

## FORM 4 PAPER 1 BUSINESS STUDIES MARKING SCHEME

1. **Outline any four functions of an office in an organization.** (4 mks)
  - (i) Receiving information
  - (ii) Recording the information received
  - (iii) Distributing the information
  - (iv) Reproduction of documents
  - (v) Mailing
  - (vi) Safeguarding the organizations property
  
2. **Name the document used for the purposes described below in home trade.** (4 mks)
  - (i) **A document requesting a potential seller to supply the goods specified in it** – local purchase order (LPO)
  - (ii) **A document signed by the buyer after receiving goods to ascertain that he/she has received the goods and in good condition and order** – delivery note
  - (iii) **Document issued by seller to the buyer to correct an undercharge** – debit note
  - (iv) **Document used by a potential buyer to seek for more information from a potential seller** – letter on inquiry
  
3. **State any four factors that may limit entrepreneurship in an area.** (4 mks)
  - (i) Unfavorable government policies eg high taxation
  - (ii) Poor infrastructure eg roads, electricity
  - (iii) Lack of entrepreneur skills/low levels of education
  - (iv) Use of poor technology
  - (v) Lack of adequate capital
  - (vi) In-availability of market
  - (vii) In-availability of raw materials
  - (viii) Stiff competition
  - (ix) People's retrogressive culture
  - (x) Political instability
  
4. **Record the following transactions in the sales journal.** (5 mks)  
**2006:**  
**January 2: Sold goods on credit to Wanje Shs. 4,000 invoice No. 001**  
**3: Credit sales to Yusuf Shs. 10,000 invoice No. 002**  
**4: Cash sales to Mutune Shs. 1,000 receipt No. 020**  
**5: Credit sales to Cheruiyot shs. 15,000 invoice No. 003**  
**7: Credit sales to Abdalla shs. 6,000 invoice No. 004**

Sale journal				
Date	Particulars	Invoice No.	Ledgers folio	Amount
2006 Jan 2	Wanje	001	Sh	4,000
3	Yusuf	002	Sh	10,000
5	Cheruiyot	003	Sh	15,000
7	Abdalla	004	Sh	6,000
				<b>35,000</b>

Format =  $\frac{1}{2}$

$9 \times \frac{1}{2} = 4 \frac{1}{2}$  = total 5 mks

(If candidate records transaction on 4<sup>th</sup> January, deduct 1 mk)

- 5. Outline any four features of subsistence production. (4 mks)**
- (i) Goods are not intended for sale/exchange
  - (ii) Poor technology is used in production
  - (iii) Low output
  - (iv) Goods produced are of low quality
- 6. List down any four environments that constitute an external business environment. (4 mks)**
- (i) Legal and political environment
  - (ii) Demographic factors
  - (iii) Economic environment
  - (iv) Technological environment
  - (v) Competitive environment
  - (vi) Physical environment
- 7. Highlight any four challenges that an overpopulated country may face. (4 mks)**
- (i) High levels of unemployment
  - (ii) High dependency ratio
  - (iii) Inadequate social amenities
  - (iv) Strain on available resources
- 8. Highlight any four ways in which a government can create an enabling environment for business. (4 mks)**
- (i) Development of physical infrastructure eg. Roads, electricity, water e.t.c.
  - (ii) Ensuring political stability/protection of businesses.
  - (iii) Formulating and implementing policies that favour businesses eg. Tax reduction, providing subsidies.
  - (iv) Providing easy access to loans/credit.
  - (v) Providing necessary information to businesses e.g on the required standards.
- 9. Juma and Oliech wants to start a business as a partnership. However, their contributions are not enough to raise the required capital. Advice them on other alternative sources of capital for their business. (4 mks)**
- (i) Trade credit/buy goods on credit
  - (ii) Leasing and renting property
  - (iii) Borrowing loans from banks and other financial institutions
  - (iv) Invoice discounting
  - (v) Getting items on hire purchase.
- 10. Give four benefits of a bonded warehouses to an importer. (4 mks)**
- (i) Importers can prepare the goods for sale while in the warehouse.
  - (ii) Importer has time to look for money to pay for customs duty.
  - (iii) Importer can market the goods before paying customs duty.
  - (iv) Importer is assured of safety and security while goods are in the warehouse.
  - (v) Goods can improve in quality.

- 11. Ollin enterprises sells it/s goods at a margin of 20%. The following details were available for the year ended 30<sup>th</sup> April, 2014.**

	Shs.
<b>Purchases</b>	<b>500,000</b>
<b>Net sales</b>	<b>950,000</b>
<b>Closing stock</b>	<b>200,000</b>
<b>Net profit is 15% of sales</b>	

**Calculate:-**

**a) Gross profit**

**(2 mks)**

$$\text{Margin} = \frac{\text{Gross profit}}{\text{Net Sales}} = 20\%$$

Gross profit = 20% of netsales

$$= \frac{20}{100} \times 950,000$$

$$= \text{shs. } 190,000$$

(4 x ½ mk = 2mks)

**b) Total expenses**

**(3 mks)**

Net profit = Gross profit – total expenses

Net profit = 15% of sales

$$= \frac{15}{100} \times 950,000 = \text{shs. } 142,500$$

Total expenses = Gross profit – Net profit

$$= 190,000 - 142,500$$

$$= \text{shs. } 47,500$$

(6 x ½ mk = 3 mks)

**12. The following information was extracted from the books of Almach enterprises for the year 2014. (3 mks)**

	Shs.
Capital on 1/01/2014	203,000
Drawings during the year	13,000
Additional investment during the year	20,000
Net loss during the year	24,000

