

FORM FOUR CLUSTER KCSE MODEL 1

BUSINESS STUDIES PAPER 1 ANSWER

1.
 - Production.
 - Transport.
 - Office practice.
 - Consumer.
2. Factors to the external environment of a business. (4mks)
 - Economic factors
 - Demographic factors (e.g. age, population etc.)
 - Legal political factors.
 - Level of technology in the country.
 - Culture of the society competition
 - Physical factors e.g. infrastructure.
3. . Difference between producer goods and consumer goods. (4mks)
 - Producer goods are those goods that are used to produce other goods and services such as tractors, tools etc.
 - while consumer goods are those goods that are consumed directly such as cabbages, carrots, maize flour etc.
4. Benefits a country can enjoy as a result of indirect production. (4mks)
 - Better utilization of available resources.
 - Creation of employment
 - . - Increased production of goods and services.
 - Increased specialization leading to increased quality.
 - Enable consumers to have variety of goods and services.
 - Use of modern technology.
 - Increased income.
 - Receive goods and services they do not produce.
5. Factors to consider when selecting office equipment. (4mks)
 - Cost of the equipment.
 - Adaptability.
 - Possibility of hiring the equipment.
 - Security of equipment.
 - Availability of room (space)

- Availability of power.
 - Availability of complimentary resources.
 - Effects of staff morale.
 - Durability of the equipment.
6. Reasons why the government may train business people.
- Expose them to modern development in management.
 - Educate business people to efficient methods of operating business.
 - Expose business people to problem facing them and their possible solution.
 - Impact proper business ethics.
 - Educate people on how to use available resources to minimize cost.
 - Inform people on various available business opportunities in their environment
 - Expose them to govt policies regarding business activities in the country.
7. Circumstances under which audio-visual communication can be appropriate.
- When community parties are far.
 - When there is need to emphasis.
 - When communicating to a deaf person.
 - When communicating to dumb person.
 - Where is a lot of noise.
 - When people are in different status e.g. deaf, dumb etc.
8. Types of private warehouses. (4mks)
- Retailer's warehouse.
 - Wholesales warehouses.
 - Producer/manufacturers warehouses.
 - Consumer warehouses.
9. Reasons why sales did not increase. (4mks)
- Low attendance of the exhibitions.
 - High price for the goods.
 - Low quality goods.
 - Unattractiveness of good to customers.
 - Better offers in the markets.

- Poor salesmanship.
 - Un attendance of exhibitions by potential customers.
 - Low purchasing power of the customers.
10. . Factors that determines the existence of small firms in an economy dominated by large firms.
- The size of the market.
 - Nature of the product.
 - Simplicity of organization/firm.
 - Flexibility of small firms.
 - Quick decision making.
 - Belief that small firms are more manageable.
 - Rising cost of production.
 - Need to retain control.
 - Legal restrictions.
11. Sources of oligopoly powers. (4mks)
- Few firms have acquired production right.
 - Few firms control an important input.
 - Market served can only support few firms.
 - Additional cost to other firms other than cost for few firms in the market.
 - Government issuing operating license to only few firms.
 - Economies of scale enjoyed by few firms.
12. . Give the meaning highlighting the examples. (4mks)
- Injections-These are those factors that increase income or expenditure in the circular flow of income e.g. savings and investments.
 - Leakages –They are those factors that reduces the volumes, incomes in the circular flow of income e.g. taxes and government expenditures.
13. To determine capital and prepare Baraka traders balance sheet as at 31st Dec 2014.

Baraka Traders
Balance sheet
As at 31st Dec 2014

	Shs		Shs
Debtors	240,000	Capital	1,080,000
Pre-paid wages	10,000	Creditors	80,000
Machinery	990,000	Outstanding rent	40,000
Cash at Bank	360,000	6 years Bank loan	540,000
Cash in hand	140,000		
	<u>1,740,000</u>		<u>1,740,000</u>

(4mks)

14. . Determine the missing figures in the two column cash book. (4mks)

- P 50,000
- Q 15,000
- R 32,500
- S 115,620

15. . The structure of a tax system identify the four classes of tax. (4mks)

- A. Regressive
- . B. Progressive.
- C. Proportional.

