**FORM 3 BUSINESS STUDIES PAPER 1 MARKING SCHEME**

1. **Outline 4 ways in which commercial attaches may promote trade between their country and other countries.**  (4marks)
   * Make detailed report on country’s activities
   * Keep statistics of country’s products
   * Conducting market research for local products
   * Promote good relationship between trading countries
   * Publish & advertise their country’s export
   * Looking for new markets
   * Educate local traders on trade opportunities
   * Organize educational trade tours abroad
   * Inform exporters on state/price/cost of goods & services
   * Inform the traders on procedures & documents required in external trade
2. **A lucrative manufacturing firm has been constantly releasing toxic wastes into the neighbourhood. Outline four measures you can take to stop the firm from such malpractice.**  (4marks)

* Boycott the firm’s products
* Carry out demonstrations against the firm
* Reason with the firm
* Publicize the malpractice
* Take legal action/sue the firm
* Report to relevant authority e.g. National Environmental Management Authority (NEMA)
* Educate the neighbours on their rights

1. **Outline four factors that should be considered in the choice of a means for transporting perishable goods**  (4marks)

* Unit value of the product/cost of good
* Distance to cover/destination
* Speed/urgency required at the destination
* Cost of transport
* Availability of the means
* Reliability of the means
* Terminals
* Flexibility
* Safety of the means
* Volume/quantity of goods
* Availability of specialized facility

1. **Outline four circumstances under which face to face communication may be ineffective**

(4marks)

* Where there is age difference
* Where the language is different
* Where one party has negative attitude
* Where the receiver has hearing impairment
* Where unfamiliar/difficult terminologies are used
* Where there is noise
* Where the parties involved have poor listening skills
* Where there is pronunciation problem
* Where the information is overloaded/long details
* Where one is unable to understand gestures
* Poor timing
* Prejudgment

1. **Highlight four benefits that would accrue to a firm located near other existing firms** (4mks)

* Enjoyment of existing infrastructure e.g. sewage disposal
* Access to raw materials
* Collaboration with existing firms e.g. research & development
* Enjoy auxiliary services like banks
* Access to security
* Access to market
* Access to available social amenities
* Access to pool of labour

1. **KAMBO owned a motor vehicle valued at sh.1,000,000. He comprehensively insured the car at sh.800,000. The motor vehicle was involved in an accident and declared a write off. Calculate the amount KAMBO should get from the insurer** (4marks)

