

565/1 BUSINESS STUDIES (2018)
MARKING SCHEME

1. Highlight four components that constitute unhealthy business environment (4mks)

- i) High interest rates
- ii) Unfavorable government policies e.g. high taxation
- iii) Irregular supply of goods by suppliers
- iv) Unavailability of market
- v) Lack of raw materials
- vi) Unattractive and polluted environment
- vii) High cost of inputs

2. Identify provisions attained by documents that governs internal operations of a company

- i) Rights of each shareholder
- i) Methods of calling meetings
- ii) Rules governing the election of officials of the company
- iii) Rules regarding the preparation and auditing of accounts
- iv) Powers, duties and rights of directors

3. Mention the type of marine losses that relate to the following classification (4mks)

- | | | |
|------------------------|----------------------------|-----------------------------|
| a) Total loss | i) Actual total loss | ii) Constructive total loss |
| b) Partial loss | i) Particular average loss | ii) General average loss |

4. In the table below match the statement with the appropriate type of unemployment. (4mks)

	STATEMENT	TYPE OF UNEMPLOYMENT
i	People appear to be employed but if removed from work; their marginal productivity of labour is zero.	Hidden
ii	Characterized by a slump in the general economic activities in a country	Cyclical
iii	Fall in demand for a product, leads to a fall in demand for labour required to make that product	Frictional
iv	Unemployment due to lack of factor mobility	Structural

5. Determine Amani traders profit or loss for the year as is appropriate (4mks)

Closing capital = opening capital + additional investment – drawings – losses

$$250,000 = 199,000 + 100,000 - 30,000 - x$$

$$250,000 = 299,000 - 30,000 - x$$

$$250,000 = 269,000 - x$$

$$X = 19,000 \quad \text{Amani made a loss of Kshs 19,000}$$

6. Outline ways in which the government supports development of entrepreneurs (4mks)

- i) Funds institution that support entrepreneurs
- ii) Providing market for new products both locally and internationally
- iii) Provides relevant information to entrepreneurs
- iv) Offers incentives to those who want to start businesses e.g. tax relief
- v) Passing favourable laws and policies

7. State four negative effects of this behaviour to their organization (4mks)

- i) Delayed action by the employees
- ii) Bad relations developed in the organization
- iii) Low staff morale is created
- iv) Low levels of commitment by employees
- v) Reduced overall efficiency of the business

8. Outline four reasons why firms with popular products find it necessary to continually advertise the same products (4mks)

- i) To bring notice to new customers on the existence of the product
- ii) To increase demand so as to justify mass production that leads to economies of scale
- iii) To educate consumers on the proper use of the product
- iv) To retain market / consumer loyalty
- v) To cope with competition
- vi) To announce the changes / improvements of the product
- vii) To create /maintain company image/ reputation
- viii) To correct any misleading information about the product

9. Outline circumstances under which manufacturers may sell directly to retailers (4mks)

- i) If manufactures have their own retail outlets
- ii) If manufactures can brand, blend, pack and advertise their products
- iii) If manufactures have their own channeling depts.
- iv) If manufactures deals with perishable goods, like bread
- v) If retailers have enough capital to buy goods in bulk e.g. supermarkets

10. Identify factors that determine the level incomes generated through taxation. (4mks)

- i) Distribution of incomes
- ii) Honesty and efficiency of tax authorities
- iii) Citizens level of real income
- iv) Economic structure of the country i.e. relative size of the country's commercial and subsistence sectors
- v) Political factors

11. Identify four merits of import substitution (4mks)

- i) Saves on foreign exchange
- ii) Creates employment locally
- iii) Promotes utilization of local resources
- iv) Makes a country self reliant

12. State factors that determine the period for which documents should be stored (4mks)

- i) Availability of storage spaces
- ii) Cost of storage
- iii) Information contained in the document
- iv) Need for future references
- v) Purpose of documents

13. Name the office equipment used to perform each of the following tasks (4mks)

	Functions	Equipment
a	Printing stamp impression on envelopes	Franking machine
b	Cutting paper into required sizes	Franking machine
c	Pinning papers together	Stapler
d	Recording, processing, sorting & retrieving information	Computer

14. Outline any four services rendered by a public warehouse (4mks)

- i) Provide storage facilities
- ii) Serves as a place for preparation of the goods for subsequent use by a change in their condition e.g. ripening of bananas.
- iii) Renders a warrant which is a document of title issued to the merchant owning the goods.

