

LANY ACHIEVERS MARKING SCHEME BUSINESS STUDIES PP1

1. Highlight four challenges that may face barter trade? (4mks)
 - In barter trade there is need for double coincidence of wants that is, a seller of a certain commodity must get a willing buyer and the seller must accept the commodity that the buyer has in exchange for barter trade to take place
 - Barter trade lacks store of value for perishable goods since they cannot be stored for a future exchange.
 - It is difficult to transport heavy and bulky goods for long distance
 - In barter trade it is difficult to divide some goods to enable exchange without destroying their value.
 - Barter lacks a standard for deferred or future payment.
2. State four factors that determine the amount of money held for transaction motive? (4mks)
 - The individual level of income, for instance if one has higher income such a person tends to have a high transaction motive.
 - The gaps between ones pay day and another.
 - Level of prices of goods and services for example if prices are high more money will be held to meet the high prices.
 - Business motive for example a small firm will require less money for its operation.
3. Wanjohi traders wanted to build their own warehouse. Advice them on four essentials that may make their warehouse efficient? (4mks)
 - It should be located in an area where there is adequate supply of goods to be stored.
 - The building should be designed in consideration to the size and the type of the goods to be stored.
 - Proper recording procedures should be put in place for the incoming and outgoing goods.
 - There should be adequate security in the area
 - The place should have a good infrastructure for example good transport and adequate supply of electricity.
 - The employees should be trained and knowledgeable in warehousing
 - The communication network should be efficient.
4. Outline four problems which are encountered in using output approach to compute national income of a country? (4mks)
 - There is a danger of double counting.

- Some output particularly in subsistence sector may not be included.
- It is difficult to estimate the value of work In progress or output of unfinished products or building.
- Lack of accurate statistics and record of what is produced makes calculation difficult.
- Some output may be illegal e.g illicit brewing.
- It is difficult to evaluate government output as it may not be sold at market price.

5. Name any four characteristics of perfect competition? (4mks)

- Large number of buyers and sellers
- Homogeneity (uniform) of the product.
- Perfect knowledge of the market.
- Freedom of entry or exit
- Uniformity of buyers and sellers.
- No government interference.
- No excess supply or demand.
- Perfect mobility of factors of production.
- No transport cost/

6. Outline four circumstances under which a trader would hire instead of purchasing an office machine? (4mks)

- Where the work is done on temporary basis.
- If it's cheaper in the long.
- If the initial cost is too high.
- Where there is need to spare working capital.
- If its difficult to service and maintain the machine
- Where the machine is not required thereafter.

7. For each of the following transactions indicate with tick in the spaces provided whether it will increase, decrease or have no effect on the balance sheet? (4mks)

Transaction	increase	decrease	no
effect			

✓ Investing more cash in the business			
✓ Paying creditors in cash			
✓ Buying a piece of furniture in cash			
✓ Purchased stock on credit			

8. Outline four circumstances under which the insurance company would not compensate the insured in the event of loss? (4mks)

- If the loss was deliberate that is it was not accidental
- If principle of utmost good faith was not followed by withholding some information or told a lie in connection to the policy.
- If insured does not pay the premiums regularly to the insurer.
- If the cause of the loss is different from the one that had been covered.
- If the property insured do not belong to the insured and therefore he/she has no insurable interest.

9. Outline four measures through which the government of Kenya can take to solve unemployment problem? (4mks)

- Advocating for the reduction in the population growth rate in the country through various ways as encouraging family planning.
- Introducing the appropriate forms of education and training people for the jobs that are available.
- Use labour intensive techniques in government institutions and projects
- By proper planning and management of natural resources as well as fighting corruption so that resources can be used well to create jobs.
- Through encouraging the entrepreneurship culture in the country by providing conducive environment for investment.
- Delocalization of firms by the government to create jobs in the rural areas
- Encouraging foreign investment through various policies such as tax holidays and enabling repatriation of profits from the business of the foreigners.
- Expenditure on infrastructure such as roads, railways and electricity supply creates jobs and releases money into circulations, creating demand for goods and services. Such demands are met further investment thus creating more jobs.

10. Outline four characteristics of basic human wants? (4mks)

- One cannot do without them
- They felt needs,
- They cannot be postponed
- They are satisfied before secondary wants.

11. State any four contents of articles of association of a limited liability company?

- Right of each type of shareholders for example voting rights.
- Methods of calling the meetings for example a company must give notice to each shareholder before holding any meeting.

- Rules governing election of officials such as the chairman of the company, directors and auditors.
- Rules regarding preparation and auditing of accounts.
- Powers, duties and rights of the directors.
- A list of directors with details of their names, addresses, occupations, shares subscribed and statements of agreement to serve as directors.
- Declaration that registration requirement as laid down by law have been met.
- The declaration must be signed by the secretary or a director or a lawyer.
- A statement signed by the directors stating that they have agreed to work as directors.