**Determine the capital of the business at the end of the year 2012.**

Closing capital = opening capital + additional investment – Drawings – Net loss.

$$= 203,000 + 20,000 - 13,000 - 24,000$$

$$= \text{shs. } 223,000 - \text{shs. } 37,000$$

$$= \text{shs. } 186,000$$

**13. State any four services that are offered by the post office. (4 mks)**

- (i) Mailing services
- (ii) Business reply services
- (iii) Internet services
- (iv) Sale of postage stamps
- (v) Fax services
- (vi) Telex services

**14. Highlight any four factors that may make communication to be effective. (4 mks)**

- (i) Use of a language that is easily understood.
- (ii) Free from interference eg. No noise
- (iii) Use of an appropriate medium of communication.
- (iv) Proper timing of the message
- (v) Lack of prejudice during communication.
- (vi) Use of familiar non-verbal signs

**15. Karibu Emporion Company owns a chain of supermarkets in several major towns in Kenya. Advice the owners on any four insurance policies that it can use for its supermarkets. (4 mks)**

- (i) Workman's compensation policy
- (ii) Fidelity guarantee policy
- (iii) Theft and burglary cover
- (iv) Cash and goods on transit policy
- (v) Fire accident policy
- (vi) Personal injury cover

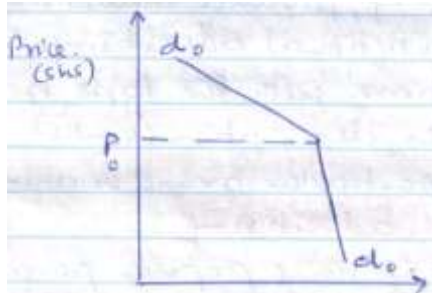
**16. Outline any four circumstances under which air transport is suitable over other means of transport. (4 mks)**

- (i) Incase the goods are highly perishable
- (ii) Incase good/services are urgently required
- (iii) Where the goods are highly valuable
- (iv) Incase the goods/services are transported over very long distances.
- (v) Where the goods are delicate in nature/fragile in nature.

**17. Write down whether the following factors cause a shift of the demand curve or movement along a demand curve. (4 mks)**

Factor	Effect
a) A change in consumers income	Shift
b) An increase in the sales tax of a product	Shift
c) Change in price of the commodity	Movement along
d) Future expectations that price will increase	Shift

**18. The diagram below shows a demand curve in a certain product market.**



**a. Give the name of the demand curve represented by  $d_0$ . (1 mk)**

Kinked demand curve

**b. Name the type of product market that experiences such a curve. (1 mk)**

Oligopoly market

**c. Outline any three features of an oligopoly market. (3 mks)**

- (i) Has few sellers and many buyers.
- (ii) Products are differentiated
- (iii) There is interdependence of firms
- (iv) There is price rigidity in the market.

**19. Outline any four benefits to a consumer if the channel used to distribute a certain commodity is short rather than a long channel. (4 mks)**

- (i) Consumer may get goods while they are fresh eg. Perishable goods.
- (ii) Consumer may get the goods in time/avoid delay.
- (iii) Low cost of distribution may lead to low prices.
- (iv) Consumer is likely to get the goods in good condition as handling risks are minimized.
- (v) Consumers will avoid exploitation by middle men in a longer channel of distribution.

**20. The following are types of advertising primary demand advertising, product advertising, celebrity advertising, institutional advertising. Match the following descriptions with the type of advertising that best suits the description. (4 mks)**

- (i) Advertising a particular brand or name of a specific product – Product Advertising
- (ii) Advertising using popular personalities – Celebrity Advertising
- (iii) It aims at popularizing new products to potential customers – Primary Demand Advertising
- (iv) It aims at making an organization more popular – Institutional Advertising

**21. One of the major services of commercial banks is lending money to their customers. Outline any three ways in which commercial banks lend money. (3 mks)**

- (i) Giving loans – short-term and long-term loans
- (ii) Giving bank overdrafts
- (iii) Discounting bills of exchange and promissory notes
- (iv) Issuing credit cards
- (v) Buying government securities thereby lending to government

**22. Define the following terms as used in National income. (4 mks)**

- (i) **National income** – total value of goods services produced in a country over a period of time/usually one year/total income to the owners of the factors of production in a country in a year.
- (ii) **Gross domestic product** – Total value of goods and services produced within a country in one year regardless of who produces them.
- (iii) **Per capita income** – Average income per person in a country
- (iv) **Gross national product** – Total value of goods and services produced by individuals of a given country irrespective of whether they are produced within the country or outside the country.

**23. Outline any four benefits to a country as a result of delocalization of firms. (4 mks)**

- (i) Rural-urban migration is reduced
- (ii) A lot of job opportunities are created in rural areas.
- (iii) There is balanced regional development
- (iv) Resources are well utilized.
- (v) Reduces congestion and associated problems in urban areas.
- (vi) Leads to general development of rural areas.

**24. Give four reasons why the government may prefer borrowing funds from internal sources rather than borrowing externally. (4 mks)**

- (i) External borrowing may have strings attached/conditions given.
- (ii) Government may raise a substantial amount internally compared to external borrowing.
- (iii) Government can use internal borrowing to influence economic policies eg. Reducing inflation. External borrowing cannot be used to influence economic policies.
- (iv) Interest paid is still used to develop the country unlike in external borrowing where interest earned developed the lending countries.

**25. List down the types of expenditures that are included in the measurement of national income using the expenditure method. (4 mks)**

- (i) Expenditure by the individuals/households/consumers consumption
- (ii) Expenditure by firms/businesses – investment
- (iii) Expenditure by the government/Government expenditure
- (iv) Net expenditure on imports – exports – imports