15. On July 2010 Mwariki Traders has Kshs. 6,000 cash in hand, a bank overdraft of Kshs. 2,000. During the month, the following transactions took place.

- a) 18th July: received cheque from debtors totaling to Kshs 80,000
- b) 22nd July: Paid telephone bills 1,200 cash
- c) 28th July: Withdrew Kshs 16,000 from bank for office use

Enter the above information in Mwariki traders cashbook given below and balance it off

Date	Details	Cash	Bank	Date	Details	Cash	Bank
July 2010				July 2010			
1	Bal b/d						
18	Debtors						
28	Bank						
	Totals						

16. In each of the following cases, indicate whether the supply will increase, decrease or remain constant. (4mks)

- a) If the price of coffee rises, the supply of tea is likely to decrease
- b) If the price of cosmetics increases, the demand for shoes is likely to remain constant
- c) If the demand for beef increases the supply of wool is likely to remain constant
- d) If the prices of cars fall, the supply of petrol is likely to decrease

17. The following account balances were extracted from the books of Segutun traders on 30th September 2005

- i) Cost of goods sold

Opening stock + purchases – closing stock

$$35,500 + 190,550 - 25,000$$

$$= 201,050$$

$$= 201,050$$

- ii) Percentage of gross profit to net sales

Net sales = Sales – Sales returns

$$251,250 = 256,050 - 4,800$$

G.P. = Net sales – cost of goods

$$50,200 = 251,250 - 201,050$$

$$\frac{50,200 \times 100}{251,250} = 20\%$$

$$251,250$$

18. State any four characteristics of economic resources (4mks)

- i) Scarce in supply relative to their many uses
- ii) Have money value
- iii) Have utility
- iv) Can change ownership
- v) Have alternative uses
- vi) Can be combined to produce various goods and services
- vii) Can be complementary

19. State any four factors that lead to cost push inflation (4mks)

- i) Increase in wages and salaries
- ii) Increase in cost of factory inputs like machines and equipment
- iii) Taxation by the government to products at the production level
- iv) Increase in cost of electricity and petroleum
- v) Drive for higher profits by producers

20. outline four methods that the government may use to influence the quantity supplied of a commodity (4mks)

- i) Introduction of relevant business courses training in schools/ institutions
- ii) Valuing individuals who succeed in business
- iii) Provision of capital to people who want to carry out business
- iv) Expanding markets for traders
- v) Promoting traders business
- vi) Diversification of business activities
- vii) Identifying relevant business
- viii) Opportunities in the country

21 services rendered by wholesalers to retailers

- i) Variety of goods
- ii) Availing goods at convenient places
- iii) Breaking of bulk
- iv) Credit facilities
- v) Transport etc

22 type of office etiquette

- i) Respect
- ii) Courtesy
- iii) Loyalty
- iv) Diplomacy

23 characteristics of tramps

- i) Have no fixed routes
- ii) Have no definite time schedules in their operations
- iii) Wait for goods to fill before disembarking from the port
- iv) Freight charges vary depending on route and demand for transport.

24 causes of a shift in supply to the left

- i) Deterioration in technology
- ii) Increase in the cost of production
- iii) Exit of firms from the industry
- iv) Poor weather in case of agricultural products
- v) Lack of raw materials

25 ways in which manufacturers contribute to consumer protection

- i) Indicating the expiry dates of their products
- ii) Indicating the contents used in making the goods
- iii) Engaging in honest and truthful advertising
- iv) Indicating the retail price of their products
- v) Proper packaging of the goods to avoid contamination.