12. Classify each of the following activities into its appropriate level of production? (4mks)

Activity	level of production
Harvesting maize	Primary
Oil refining	Secondary
Advertising	Tertiary
fishing	primary

13. Outline four benefits of cash on delivery (COD) and cash with order (CWO) as a means of payment? (4mks)

- Reduces risks of bad debts.
- Working capital is readily available to a business.
- Records maintained are few hence few workers are employed.
- Saves time as no time is wasted in following customers to pay.

14. State four ways through which customers may protect themselves against unfair business practices by traders? (4mks)

- Boycott those traders who exploit them and buying from them.
- Form consumer organizations.
- Complain through press.
- Report to the relevant authorities in case of exploitation.
- Promote consumer education.

15. Outline four reasons why a transporter of goods from Mombasa to Kisumu may prefer rail transport to road transport? (4mks)

- Transport by rail is cheaper than road transport.
- Where goods to be transported are bulky.
- Rail transport tends to have a regular time schedule.

- Where goods to be transported are heavy.
- Storage facilities are available.
- Safer as cases of theft and accident are minimal.
- Has a greater carrying capacity.

16. The diagram below shows a shift in demand curve for product X1 from D1 to D2

D2 D1

D2 D1

State four possible causes that led to the situation? (4mks)

- Decrease in the level of consumers income.
- Increase in taxation of the commodity.
- Consumer might have developed a negative taste for the good.
- Decrease in price of its substitutes.
- Increase in price of complimentary goods.
- Future expectation of increase in price of the commodity
- Decrease in population.

17. List any four features of a common market level of economic integration? (4mks)

- Total abolishing of duties on goods from member countries.
- Imposing uniform tariff duty on similar goods.
- Imported from non-member country.
- Allow free movement of factors of production among member states.
- Abolish any foreign exchange restriction.
- Avoid any import licensing on goods from member countries.

18. Outline four advantages of direct taxes? (4mks)

- Tax revenue is certain.
- Economical in collection.
- Ensures fairness in collection.
- Able to bring about redistribution of wealth since the rich are taxed more than the poor.
- Does not affect prices of goods and services.
- Simple and easy to understand by both the contributor and the collector.

19. Indicate whether the following resources are renewable or non-renewable? (4mks)

resources	Classification
➤ Limestone	Non renewable
➤ Natural rubber	Renewable
➤ Soda ash	Renewable
➤ Solar energy	renewable

20 .State four errors that affect the agreement of a trial balance? (4mks)

- Error of total omission.
- Error of original entry
- Error of commission.
- Compensating errors.
- Complete reversal of entries.
- Error of principle.

21. State the source document for the following journals? (4mks)

Journal	Source document
a) sales journal	Sales invoice
b) purchase journal	Purchases invoice
c) cash receipt journal	Payment voucher, receipt or cheque
d) sales return journal	Credit note

22. The table below shows the age distribution of a country? (4mks)

Age (yrs)	Percentage
0-15	45%
16-55	31%
56 and above	24%

State four negative economic implications of this age distribution to a country? (4mks)

- High dependence ratio on the working population.
- High rate of unemployment
- Increased social evils/crimes.
- Low labour supply.
- Pressure on goods and service.
- Reduced savings and investment.
- Diversion of government expenditure.

23. The following information was extracted from the books of Wema enterprises

- i.) Wema had withdrawn goods worth sh.20,000 for personal use.
- ii.) In the course of the year he converted private furniture valued at sh.15,000 into business use.
- iii.) The business incurred loss of sh.8,000
- iv.) closing capital was sh.120,000

Determine wema enterprises Initial capital? (4mks)

Closing capital	120,000
Add sales	8,000
Add capital	15,000
Less drawing	20,000
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	123,000

24. Give four measures that a government may use to control demand – pull inflation?(4mks)

- Increasing direct taxes eg income tax.
- Reducing lending by commercial banks.
- Reducing printing of money.
- Reducing government expenditure.
- Availing more goods.

25. The following information relates to mbooni traders for the year ended 31st December 2009

	Shs.
Gross profit	140,000
Salaries	20,000
Electricity charges	8,000
Discount allowed	6,000

Discount received

26,000

Required:-

Prepare profit and loss account of mbooni traders for the year ended 31st December 2009 (4 mks)

MBOONI TRADERS

Trading and loss a/c

For the period ended 31/12/2009

Expenses	shs	Gross profit	140,000
Salaries	20,000		
Electricity	8,000	Discount received	26,000
Discount allowed	6,000		
Net profit c/d	132,000		
	<hr/>		<hr/>
	166,000		166,000