**BUSINESS PAPER 1 2022**

**MARKING SCHEME**

1. **Outline four elements that comprise the internal environment of a business.**

* Business structure
* Business culture
* Business physical resources eg machinery
* Business financial Resources
* Business Objectives
* Management policies and styles eg action plans
* Business Human resource/employees

**NB. Business owners should not be taken as a point**

**Candidates must qualify their answer to get the full mark**

**1\*4=4mks**

1. **Highlight four ways in which the nature of goods influences the choice of the method of transport.**

* For urgently required goods choose fast means
* For bulky goods choose means with space
* For perishable goods choose fast means
* For high valuable goods choose secure means
* For fragile goods choose methods that have smooth passage and less handling
* For flammable goods choose a secure means of transport

**1\*4= 4mks**

1. **Outline four factors that may positively influence the level of national income in Kenya.**

* Highly skilled/trained manpower/working population
* High levels of technology available
* Exploited natural resources/gifts of nature/land
* Availability of capital/ manmade resources
* Good governance/ political stability
* Increased investment from abroad
* Increased savings /incomes and investment
* Increased government expenditure
* Presence of entrepreneurial culture
* Efficient/ Good infrastructural development
* Favourable balance of payments

1. **Identify four characteristics of a country that maybe undergoing a persistent rise in general price levels**.

* Reduced savings
* Increased levels of unemployment
* Reduction of investment/ low production
* Social unrest/ labour disputes over salaries
* Reduction / fall in standards of living/ low purchasing power/low disposable income

1. **Four ways that an office can be used in an organization**

* It facilitates the production and reproduction of documents
* It coordinates all organization activities/nerve centre of the organization
* Administration i.e making policies, decision and personnel supervision
* It safeguards the organizations’ property
* It facilitates effective filing/ storage of information/good record keeping
* It facilitates the receipt, processing and distributing of information/mailing

1. Trial balance of Penuel Traders for the month ended 31 December 2011.

|  |  |  |
| --- | --- | --- |
| Particulars | Dr | Cr |
| Sales |  | 210,000 |
| Purchases | 120,000 |  |
| Capital |  | 220,000 |
| Motor van | 150,000 |  |
| Expenses | 80,000 |  |
| Equipment | 60,000 |  |
| Debtors | 40,000 |  |
| Creditors |  | 20,000 |
|  | 450,000 | 450,000 |

1. **Four benefits that could accrue to a customer who buys goods from Nakumatt Stores**

* One can save time by shopping under one roof
* One can access a variety of goods and services
* Have ample parking space
* Use of credit and debit cards thus reliving the customer the bother of carrying cash
* Fixed prices/ price tags help the customer to budget/plan their expenditure
* Access to new/unique products/information
* Access to after sale services eg packaging of goods

1. **Four reasons why one would prefer an email to a telephone conversation to send a message**

* Provides evidence of communication
* Can be filed for future reference
* It is relatively cheap
* It is convenient to send detailed information
* One can send many copies at the same time
* Appropriate for confidential information especially through the use of passwords
* Appropriate for complex messages such as tables, graphs etc
* The message can be received at all times /when the receiver is not present

1. **Four roles of entrepreneurship to an economy.**

* It creates employment/ job opportunities by establishing businesses hence earning profits/ salaries
* It promotes innovation/creativity/technology hence production of better/ quality goods/services
* Utilization of resources which would otherwise be idle or wasted
* Development of an entrepreneurial culture by inspiring more people to start businesses
* Creation of a wide range of goods / services to satisfy human wants
* Generation of government revenues through payment of taxes
* Capital formation by ploughing back profits that are used to expand the business

**N.B:** Give direct consequences

Reject reduced foreign dominance

Reduced imports

Development of infrastructure/reduced rural urban migration

1. **Four strategies that a small- scale firm would adopt to expand so as to benefit from economies of scale.**

* Entering into mergers/ amalgamations/integration in order to expand the capital base
* Diversification/ variety of products inorder to increase market share
* Buying or acquiring other similar businesses to widen the scope of activities
* Adopting appropriate technology to increase the quality and quantity of products/ services
* Forming cartels to monopolise the market with similar businesses inorder to control the price and output
* To secure loans/credit to expand its capital base
* Ploughing back profits to finance its operations
* Expand the markets through extensive product promotion in order to increase the volume of sales
* Rationalise operations so as to cut down on wasteful expenditure by concentrating on its core activities and outsourcing the non-core areas.
* Arrange for franchising by acquiring rights to produce or sell goods under the name of another company.



|  |  |  |
| --- | --- | --- |
|  | Description | **Type of account** |
| (a) | Account holders require depositing a specific initial amount as well as maintaining a minimum balance. | **Savings Account** |
| (b) | Account holder may deposit and withdraw money whenever they want without maintaining a minimum balance. | **Current Account** |
| (c ) | Banks pay interest on deposit at comparatively higher rates. | **Fixed/ Term Deposit Account** |

1. **On the diagram below show the effect of a decrease in the cost of production**

