

Term 2 - 2022
BUSINESS STUDIES (565/1)
FORM FOUR (4)
Time: 2 Hours

Marking Scheme

ANSWER ALL QUESTIONS IN THIS PAPER

1. Outline four benefits that consumers get from warehousing. (4mks)

- *Consumers are assured of a steady supply of goods*
- *They are assured of quality goods and stable prices.*
- *They get goods in convenient quantities*
- *They are able to get a variety of goods*
- *Are able to choose the right goods where they are branded or blended*

2. Name the business document that each of the following descriptions refers.(4 Marks)

Description	Document
a)It is used to correct an overcharge in an invoice	Credit note
b)It is used to alert the buyer that ordered goods are on the way	Advice note
c)Summarize all monthly credit transactions between regular buyer and seller.	Statement of account
d)It is a reply to an inquiry which contains descriptions, illustrations, terms of sale and prices of goods	Catalogue

3. Outline four reasons why a business person may prefer written communication to verbal communication. (4mks)

- *Can be re-read over again for better understanding / cannot be distorted*
- *Can be used for reference purposes*
- *Can be reproduced*
- *Can be used as evidence in the law court*

- *Can be used to convey confidential matters/information*

4. Outline factors that may lead to a shift in the supply curve to the right. (4mks)

- *Reduced cost of production*
- *Favorable climate conditions/ inseason*
- *Increase in the price of jointly produced production*
- *Favourable government policy*
- *Entry of new firms into the market.*
- *Reduced incidence of industrial strikes*
- *Availability of factors of production*
- *Future expectations of a fall in price.*

5. Using a tick(√) indicate the effect of the following transactions on capital (4mks)

Transaction	Increase	Decrease	No effect
a)Withdrew cash for personal use		√	
b)Used personal savings to buy stock	√		
c)Paid a creditor by cheque			√
d)Bought office furniture in cash			√

6. Omamo a trader had the following assets and liabilities on 1st February 2020.

<p style="text-align: center;"><i>Omamo Trader</i> <i>Balance sheet</i> <i>As at 2nd February 2020</i></p>			
<i>sh</i>		<i>sh</i>	
<i>Stock in trade</i>		<i>Capital</i>	<i>120,000</i>
<i>(25,000 + 15,000)</i>	<i>40,000</i>	<i>Add capital gain</i>	<i>10,000</i>
<i>Trade debtors</i>			<i>130,000</i>
<i>(20,000 – 10,000)</i>	<i>10,000</i>	<i>Total Creditors</i>	
<i>Bank(5,000 +10,000)</i>	<i>15,000</i>	<i>10,000 + 15,000</i>	<i><u>25,000</u></i>
<i>Cash</i>	<i><u>90,000</u></i>		<i><u>155,000</u></i>
	<i>155,000</i>		
<i>10 x ½ = 5mks</i>			

NB: Correct total on both sides one tick ✓

7. State four external factors that may positively influence the operation of a business.(4mks)

- *Fair competition/lack of competition*
- *Use of appropriate technology in production*
- *Stable political environment*
- *A favourable legal framework/favourable government policies such as low taxes*
- *Reliable supply systems*
- *Well developed physical facilities/infrastructure*
- *Increasing/high population*
- *Favourable social cultural environment*
- *Enhanced security*
- *Positive publicity by media houses.*

8. Outline four circumstances when the government may introduce regulatory measures to protect consumers from exploitation by business people.

