**565/1**

**BUSINESS STUDIES**

**PAPER 1**

**MARKING SCHEME.**

1. - The level of speciation of a factor

- The duration of a factor in its current occupation

- The general state of security of a factor

- The reward in the new location or occupation.

- The social, cultural and political considerations.

- The cost of moving a factor.

- The nature of a factor.

- The time taken to modify a factor.

- Age, where labour and entrepreneur are concerned.

- Job security and other benefits. 4 x 1 = 4mks

2. a)

- General line wholesalers.

- Specialised wholesales

- General merchandise wholesalers

- Rack jobbers 4 x 1 = 4mks

3. i) Whether there is demand for the product to be produced.

ii) Whether the product will be of a higher quality than the existing ones.

1. Whether the product will satisfy the needs of the intended consumers
2. Whether the intended consumers will afford the product.
3. Whether entrepreneur will earn a reasonable profit.
4. Whether the product will be in line with the socio- cultural beliefs of the intended consumers.
5. Whether the entrepreneur can raise the resources required to make the product available in the market.
6. Whether the product innovation will be easy for the business to understand and use.

4 x 1 = 4mks

4. i) Name of the buyer

ii) Details description of goods sold.

1. The price and quality of the goods sold.
2. Conditions of sale 4 x 1 = 4mks

5. a) Rate of stock turnover = cost of goods sold

Average stock

3 = x

60, 000

Cost of goods sold = 180,000

Gross profit = Gross profit = 1

Cost of goods sold 4 – 1

G.P = 1

180,000 3

G.P = Shs. 60,000

Sales = Cost of sales + Gross profit

= 180,000 + 60,000 = sh 240,000

6. i) The message should be clear to the recipient.

ii) The medium chosen to pass the message should be appropriate

1. The sender should have information to be passed.
2. The sender should have adequate knowledge of the intended recipient.
3. The recipient must have a positive attitude towards the message being sent and the sender.
4. The sender should provide sufficient information to the recipient.
5. The message should get the intended recipient in good time. 4 x 1 = 4mks

7. i) Easy supervision of workers

ii) Construction cost is low because partitions are few.

1. Easy location of workers
2. Staff movement is minimized thus saving time.
3. Workers make good use of office equipment and machinery.
4. Maintenance cost is low.
5. Floor space is saved.
6. It is cheap to decorate 4 x 1 = 4mks

8. i) When buying bulky goods/ quantities

ii) When he is close to the producer

1. When the demand of goods is high and they are limited in supply.
2. When the retailer is sent an order by the consumer of large quantity. 4 x 1 = 4mks

9. i) Reduction of costs of production for unit / reduction of overhead costs

ii) To undertake research and development.

