

565/1 BUSINESS STUDIES PAPER 1

MARKING SCHEME

Marking scheme

1. Leakages and injections

Savings	Leakages
Taxes	Leakages
Government expenditure	Injections
Investments	Injections

2. Macro environments of a business, that can lead to its success.

- favourable economic climate
- Favourable political climate/peace in the country
- Increase in population
- Progressive cultural values and norms
- Fair competition
- Advancement in technology
- Unbiased publics eg. Media, lobby groups
- Competent distribution
- Effective suppliers
- Faithful/loyal customers

3. Functions of money

- Measure of value
- Medium of exchange
- Store of value
- Unit of account
- Transfer of immovable items
- Standard measure of value

4.

Resource	Factor of production
Manager	Labour
Equipments	Capital
Farmer	Entrepreneurship
River	land

5. Essential services by county government to the public.
 - water and sewage
 - Communication
 - Fire fighting and rescue
 - Education
 - Health
 - Transport
 - Housing

6. Factors influencing choice of method for reproduction of documents in an office.
 - Impression desired
 - Nature of document to be reproduced
 - Number of copies required/needed
 - The quality required
 - Cost of reproduction
 - Availability of the means

7. Advantages of after sale services to consumers.
 - Receives technical advice on usage
 - May be assisted on installation at no cost/subsidised
 - Guarantee/warranty is given for a period
 - Consumer may obtain servicing for some time at a lower cost.
 - Transportation of the product may be offered at subsidized cost.

8. Benefits of SGR to the economy.
 - More employment opportunities
 - Faster movement of goods/people
 - Generate income to the government
 - Growth of tourism industry
 - Reduction of congestion on roads
 - Reduction of damage on road by trucks
 - Open up areas along the SGR to growth.

- 9.

Transaction	A/c debited	a/c credited
a)	Machine	Cash
b)	Cash	Capital
c)	Capital/drawing	Cash
d)	Kamau	Machine

10.

KUMI KUMI TRADERS PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 ST DEC. 2017			
Expenses		Gross profit b/d	80,000 ✓
Rent	8,000 ✓	Discount received	2,000 ✓
Salaries	10,000 ✓	Commission received	3,000 ✓
Discount allowed	5,000 ✓		
Maintenance expense	9,000 ✓		
Add net profit c/d	53,000 ✓		
	85,000		85,000
		Net profit c/d	53,000

(8x1/2 = 4mks)

11. Circumstances under which goods can be delayed in a bounded warehouse.

- When duty is not paid
- When the importer is still looking for market
- When the importer is not aware of the arrival of goods
- In case of long procedure involved in release
- In case of intervention from the government.

12. Causes of cost-push inflation

- Rise in wages and salaries
- Increase in taxes
- Increase in profit margins
- Increase in cost of inputs other than labour
- Reduction in subsidies

13. Sources of monopoly power.

- Limited nature of the market best served by the firm
- Control of an important input in production patent right.
- Extensive economies of scale
- High cost to be born by new entrant into the market
- Government policy

14. Determination of the amount to be paid

Invoiced 1200

$$\text{Trade discount} = \frac{5 \times 12000}{100} = 600 \checkmark$$

$$12000 - 600 = 11400$$

$$\text{Cash discount} = \frac{10 \times 11400}{100} = 1140 \checkmark$$

✓

$$\text{Amount paid by Jomo } 11400 - 1140 = 10260 \checkmark$$

15.

	Statement	Preference	Ordinary
a)	Represents real owners of a company		✓
b)	Rate of dividends is fixed	✓	
c)	Has voting rights		✓
d)	Redeemable	✓	
e)	May be cumulative	✓	
f)	Considered last liquidation		✓

(6 x 1/2 = 3mks)

16. Government policy that influence supply on maize.

- Price control
- Taxation
- Subsidies
- Quotas
- Legislation

17. Purpose of public finance

- To provide essential goods and services
- To control consumption of certain products
- Redistribution of wealth
- To promote balanced regional development
- To raise government revenue
- To control balance of payment deficit
- To encourage consumption of certain products

18.

	Circumstances	Type of policy
i)	Losses by employees negligence	Fidelity guarantee
ii)	Protect employees injuries at work	Workman compensation
iii)	Cover damage on motor vehicle, other people and property caused by the motor vehicle	Comprehensive motor vehicle policy
iv)	Cover claims by public against a business	Public liability

19. Indicate whether each of the following business transaction will 'increase' 'decrease' at no effect in the balance sheet totals.

	Transaction	Effects
i)	Buying stock in cash	No effect
ii)	Buying stock on credit	Increase
iii)	Withdrawing cash from bank for personal use	decrease
iv)	Received cash from a debtor	No effect

20. Outline four problems Kenya would suffer if she does not participate in foreign trade .
(4mks)

- Unable to get goods not produced in Kenya
- Less variety of goods to consumers
- Unable to disposed excess produce in Kenya
- Reduce job opportunities
- Low quality products as a result of lack of foreign competition.
- No foreign exchange earned
- Lack of specialization
- Narrow market for Kenyan produce

21.

JUMA TRADERS BALANCE SHEET AS AT 31.12.2016			
MACHINES	600,000 ✓	CAPITAL	800,000 ✓
FIXTURES	200,000 ✓	NET PROFIT	100,000 ✓
DEBTORS	50,000 ✓	ADDITIONAL CAPITAL	50,000 ✓
CASH	100,000 ✓	DRAWINGS	20,000 ✓
STOCK	50,000 ✓		930,000
		CREDITORS	70,000 ✓
	1,000,000		1,000,000

10x ½ = 5mks

22. Measures to encourage entrepreneurship practices
- provision of cheap loans eg. Uwezo funds
 - Short time record in registering a business
 - Improvement of infrastructure eg. Roads and power supply
 - Provision of security
 - Government is a major consumer of local products hence providing a ready market.
 - Ensuring that entrepreneurship is taught in schools
 - Low taxation
 - Increase in subsidies
23. Features of basic human wants
- Cannot be postponed
 - Are felt needs
 - Satisfied before secondary wants
 - One cannot do without them
24. Circumstances for use of signs and gestures in communication.
- Where there is language barrier
 - Where giving directions
 - Where there is a lot of noise
 - If both or one party is dumb/deaf
 - Where a point needs to be clarified
 - When communicating a secret message
25. Determinants of populations fertility rate in a country.
- cultural beliefs concerning family size
 - Age and sex structure of the population
 - Incidence of bareness
 - Social/cultural attitudes towards child bearing before marriage
 - Social significance of children to parents
 - Ignorance about dangers of large family size
 - Government policies that favor large families