- *Where standards for operating business are low/unhealthy*
- *Where hoarding is taking place*
- *Where there are unsafe buildings*
- *Where customers are being charged unfairly high prices*
- *Where false advertising is taking place*
- *Where there are rampant breaches of contract*
- *Where customers are being exploited on weights and measurements*
- *Where there is need to enforce trading laws*

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

- *Large number of buyers and sellers*
- *Buyers and sellers have perfect knowledge e.g market*
- *There is no government interference*
- *No transport costs are incurred*
- *There is free entry and exit by firms*
- *The products are identical*
- *There is no excess demand/ supply*
- *There is uniformity of buyers and sellers*
- *Both the buyers and sellers are price takers*

10. Factors that may cause demand- pull inflation to occur in a country

(4 Marks)

- a. *Increased government expenditure*
- b. *Increase in population*
- c. *Expectation of price increment*
- d. *General shortage of goods and services*
- e. *Increased credit creation by commercial banks*
- f. *A fall in savings*
- g. *Increased in money incomes*

11. The following transactions relate to Salim traders

GENERAL JOURNAL

Date	Particulars	Folio	Debit	Credit
Feb: 2020				
15 th	Recovery motors Vehicle (Sale of vehicle on credit)	S.L	150,000	150,000
20 th	Sewing machine Singer limited (Purchase of sewing machine on credit)	G.L P.L	50,000	50,000

12. State four demerits that are associated with water transport.

- *Relatively slow – hence unsuitable for transporting perishable and urgently required goods.*
- *Limited availability – since its only applicable where large water bodies are available and in places with navigable rivers*
- *Water ways may be affected by adverse weather conditions such as storms which hinder movement of water vessels*
- *High costs to construct and maintain /expensive to construct ports etc. unaffordable to many/some countries*
- *May lack flexibility – Door to door facilities may not be available/some follow fixed schedules/routes*
- *May be prove to piracy – leading to huge losses and increased insurance costs*
- *High cost of unit of carriage vessels. Thus unaffordable to many*

13.State four advantages of an open office layout to an organization (4mks)

- *Easier to communicate*
- *Supervision is enhanced*
- *Resources are evenly shared*
- *Saving on space*
- *Easier/cheaper to construct*
- *Enhance interpersonal relationship*
- *Workflow is made easy*
- *Service delivery is enhanced*
- *Reorganization is easier/cheaper*
- *Cheaper to decorate*
- *Cheaper to maintain*
- *Optimum use of resources.*

14.Features private limited company (4 Marks)

- i) *Shareholders have limited liabilities*
- ii) *Managed by a minimum of 1 director*
- iii) *Owned by a minimum of 1 (or 2) to a maximum of 50 shareholders*
- iv) *Does not advertise its shares to the public*
- v) *Share transfer is restricted*
- vi) *Not required to publish its financial reports*

15.Open relevant ledger accounts using the following information (4 Marks)

Dr	Capital A/c	Cr
	1.2.2011 cash	10,000✓
	1,2,2011 Bank	50,000✓

Dr	Cash a/c	cr
1.2.2011 capital	10,000✓	
4.2.2011 Bank	2,000✓	

Dr	Purchases a/c	cr
2.2.2011 LK Trdaders	5,000✓	

Dr	LK Traders a/c	cr
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		2.2.2011 purchases 5000✓	
Dr	Bank a/c		cr
1.2.2011 Capital	50,000	4.2.2011 Cash	2000✓

(8x1/2 = 4 mks)

16. Outline four circumstances where personal selling is appropriate.

- *When the product requires demonstration. Example technical products*
- *When the market is concentrated in one area e.g bank sales representative will go to institutions like school to sell their products.*
- *Where the organization has resources since personal selling is expensive to various expenses incurred.*
- *Where the product is new in the market, hence awareness creation persuasion and convincing is necessary*
- *Where a product is customer tailored that is where products are made to meet specific needs of customers who have different tastes and preference*

17. Benefits that a firm may enjoy by preparing a business plan.

- *Source of finance/capital/loans/credit – can be used to convince financial institutions investors to fund the firms operation*
- *A tool for evaluation – it can be used to determine whether the firms is achieving it's goal/objectives/helps make necessary adjustment. It can be used for structuring the implementation of the firm's activities /functions*
- *A tool for planning/organizing/directing/staffing/co-ordinating/budgeting/communication/controlling*
- *Gives the firm a competitive edge – it enables the firm to get better understanding of the market of competitors*
- *Enhances efficiency in the use of resources – (of the firm) ensures that the resources available are allocated/used in the best way possible without waste fullness*
- *Motivational tool – it inspires management/employees – creates teamwork. In accomplishing the objectives of the firm.*