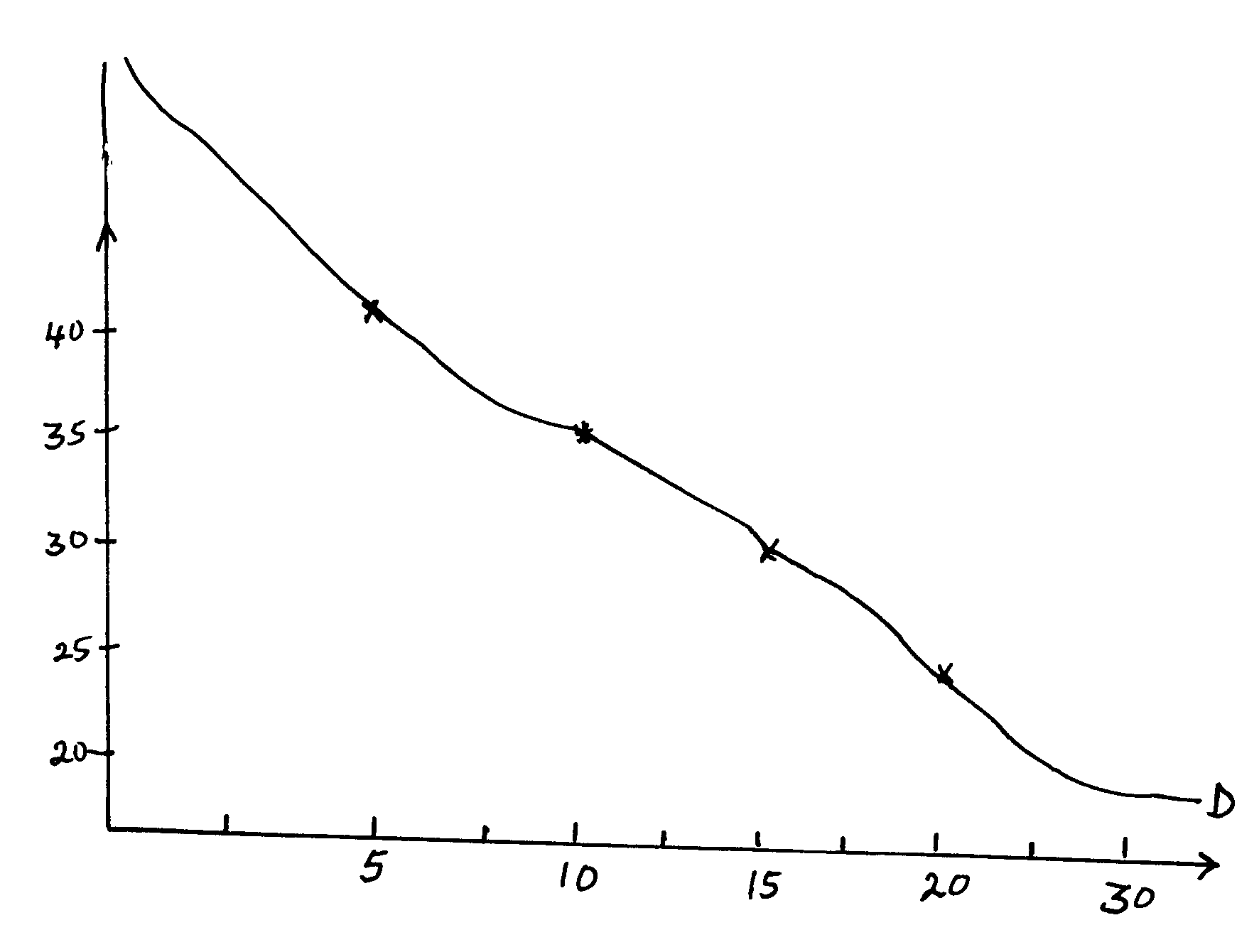
1. Elimination of unnecessary competition
2. Controlling of market / establishment monopoly / widening the market .
3. Raising more capital i.e. use as collateral to obtain loans.
4. Making effective use of resources / pool their resources.
5. Spreading out risks by diversifying.
6. Producing better quality commodities. 4 x 1 = 4mks

10. i) Taxation

ii) Fees e.g. road licence fees

1. Fines and penalties
2. Income from state properties
3. Escheats –people who die without legal heirs or proper wills.
4. Surpluses from public corporations
5. Interest from loans 4 x 1 = 4mks

11. a) Demand schedule ( 1mk)



 Quantity (shs) 3mks

12. a) Debit or  tick

b) Credit or  tick

c) Debit or  tick

d) Credit or  tick 4 x 1 = 4mks

13. i) **Bank rate:-** They vary the rate at which they lend the money to commercial bank

to either encourage or discourage credit.

1. **Open market operations:-** They sell or bring securities in the market thereby reducing money supply.
2. **Special depositis :-** May direct all the commercial banks to deposits with it which can be varied to discouraged or encouraged credit.
3. **Cash / liquid ratio :-**  Instructs commercial banks to raise or lower percentage of their deposits in liquid cash depending on the prevailing monetary situations.
4. **Moral persuasion:**- They require commercial banks to approve loans only to specified types of projects.
5. **Direct action / margin requirements.**

May use its authority to direct credit expansions. 4 x 1 = 4mks

14. i) Inspecting and checking the products at regular intervals to detect and repair any defects.

ii) Provide a guarantee in form of a warranty.