Compensation claims = x loss

√ √

= 800,000 x 1,000,000

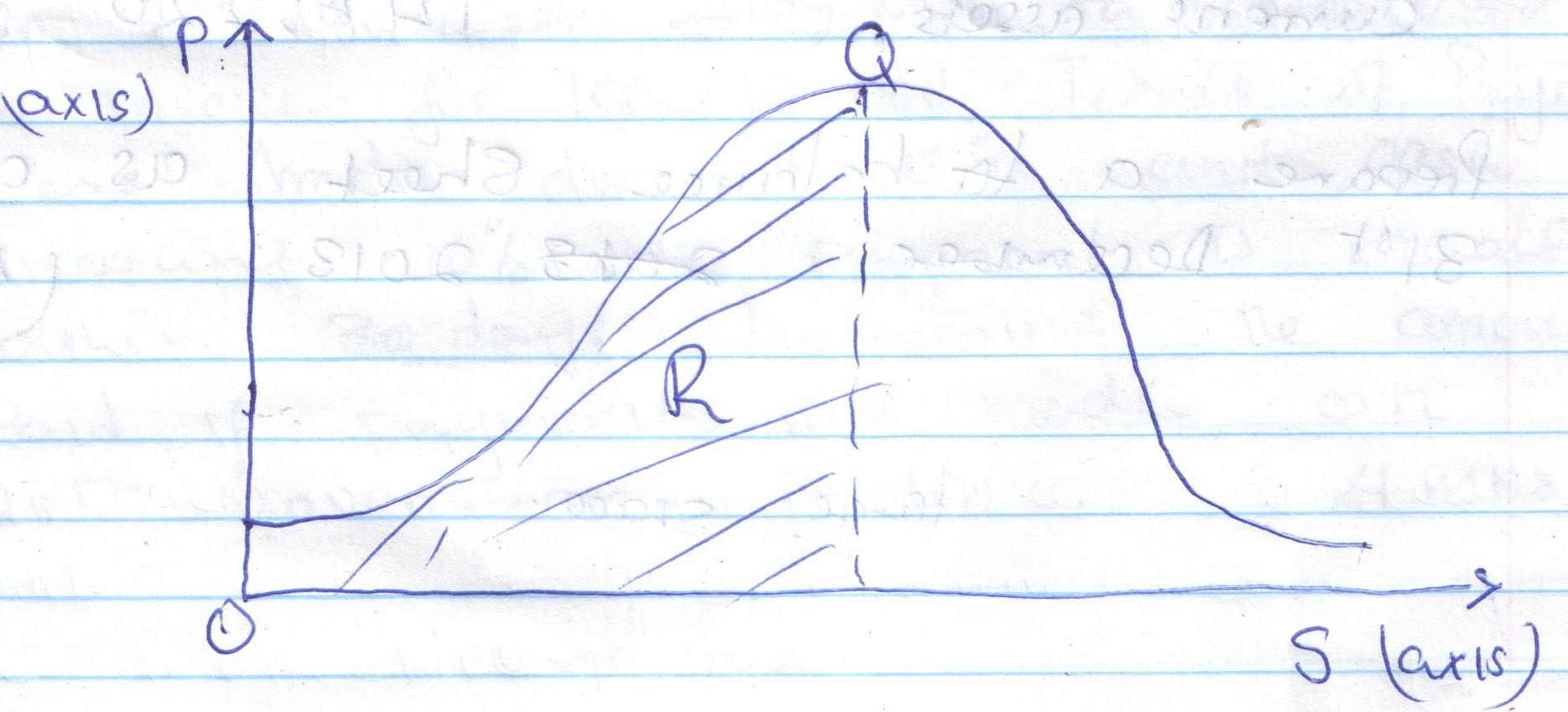
1,000,000√

= sh.800,000√

1. **State four reasons why the government should create an enabling environment for investors** (4marks)

* To minimize cost of doing business
* To open new areas neglected by investors
* To expand the tax base hence increase revenue
* To enhance economic development in the country
* To promote public/private sector relationship
* To create employment opportunities
* To increase the level of National income/increase product
* To avail a variety of goods and services

1. **State four importances of intermediaries in the chain of distribution** (4marks)
   * Reduce the number of transactions between manufacturers and buyers
   * Assist in breaking bulk
   * Assist in storage of goods
   * Assist in transportation of goods
   * Assist in product promotion
   * Assist in accumulation of stock hence stabilizing prices
   * Assist in debt collection on behalf of their principals e.g. auctioneers
   * Assist in establishing contacts between buyers & sellers e.g. broker
   * Assist in preparation of goods for sale
   * Assist in availing variety of goods to consumers
   * They help in sharing risks involved in distribution
   * Assist in financing by way of selling goods on credit top the next intermediary or consumer
2. **Highlight four challenges that a person may encounter when using a cell phone (mobile phone)** (4marks)
   * May be damaging to the ears
   * Are relatively expensive to acquire
   * Calls or messages sent may be tapped
   * Its use may be limited where there is lack of network
   * May not be used under certain circumstances e.g. banking halls, public service
   * Possibility of loss of handset to thieves
   * Relatively expensive to operate
   * Requires constant charging
   * Prone to misuse e.g. frauds
   * Channel overloads (Network congestion)
   * Difficult to operate if one is illiterate
3. The diagram below represents the relationship between population and income per capita



**State what is represented by P and S axes and letters R and Q** (4marks)

P – Income per capital

S – Population

R – Under population

Q – Optimum population/optimum per capita

1. **The balances given below relate to Korir Traders for the year ended 31st December 2013.**

Sh.

Capital ?

2 year bank loan 230,020

Creditors 95,200

Fixed assets 480,000

Current assets 145,220

**Prepare a balance sheet as at 31st December 2013** (5mks)

Korir Trader

Balance sheet

As at 31st Dec. 2013

Fixed Assets 480,000 Capital 300,000

Current Assets 145,220 Long term liabilities

2 year Bank loan 230,020

Current Liabilities

Creditors 95,200

625,220 625,220

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1. **Identify the types of wholesalers described in the statements given below** (4marks)
2. A wholesaler who trades in maize grain only *Specialized wholesaler*
3. A wholesaler who supplies goods to most of the traders in Kerugoya, Mwea and Sagana in Kirinyaga County *Regional wholesaler*
4. A wholesaler who buys tomatoes from farmers in rural areas and sells the same to other wholesalers in urban areas. *Rack jobbers*
5. A wholesaler who trades in a wide variety of human medicine *General line*
6. **On 2nd November 2010, Mwaura received an invoice for Ksh.12,000. Terms of payment were trade discount 5% and cash discount 10%, if payment is made within 30 days. Determine the amount paid if payment was made on 28th November 2010.**  (4marks)

Amount paid

Invoice price 12,000√

Less Trade discount

x 12,000 = √√

Less cash discount

x 11,400 = √√

= shs.10,260√√ 8 x ½ = 4mks

Or √ √

(12,000 x 95%) x 90% = 10,260 √√ 4x1 = 4mks

Or

x 12,000√ = 11,400√

x 11,400√ = sh.10,260√ 4x1 = 4mks

1. **The following transactions were extracted from the books of Sarah Traders for the month of March 2014.**

**March 10: Purchased goods on credit worth Kshs.200,000 from Salim Traders.**

**March 25: Sold goods on credit worth Kshs.420,000 to Shah Traders. Record the above transactions in the relevant ledger accounts**  (4marks)