- *Framework/blueprint/road map for implementing a new business thus assisting management in decision/ actions on a day to day basis.*
- *Increasing tool for analyzing possible strengths/weakness/opportunities/threats/unforeseen circumstances/ministries impact of disruptions*
- *Evidence proof of commitment (by the owner)who will devote his/her efforts to the success of the business/who is forced to think clearly through the business idea before starting it.*
- *A tool for testing business idea to determine whether it can succeed/not succeed.*
- *Adaptability tool – created room to cope with changing/prevailing circumstances/situations*

18.Highlight four forms of economic integration

(4

Marks)

- *Free Trade Area*
- *Preferential Trade Area*
- *Customs Union*
- *Common Market*
- *Economic Union*

19.A business had the following record for the year ended 31st December 2018

$$\begin{aligned}
 \text{Final} &= \text{Opening} + \text{Net} + \text{Additional} - \text{drawings} - \text{Net} \\
 \text{Capital} & \quad \text{capital} \quad \text{profit} \quad \text{investments} \\
 64,000 &= 42,000 + 14,000 + Ai - 18,000 \\
 64000 &= 38,000 + AI \\
 \text{Additional} &= 64,000 - 38,000 \\
 \text{investments} & \\
 \text{Ans} &= \text{Shs. } 26,000
 \end{aligned}$$

20.Principles that guide a government in spending public finance

- *Maximum social benefit*
- *Efficient allocation (wealth distribution)*
- *Proper financial management*
- *Flexibility –allow changes*
- *Economy in spending*
- *Surplus /reserve*

21.Negative implications of ageing population in a country

- *Low labour supply/shortage of labour/manpower*
- *High dependency burden as majority are 65years and above*
- *Strain on economic resources to cater for the welfare of the aged eg health and homes*
- *Low standards of living /low per capita income since national income is spread over a large non-productive population.*
- *Rigidity to change*
- *Less progressive/low/savings and low investment*

22.State four errors which may affect the agreement of a trial balance

- *Single entry for a transaction in the account*
- *Overcasting entry in an account*
- *Under costing entry in the account*
- *Wrong balance of an account/error of additional/arithmetical error*
- *Posting a balance on the wrong side of the trial balance*

23.The following information relates to Mumbua traders for the year ended 31st April 2020.

Gross profit

i) $\text{Margin} = \frac{\text{Gp}}{\text{Sales}} \times 100$

$$\frac{\text{Gp}}{920,000} = \frac{25}{100} \times 100$$

$$\frac{100 \text{ Gp}}{100} = \frac{920000 \times 25}{100}$$

$$\text{Gp} = 230,000$$

1 mk

ii) cost of sales

$$\begin{aligned} \text{sales} - \text{Gp} &= 920,000 - 230,000 \\ &= 690,000 \end{aligned}$$

1mk

iii) **Purchases for the year**

$$\text{COGS} = \text{OS} + \text{P} + \text{CI} - \text{RO} - \text{CS}$$

$$690,000 = 150,000 + \text{P} - 230,000$$

$$= 770,000$$

1mk

iv) **Net profit**

$$\text{Gp} - \text{expenses}$$

$$230,000 - (\underline{15} \times 920000) = 230,000 - 138,000$$

$$100$$

$$= 92,000$$

1mk

24. Money transfer facilities offered by commercial banks

- *Cheques*
- *Credit transfer*
- *Bank drafts/bankers cheques*
- *Standing orders*
- *Telegraphic transfers*
- *Debit cards*
- *Electronic funds transfer*

25. Problems encountered at the plan implementation stage in economic planning and develop

- *Reliance on donor funding*
- *Lack of domestic resources*
- *Failure to involve local people in planning*
- *Occurrence of natural calamities*
- *Over ambitious plans*
- *Lack of co-operation among the executing parties*
- *Effects of inflation*
- *Lack of political goodwill*