565/1

**BUSINESS STUDIES PAPER 1 MARKING SCHEME**

**MARCH/APRIL**

**TERM 1 2015**

**Time: 2 hrs**

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

Commercial activity Type of utility

1. Selling goods to customers *Possession*
2. Transporting goods *Place*
3. Storekeeping *Time*
4. Making a chair *Form*
5. **The figure below shows a shift in the supply curve of a given commodity**

So S1

Eo  E1

**Price**

So S1

O Qo Q1

**Quantity**

**Outline four factors that may have caused the shift in the supply curve from So to S1  (4mks)**

1. A fall in the cost of production
2. Fall in price of produced goods
3. Technological progress
4. Conducive natural factor e.g. good weather season
5. Government policies e.g. reduced tax and increased subsidies
6. Future expectation of a fall in price
7. Entry of new forms in the industry
8. Increase in factor of production
9. Increase in price of jointly supplied goods e.g. beef & hides
10. **Name the types of warehouses associated with each of the statements given below (4mks)**

**Stationery** **Type of warehouse**

1. Goods can be stored before payment of customs duty *Bonded*
2. Individuals can hire storage facilities *Public*
3. Goods are stored from several manufacturers *Wholesalers*
4. Specialized goods are stored *Manufacturers*
5. **State four services that a wholesaler may offer to a manufacturer (4mks)**

* Links the manufacturer with the retailers
* Breaks bulk on behalf of manufacturer/preparing for sale
* Provides storage on behalf of a manufacturer
* Provides working capital when they pay for goods
* Assists in distribution of goods/offer transport
* Promote the products on behalf of the manufacturer
* Relieves the manufacturer off some risks e.g. price fluctuations, expiry of goods
* Offers valuable information about goods

1. **State 4 reasons why flower exporters would transport their produce by air rather than by sea (4mks)**

* Air transport is faster
* Flowers are perishable require faster means
* Flowers are expensive
* Security of air transport is relatively high
* Flowers are light in weight
* Flowers are not bulk

1. **State four circumstances under which one may decide to start a personal business (4mks)**

* Where there is need to create employment
* Where additional income is needed
* Where there is need to apply business skills acquired
* Where there is need to invest surplus funds
* Where one has a business idea to implement
* Where one wants to become own boss
* Where there is need to use talent
* Where there is need to use spare time

1. **Outline four factors that should be considered before buying office equipment (4mks)**

* Space available
* Use of which it may be put
* Technological trends in the industry/observation/outdated
* Cost of buying/prices of equipment/funds available
* Skills available
* Cost maintenance
* Availability of spare parts
* Effect of staff morale
* Adaptability/multi-tasking
* Durability/lifespan
* Availability of power
* Quality of machine
* Possibility of hiring rather than buying

1. **Outline four malpractices by traders against which consumers may need protection by the Government (4mks)**

* Selling of poor quality goods/counterfeit/contraband goods
* Overcharging/overpricing
* Selling under weight goods/less quantity
* Selling expired goods/harmful
* Giving misleading information/false advertising
* Hoarding/artificial shortages
* Breach of contract
* Unsafe building
* Unhygiene conditions

1. **Indicate the reward associated with each of the factors of production in the table below (4mks)**

Factor of production Reward

1. Land *Rent/Rates/Loyalty*
2. Labour *Wages/Salaries*
3. Capital *Interest*
4. Entrepreneurship *Profit*
5. **Outline four factors that may be considered when measuring the size of a firm (4mks)**

* Volume of output
* The number of employees
* The capital invested
* The technology used
* The market served/No. of branches
* The floor area covered by the firm/premises
* The sale volume

1. **State four benefits that a trader may get by advertising products (4mks)**

* Wide coverage- message can reach a lot of people
* Evidence of the massage exists
* A trader has a chance to complete with other traders
* Graphical details can be included
* A trader has a chance of increasing sales
* A trader can choose a suitable page
* There cost varies according to size/page/day
* They are daily and hence regular
* Easy to locate an advert

1. **Outline four reasons why a firm may remain small (4mks)**

* Target market is small
* Limited production capacity/capital
* Nature of the product
* Owner’s decision to remain small
* Inadequate appropriate technology
* It’s flexible
* Has personal touch to customers & employees
* Fast decision making
* Secrecy
* Easier to manage

1. **Zawadi operates a hardware business in her home town. Outline four methods she may use to determine prices for her goods other than the forces of demand and supply (4mks)**

* Bargaining/Haggling
* Tendering
* Government policy – taxation
* Price discrimination
* Sale by auction
* Retail price maintenance – sell goods according to the dictates of the producers

1. **State four benefits that a farmer may derive from being a member of a producer co-operative society (4mks)**