16. Degressive. (4 mks)

- a. Structural inflation.
- b. Demand pull inflation
- c. Imported inflation.
- d. Cost push inflation.

17. . Problem encountered to the development planning: (4mks)

- Lack of accurate /detailed data.
- Lack of qualified personnels.
- Problem of private sector.
- Problem encountered at the plan formulation stage.
- Problem encountered at the implementation stage.
- Reliance on donor funding.
- Lack of domestic resources.
- Natural calamities.

18. . Measure a country can adopt to correct deficit. (4mks)

- Establishing import substitution industry.
- Diversifying export.
- Imposing /increasing import duty.
- Limiting foreign exchange to importers.
- Adding value to exporters.

19. Ndovu Enterprise.
Balance sheet
As at 1st June 2015

	Shs		Shs.
Motor vehicle	3,000,000	Capital	1,500,000
Stock	650,000	Profit.	100,000
Bank	150,000	Creditors	3,350,000
Cash	1,150,000		
	<u>4,950,000</u>		<u>4,950,000</u>

(4mks)

20. Types of errors that may be disclosed by a trial balance. (4mks)

- Mistakes made when transferring balances from the ledger accounts to the trial balance
- Arithmetic errors when balancing the ledger accounts.
- Arithmetic errors made when adding up balances in atrial balance.
- Recording transactions on only one account (partial omission)
- Different amount for same transaction.
- Failure to post a balance from the ledger account to the trial balance.
- Posting a balance to the wrong side of the trial balance.
- Recording a transactions on the same side of the affected account (partial reversal of entry)

21. Differences between a cheque and a bill of exchange. (4mks)

Cheque	Bill of exchange.
- Drawn by the debtor.	- Drawn by the creditor
- Not negotiable.	- Highly negotiable.
- Does not need Acceptance to be valid.	- Must be accepted by the debtor to be valid.
- Cannot be discounted.	- Can be discounted.
- Become stale after six month.	- Matures after 90 days

22. . Benefits of globalization to a business enterprise (4mks)

- Facilitates applications of better technology for improved products.
- Encourages collaboration among business from different countries.
- Makes it possible to share new production techniques/skills/methods.
- Facilitates the sharing of research findings/information by business.
- Enables business enterprise to take advantage of resources found in other parts without relocating there.\
- The firm able to get a wider market.

23. Assumptions of the law of demand. (4mks)

- There is no increase in income.
- There is no change in production of goods and services.
- The population remains constant.
- The production technology remains constant.

24. . Limitations of Barter trade. (4mks)

- Indivisibility of some goods.
- Lack of general accepted medium of exchange.
- Need for double coincidence of wants.
- Lack of durability of some goods.
- Lack of std measure of value
- Lack of std measure of making deferred payment.

25.

$$(i) \text{ Mark up} = \frac{G.P}{\text{Cost of goods sold}} \times 100$$

$$G.P = \text{Sales} - \text{Cost of goods sold}$$

$$= 800,000 - 600,000$$

$$= 200,000$$

$$\text{Mark up} = \frac{200,000}{600,000} \times 100$$

$$= \frac{200}{600}$$

$$= \frac{200}{6}$$

$$= \underline{\underline{33 \frac{1}{3}\%}}$$

$$(ii) \text{ Margin} = \text{Change in mark up to margin}$$

$$= \frac{1}{3+1} \times 100$$

$$= \frac{1}{4} \times 100$$

$$= \underline{\underline{25\%}}$$

$$(iii) \text{ Total expenses} = \frac{25}{100} \times 800,000$$

$$= \underline{\underline{160,000}}$$

$$(iv) \text{ Net profit} = \text{Gross profit} - \text{Expenses}$$

$$= 200,000 - 160,000$$

$$= 40,000$$

✕