

NYANDARUA WEST

CLUSTER EXAM

565/1 BUSINESS STUDIES (MARKING SCHEME)

1. Effect of management on business environment.

(4 marks)

- (a) Good planning
- (b) Effective control
- (c) Appropriate staffing
- (d) Proper directives
- (e) Good organization

2. Circumstances under which personal selling is used in product promotion. (4 marks)

- (a) When launching a new product
- (b) Where the product is tailored to customer specification
- (c) where there is need for demonstration
- (d) When the value of product is too high
- (e) Where the organization can afford sales men
- (f) When the market is concentrated

3. Participants in a two Sector Economy.

- (a) Households
- (b) House holds
- (c) Firms
- (d) Firms

4. Disadvantages of foreign trade liberalisation

- (a) May encourage dumping
- (b) Overexploitation of natural resource
- (c) Erosion of cultural values
- (d) Unemployment
- (e) Entry of harmful products
- (f) Brain drain
- (g) Collapse of infant industries

5. Why basic wants are satisfied before secondary wants. (4 marks)

- (a) They are felt needs
- (b) One cannot live/survive without them
- (c) They cannot be postponed
- (d) They are universal
- (e) They are higher in the list of preference

6. Documents to register Public Ltd Company

- (a) Memorandum of Association
- (b) Articles of Association
- (c) List of Directors and their consent
- (d) Statement of share capital
- (e) Declaration of compliance with law / legal requirement

7. -When profit is made

- Incase of a loss in the business
- Where additional capital is brought in
- If the owners makes drawings.

8.(a) Demand pull

- (b) Cost push
- (c) Imported
- (d) Profit push / cost push

9. Advertising commodities

- Displaying commodities through internet
- Widening the market
- Communicating information
- Video conferencing

10. Why a product may bypass wholesaler

- When he has own retail outlet
- When dealing with perishable goods which need short channels.
- Need to keep prices low
- When consumers and retailers buy in large scale
- When production is in small quantities.
- When he has adequate storage.
- When goods are technical in nature.

11. Government benefit from Bonded Warehouse.

- Source of data for planning
- Control of Entry of harmful goods
- Inspection of goods while in
- Regulation of quality of import
- Check on illegal goods.

12. Methods of credit control.

- Bankrates
- Open market operations (OMO)
- Selective credit
- Compulsory deposits
- Cash and liquidity ratio
- Direct action

13. Gaps filled by business opportunity

- (a) Inavailability of Goods
- (b) Poor services
- (c) Unaffordable prices
- (d) Insufficient quantities
- (e) Poor quality products.

14. -Good infrastructure

- security in the area
- Cheap land/raw material
- cheap loans
- Government subsidies
- low taxes
- Ready market

15. Corruption – Embezzlement of funds

- Political interference
- Poor storage facilities
- Illiteracy of the members
- Surplus produce

16. Increase in disposable income

Increase in population

Seasonality of the product

Favourable tastes and preferences

Good terms of sale

Increase in price of substitutes/ decrease in price of complimentaries

17. Big Ben Wholesale Shop

(i) Cost of goods sold

$$\text{Rosto} = 3 = - \frac{x}{\text{Average stock}} \quad 3 = \frac{x}{95000}$$

$$3 = \frac{x}{95,000} \quad x = \text{Ksh.}285000$$

(ii) Gross profit

$$\text{Sales} - \text{CGS} = 325000 - 285000 = 40000$$

18. Profit = Closing capital – opening capital + drawing – investments

$$= 700000 - 350000 - 80000 + 40000 = \text{Ksh.}310000$$

19. State the A/c to be debited and credited

Ksh.

- (a) Dr Bank 10,000
 Cr Cash 10,000
- (b) Dr Debtors 50,000
 Cr Sales 50,000
- (c) Dr Tractor 200,000
 Cr Capital 20,000
- (d) Dr Creditor 15,000
 Cr Cash 15,000

20 (a) General journal

(b) Purchases returns journal

(c) Sales journal

(d) Cash receipt journal

21. ITEM	DR	CR
Motorvan	500,000	
Capital		1200000
Creditors		200,000
Land	700,000	
Debtors	100,000	
Bank	250,000	
Cash	50,000	
AFC Loan		<u>200,000</u>
	<u>1,600,000</u>	<u>1,600,000</u>

22. -Promotes teamwork

- Sharing of office equipments

-Easy supervision of workers

- Low maintenance cost

- Easy location of workers

- Discourages absenteeism

- Conducive working environment

- 23(a) Housing
- (b) Education
- (c) Food security
- (d) Industrialisation

- 24(a) Bank overdraft
- (b) Contra entry
- (c) Debtor paid in cash
- (d) Balance c/d cash 10,000
Bank 75,000 (Cr)

- 25. Single seller
- Price setter
- No advertising expense
- Homogenous product