* May receive input e.g. fertilizer at pair prices
* Get better prices for their produce
* May get transport facilities for produce to the market
* May get better storage facilities for the produce
* May grade, package and process the produce for the member
* May receive input on credit from the society
* Get dividends from his produce
* Can get loans from the society
* Can acquire skills on better methods of production
* Can be elected in management positions

1. **Outline four features of indirect production (4mks)**

* Goods are produced for sale
* Goods are produced in large quantities/surplus
* There is specialization in production
* High quality goods are produced
* Modern technology is used/use of machine

1. **Highlight four factors that may lead to the success of a business (4mks)**

* Availability of capital
* Developed infrastructure
* Availability of skilled labour
* Government support
* Access to markets/customers
* Aggressive marketing
* Proper management of debt
* Availability of security
* Proper location
* Fair competition
* Availability of raw materials/stock
* Proper allocation of resources
* Proper record keeping
* Fair pricing of goods

1. **State four ways in which a good filing system may facilitate the operations in an office (4mks)**

* Easy retrieval of information/fast
* Office is kept tidy/documents look neat
* Information is preserved for future reference
* Security of document is ensured/loss is reduced
* Facilitates quicker decision making/compare businesses
* Ensures confidentiality of information by controlling access by unauthorized people
* Protects from damage
* Save on space

1. **State four features of a perfectly competitive market (4mks)**

* Large no. of buyers and seller
* Buyer & sellers have perfect knowledge of the market conditions
* No government interference in the market
* No transport cost are incurred
* Free entry & exit of firms
* Homogeneity of products/similar
* Perfect mobility of factors of production
* No excess or shortage on demand & supply
* Uniformity of buyers & sellers
* Buyers and sellers are price takers

1. **State 4 types of information that a manager may communicate to the juniors (4mks)**

* Instructing/giving directions
* Explaining policies of the organization
* Giving procedures to be followed in carrying out duties
* Evaluation/information on performance of juniors
* Invitation to meeting
* Allocation/delegation of duties
* Motivating/inspiring juniors
* Giving solution to change in the organization
* Community appointment
* Induction, orientation & retraining juniors

1. **Name four documents that may be required by the registrar of companies in order to register a public limited company (4mks)**

* Prospectus
* Declaration
* List of directors
* Memorandum of association
* Articles of association
* Statement signed by directors

1. **The participants in a two sector economy are households and firms. Identify the relevant participant in each of the statements given below. (4mks)**

Statement Participant

1. Payment for goods & services *Household*
2. Sale of factors of production *Household*
3. Payment for factors of production *Firm*
4. Sale of goods and services *Firm*
5. **Outline four qualities of a successful salesperson (4mks)**

* Has adequate product knowledge
* Is a good communicator
* Is sensitive to customer needs
* Has a high sense of integrity/honesty
* Is presentable (neat & well groomed)
* Is persuasive
* Has a high level of commitment
* Good listener
* Have good command of language
* Polite and courteous
* Persistent and patient

1. **Outline four circumstances under which cash with order may be used (4mks)**

* When the business is being conducted post/mail order business/on line
* When the buyer is new to the seller/not regular
* When the buyer’s credit worthiness is in doubt
* When it is the seller’s policy not to advance credit
* When the seller wants to avoid the high cost of debt collection
* When the seller needs working capital
* When the seller doesn’t want to incur bad debts
* When the seller wants to avoid debtors record maintenance

1. **The following are descriptions of features of human wants. Identify the features that relate to the descriptions in the spaces provided (4mks)**

|  |  |
| --- | --- |
| Description | Feature |
| 1. A person is unable to fully satisfy all wants | Insatiable-endless, too many, unlimited |
| 1. Once satisfied, they have a tendency of being felt again | Recurrent/repetitive |
| 1. Some wants are satisfied together | Complementary |
| 1. The same want can be satisfied using different resources | Competitive/require resources |

1. **Outline four differences between insurance and assurance (4mks)**

|  |  |
| --- | --- |
| Insurance | Assurance |
| * Protection is offered to property * Risk insured against may or may not happen * The insurance contract is renewable after every year (short term) * Compensation is given to owner of property incase of loss/uncertain * It’s a contract of indemnity * Has no surrender value * Policy cannot be used to secure loan * Has no maturity date * Principle of subrogation applies * Cannot be used as a saving scheme * Sum insured depends on the property value * Proof of insurable interest | * Protection is offered to life * Risks insured against must happen * Insurance contract is for life and does not require renewal(long term) * Compensation is given to beneficiaries incase of death * Not a contract of indemnity * Has a surrender value * Policy can be used as collateral to loans * Has a maturity date * Principle of subrogation does not apply * Can be used as a saving scheme * Sum insured depends on the ability to pay the premium * No need of proof of insurable interest at the time of death |