Salim Traders A/C

Date Details Folio Amount

10 March 2014 Purchase 200,000

√ √ √

Purchases A/C

Date Details Folio Amount

10 March 2014 Salim 200,000

√ √ √

Shah Trader

Date Details Folio Amount

25 March 2014 Sales 420,000

√ √ √

Sales A/C

Date Details Folio Amount

25 March 2014 Sales 420,000

√ √ √

Account title, date, details and amount should be correct for the students to get a mark

12x3 = 4mks

1. **Highlight four circumstances under which the capital of a business may change** (4marks)

* When the business makes profit
* When the business makes losses
* When the owner draws cash/goods for personal use
* When the owner makes additional investment into the business

1. **Outline four features of liners in sea transport** (4marks)

* Ferry passengers or cargo
* Follow a regular timetable/schedule
* Call at ports at regular intervals
* Follow regular route
* Form association/conference to protect themselves against unfair competition
* Charges are fixed regardless of demand
* Call at specific port

1. **Fatuma operates a matatu business. State four factors in the internal environment that may influence the business** (4marks)

* The management style/business structure
* Employees
* Capital/finance/business resources
* The owner e.g. objectives
* Marketing strategy/handling of customers
* Research and development
* Condition of the vehicle
* Business culture
* Technology e.g. car track, cashless pay

1. **State 4 features of monopolistic competition** (4marks)

* Many sellers/buyers in the market
* Free entry into/exit from the market
* Firms sell similar products/close substitute
* All firms earn normal profits in the long run
* Firms are independent
* A single firm does not significantly affect the market
* No single firm has control over the factors of production
* Wide knowledge of the market
* Possible for single/some firms to dominate (the market) to influence price

1. **Apart from selling shares. Outline 4 sources of finance for a public limited company** (4marks)

* Borrowing loan from financial institution
* Trade credit/buying goods for resale on credit
* Hire purchase
* Debentures
* Retained profits
* Bank overdrafts
* Mortgage loans
* Leasing and renting properties
* Discounting bills of exchange/promissory notes
* Use of reserves/provisions – funds set aside

1. **There has been a decline in the demand for wooden furniture. State 4 factors that may have caused this trend.** (4marks)

* Decline in consumer income
* Fall in the price of substitute (Plastic furniture)
* Increase in the price of wooden furniture
* Unfavourable government policy (increase taxes)
* Dislike/unfavourable change in taste/preference/fashion
* Decline in population
* Expectation of a future fall in price
* Low season
* Introduction of new substitute products
* Decrease in advertising

1. **Karanja Ltd had the following ledger account balance as at 31st May 2015.**

Details shs.

Purchases 3,880

Sales 3,350

Returns outwards 150

Returns inwards 160

D. Simola (Debtor) 2,550

P. Mwendo (Creditor) 3,100

Wages 800

Cash 960

Capital 1,750

**Required: Prepare Karanja’s trial balance as at 31st May 2015** (5mks)

**Karanja Ltd**

**Trial Balance √**

**As at 31st May 2015**

Title of the accounts (Details) Dr. Shs. Cr. Shs.

Purchases 3,880√

Sales 3,350√

Returns outwards 150√

Returns inwards 160√

D. Simola (debtor) 2,550√

P. Mwende (Creditor) 3,100√

Wages 800√

Cash 960√

Capital 1,750√

8,350 8,350

10 x ½ = 5mks

1. **State four merits of promoting products through personal selling** (4marks)

* Enhance personal appeal/touch between the buyer and the seller
* Can effectively counteract customers’ negative attitude towards the product
* Questions/complaint from customers are channeled directly to employees of the company and not middlemen/one is able to clarify issues
* Demonstration on the performance of the goods can easily be done
* Flexibility in presentation to suit customers’ needs e.g. negotiates new terms of sale
* Provide immediate feedback from and to the clients
* Effective in conducting market research
* One is able to persuade and convince the customers
* Can be directed to specific target group
* Enhances customers loyalty for future sales
* One can get direct order or sales
* Buyer makes informed decisions
* It takes care of literate and illiterate customer

1. **Complete the table below by indicating the relevant account to be debited and credited.** (3marks)

|  |  |  |
| --- | --- | --- |
| **Statement** | **Account to debit** | **Account to credit** |
| 1. A debtor paid by cheque | *Bank √* | *Debtor √* |
| 1. Bought goods on credit | *Purchase √* | *Creditors √* |
| 1. Draw cash from bank for office use | *Cash √* | *Bank √* |

6 x ½ = 3mks

1. **Highlight four essentials of a good warehouse** (4marks)

* Should have a good location
* Should have appropriate building structures
* Should be spacious
* Should be equipped with necessary facilities for handling & storing goods
* Should have trained and devoted personnel
* Should have good communication network
* Should have good transport network
* Should be secure/safety facilities
* Should have proper recording systems
* Should have appropriate special facilities
* Should comply with law

1. **Outline 3 features of economic resources** (3marks)

* They are limited in supply/scarce/not readily available
* They have money value
* Their quality can be improved
* They can be combined in various proportions to produce goods and services
* They are unevenly distributed
* They have ability to create utility when combined
* Some can be transferred from one person to another
* They have varied uses