√ S1 S2√

√price D

Ep1 e1

Ep2 √ e2

S1 s2 D

√

Eq1 Eq2 quantity√

Show the price quantity combination E1 thus equilibrium price for S1 is Ep1 which is the initial equilibrium price

√ Decrease in the cost of production results to S1S1 curve shifting outwards /rightwards to curve S2S2. New equilibrium price /quantity combination shifts to E2 . Thus equilibrium price reduces to EP2

1. CC=IC+AI-LOSS-DRAWINGS

700,000=x + 90,000-90,000-30,0000

700,000-90,000+ 60,000-30,000=640,000

1. **Four circumstances under which rail transport may be preferable to road transport**

* Where goods are bulky
* Where one wants to save on costs
* Where one needs a large carrying capacity thus saving on space
* Where the distance is long
* Where goods are not urgently needed
* Where the rail terminus are closer to the user than the roads



|  |  |  |
| --- | --- | --- |
| No. | Transaction | **Source document** |
|  | Sales of goods on credit | **Invoice Issued/ outgoing invoice** |
|  | Correction of undercharges | **Debit note** |
|  | Goods returned | **Credit note** |
|  | Credit purchases. | **Invoice received** |

1. **Four factors affecting birth rate in a country**

* Use of contraceptives
* Level of women education/career development
* Socio- economic considerations
* Government policy
* Technological advancement
* Availability of health services
* Cultural beliefs
* Natural disasters/epidemics/wars/
* Tough economic times/financial constraints/cost of child care expense/upbringing

1. **Principles that do not relate to life insurance**. (4mks)

* Proximate cause
* Subrogation
* Indemnity
* Contribution

1. **four assumptions of monopolistic competition**

* Firms are independent in production ,marketing and pricing
* Freedom of entry and exist of firms
* Sellers have perfect knowledge of the market
* Products are close substitute of each other
* There are many buyers and sellers in the market place none of whom is large enough to influence the prices
* many sellers none of whom can influence a significant portion of the market
* product differentiation takes place: real or imaginary differences between producers creating customer loyalty

1. **Four benefits that may accrue to a multi-national business that uses video-conferencing meetings over the traditional ways of holding meetings among managers.**

* Saving on costs of meeting venues, accomodation and travel and time
* Companies are able to have meetings with branches that are far away
* Meetings do not require large room facilities
* Time saving and convenient as one does not need to travel
* Record of the meeting can be saved
* One is able to see and hear the other and their body language
* Critical meetings can be held in less time
* Able to display charts during meetings
* Faster decision making
* Managers can meet more frequently

1. **Four statutes that the government has enacted in order to protect consumers.**

* Food and Drug act
* Trade descriptions act
* Weights and measures act
* Sales of Goods act
* Kenya Bureau of Standards
* Building safety standards
* Rent tribunal Act
* Public health act

1. **Four advantages of setting up a franchise.**

* Limited capital requirements.
* Limited overhead.
* Limited time requirements.
* Sufficient capital generated to sustain growth.
* Franchisee’s capital does not have to be repaid.
* Improved opportunities for future financing.
* Improved financial condition of the company.
* Enhanced corporate image, company prestige and visibility.
* Diversification and increased liquidity and personal wealth.
* Management of operations through franchisees.
* Franchisee responsible for day to day management.
* Higher likelihood of success since a proven business formula is in place
* Corporate image and brand awareness is already recognized
* Relationship with suppliers has already been established
* Benefits from sharing ideas and receiving support from other franchisees in the market
* Products are advertised by the main franchise companies at both local and international levels

1. Three column cash book

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date | | Details | DA | Cash | Bank | Date | Details | DR | Cash | BANK |
| 1.7.10 | Bal b/d |  | 20,000 |  | 1.7.10 | Bal b/d |  |  | 140,000 |
| 2.7.10 | Sales |  | 100,000 | 200,000 | 26.7.10 | Insurance |  |  | 20,000 |
| 6.7.10 | Omollo` | 20,000` |  | 180,000 | 29.7.10 | Bank C |  | 10,000 |  |
| 14.7 | Juma | 3,000 |  | 57,000 | 31 | Balc/d |  | 20,000 | 377,000 |
| 29.7 | Cash C |  |  | 100,000 |  |  |  |  |  |
|  |  | **5,000** | **120,000** | **537,000** |  |  | **--**- | **120,000** | **537,000** |

1. **Margin**

Gross profit \*100

Sales

Gross profit = net sales – cost of sales= 1,000,000-(160,000+640,000-80,000) = 280,000

Margin = = 28 %

**Current ratio**

Current assets =2:1

Current liabilities

**Rate of stock turnover**

 = 720,000 =6.55 times

(160,000+80,000/2)

1. **the four major stages of a commercial transaction**

* *Inquiry*
* *Order*
* *Delivery*
* *Payment stage*

1. **four advantages of drilling oil in Kenya**

* Creation of employment opportunities in Kenya
* Utilization of idle resources
* Reduction on expenditure on crude oil
* Reduction in general price level of goods and services due to reduced cost of production
* Earn foreign exchange through exploitation of oil and other products to other countries
* Earn government revenue through taxation
* Development of infrastructure and other auxiliary services in the areas oil is being drilled