau of standards (KEBS) in consumer protection.
    (i)   It set standards on the quality that must be met by both the locally produced goods as well as the imported goods.
    (ii) It ensures that harmful goods are neither produced nor imported into the country by inspecting all imported goods & local goods.
    (iii) It provides quality assurance experts services to the producers to ensure that they produce high quality goods.
    (iv) It requires that all foods are well labeled and packed so as to ensure that such food is protected and that the right information on the product is passed to the consumers.
    (v)   It takes legal action against those who operate outside the set standards.

(vi) It ensures that all products are tested to ensure quality and that they bear a KEBS mark of quality on their package.

(vii) Ensure that the equipment used by producers to measure time, weight volume and length is correct for the consumer to get accurately measured goods.

(viii) Ensure that imported goods are inspected to ensure that they are of the right standards. **(5x2=10mks)**

b) With an aid of a diagram illustrate a change in equilibrium points following a decrease in demand and state three factors that may cause such change.

DD - Original demand curve
D₁D₁ - New demand curve
SS - Supply curve
Eq₁ - Equilibrium quantity 1.
Eq₂ - Equilibrium quantity 2.
Ep₁ - Equilibrium price 1.
Ep₂ - Equilibrium price 2.
E₁ - Original equilibrium point.
E₂ - Equilibrium point 2

Factors
(i) Low income
(ii) Low population
(iii) Taste not in favour of the product
(iv) Income being in hands of few
(v) Unfavourable government policy e.g high taxation.
(vi) Future expectation of decrease in price.
Increase in price of a complementary product. **(5x2=10mks)**

3. a) Kimemia had the following transactions during the month of January 2009.
You required to journalize the transactions.
1 .1.08 Sold furniture at sh. 160 to Moyo traders on credit.
2 .1. 09 Bought a computer on credit from Bomgo at sh. 20,000

3. 1. 09   Bought some goods from Nyaga sh. 4,000 on credit the transaction was not entered in Kimemia books.

4. 1. 09   A transport expense of sh. 500 written in the books as sh. 50.

5. 1. 09   Sold a motors vehicle for sh. 80,000 on credit to Omega.

General Journal

Date	Particulars	DR	CR
1. 1. 09	Meyo traders Furniture Being sale of furniture on credikt.	160	160
2. 1. 09	Computer Bongo traders	20,000	20,000
3. 1. 09	Purchases Nyaga Being correction of an error of emission.	4,000	4,000
4. 1. 09	Transport expence Cash Being correction of an error where an .	500	500
5. 1. 09	Omega Motor vehicle Being a sale of motor vehicle on credit.	80,000	80,000

(5x2=10mks)

b)   Explain any five functions of commercial banks.
- Transfering money
- Providing safe custody of valuables
- Lending money
- Accepting deposits
- Providing foreign exchange
- Providing management services
- Providing referee services
- Providing letters of credit to importers.   **(5x1=10mks)**

4.   a)   Oria shop sells all its goods at a margin of 20%. For the year ended 30th April 2006. The trading activities were as follows.

     Purchases   sh.   80,000
     Sales profit   sh.   950,000
     Net profit   5% of sales
     Closing stock   sh.   200,000

Calculate:-

i)   The gross profit
Gross profit = sales – costs of sales – ½

$$margins = \frac{G..P}{sales} \times 100$$

$$20\% = \frac{G..P}{950000} \times 100 \quad ½$$

$$G..P = 190000$$

ii)   The opening stock
C.O.S = O.S + purchase = C.S ½
C. O. S = sales – G.P
C.O.S = 950,000 – 190,000 ½
     = 760,000

$$O.S = 760,000 - 80,000 + 200,000$$
$$680,000 + 200,000 = 880,000$$
$$760,000 = \text{opening stock} + 600,000 \text{ ½}$$
$$760,000 - 600,000 = O.S \text{ ½}$$
$$160,000 = \text{opening stock ½}$$

iii) Mark up percentage

$$\text{mark- up} = \frac{G.P}{C.O.S} \times 100$$

$$\frac{190,000}{760,000} \times 100$$

$$= 25\%$$

iv) The net profit = 5% of sales

$$N.P = \frac{5}{100} \times 950,000 \text{ ½}$$

$$= 47,500 \text{ 1}$$ **(10x1=10mks)**

b) Discuss five factors that may lead to deteriorating terms of trade of a country .
- High prices of imports/ lower prices of exports compared to countries exports.
- Fall in exchange rates/ depreciation of local currency, which makes exports expensive.
- Appreciation of foreign currency which makes imports more expensive.
- Low/ fall in demand for a country exports.
- Competition/ similar products of other countries in the same market leads to decrease in demand hence lower prices of exports.
- Devaluation of the local currency, thus making imports more expensive and exports cheaper.   **(5x2=(10mks)**

5. a) Discuss five ways in which an entrepreneur contributes to the production of goods in an economy.
    (i) Identifies viable business opportunities.
    (ii) Provide guidelines on how production should be organized/ combines/ coordinates other factors of production.
    (iii) Provides the capital necessary to carry on production.
    (iv) Hires, rewards all the other factors of production.
    (v) Bears all risks/ incurs all the losses/ enjoys all the profits.
    (vi) Decides how. When, where and what to invest/ he is the major decision maker.
    (vii) Provides / avails/ assembles other factors of production.   **(5x1=10mks)**

    b) Explain five problems encountered in the measuring of the national income of a country through expenditure approach.   -
        It's not easy to estimate the amount of depreciation
    - It's not easy to estimate the value of subsistence output since are not exchanged.
    - Double counting may occur when using either income or output approach.
    - Individuals/ firms may not give complete/ accuracy inflationary times.
    - There arises problem of what to include what in the national income statistics.
    - Valuing illegal activities.
    - Problems of valuing government output since it is not sold.
    - Problems of changing prices.   **(5x2=10mks)**

6. a) Discuss five factors to be considered when enclosing a means of reproducing documents in an office.
   - Number of copies needed.
   - Quality required.
   - Availability of personnel.
   - Cost of production.
   - Availability of other means of reproducing documents.
   - Nature/ type of document to be produced.
   - Desired impression. **(5x2=10mks)**

   b) Explain five assumptions that would make a two sector economy to hold.
   - There is no government influence.
   - Firms spend all their income in hiring factors of productions.
   - House holds use all their income in buying goods and services.
   - The economy does not allow goods and services from other countries.
   - The country has only two sector firm and house holds. **(5x2=10mks)**