1. Guaranteeing the provision and availability of spare parts for the goods.
2. Undertake the installation and testing of the goods to ensure that they operate.
3. Undertaking the service and repair the good in case of breakage at a minimum cost of after the period of guarantee elapses.
4. Provide technical backup services and advice to the buyer.
5. Undertake the responsibility of transporting the goods to the customers premises

15. **EXPENSE ACCOUNT**

|  |  |
| --- | --- |
| Prepared at start 12,000   Cash paid 140,000  Accrued year end 38,000 | Profit / loss account 142 000  Pre-paid c/d 48,000 |
| 190,000 | 190,000 |

***8ticks x ½ mk = (4mks)***

16. i) Rise in prices leads to reduced sales volume for firms hence reduction in profit made

by firms.

1. Individuals and business waste time going round shopping for reasonable prices.
2. Leads to pressure on firms by individuals for an increase in salaries and wages leading to conflicts between parties involved.
3. Leads to decrease in consumers purchasing power which brings about a decrease in standard of living.
4. Leads to heavy losses to creditors who lend money when it value is high and receive payment of such when the value is low.
5. Brings reluctance in investment by entrepreneurs who may fear to take risks leading to retarded economic growth.
6. Leads to loss of confidence in monetary system since the local currency as devalued.
7. Leads to a situation where exports are more expensive then the local products thereby leading to adverse balance of payments. 4 x 1 = 4mks

17. i) The owner’s decision prefer the simplicity of managing small scale firm

ii) Size of the market for the product provided.

1. Availability of factors of production e.g land, money and labour.
2. The nature of the product e.g.
3. Medical care and legal services, are more effectively provide on small scale.

4 x 1 = 4mks

18. i) 1 Current = Current assets = 3/2 (i)

Ratio Current liabilities

1. Working capital = Current – current liabilities

***i)*** Current Ratio = CA x

LA y

x = 3

y 2

3y = 2x

Y = 2x

x – y = 2x

3

x – y = 200,000

x - 2x 200,000

3

⅓ x = 200,000

X = 600,000

CA = 600,000

X – y = 200,000

600,000 – y = 200,000

y = **400,000**  2mks

***ii)*** x/y = 3

2

2x = 3y

x = 3y

2

WC = CA – Cl

3y - y = 200,000

2

½ y = 200,000

y = 400,000

CL = 400,000

x – y = 200,000

x = 200,000 + y

x = 200,000 + 400,000

x = **600,000 2mks**

***OR*** WC = CA – CL

WC = 3 – 2

 1 = 200,000

CA = 200,000 x 3

600,000

CL = 200,000 x 2

= 400,000 4mks

1. Biashara Enterprises B**/**sheet as at 31st January 2006.

|  |  |
| --- | --- |
| Capital 250,000  Creditors 22,000 | Premises 190,000  Stock 35,000  Debtors 15,000  Bank 10,000  Cash 22,000 |
| **272,000** | **272,000** |

8 x ½ = 4mks

1. a)Difference between

|  |  |
| --- | --- |
| **Natural growth**  - Due to ploughing back profits over a period of time. 1 | **Amalgamation.**  - Due to combing different business organisation into one. 1 |

b)

|  |  |
| --- | --- |
| **Absorption (merger)**  - A company takes over the business of other companies . 1 | **Consolidation**  - Involves dissolution of all companies intending to combine and creating a new company which takes over their business **(1mk) ** |

1. - Error of omission
   * Error of commission
   * Error of principle
   * Error of original entry
   * Compensating error
   * Error of complete reveal of entries Max ( 4mks)
2. a) Demand curve 1

Supply curve1

b) Equilibrium point 1

















5 x 1 = 5mks

1. Minto Ltd.

**PETTY CASH BOOK FOR MONTH OF JAN**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Receipt | DATE | DETAILS | PSV | TOTAL | STATIONERS | POSTAGE | TRANSPORT |
| 10,000    10,000    4,000 | 1.2.2007  10.1.2007  18.1.2007  26.1.2007 | Bal b/f  Stationery  Postage  Transport  Bal c/d  Bal b/d | 003  004  005 | 3000  2000  1000  6000  4000  10,000 | 3000  3000 | 2000  2000 | 1000  1000 |

15 ticks x ⅓ =5 mks



Optimum population1



Income per head

Under Over population 1

population1



1 x 3 = 3mks

b) i) Efficient allocation of resources for maximum output.

ii) Income per head is greatest

1. High standard of living
2. Population growth rate is moderate
3. High technological progress any3 x 1 = 3mks