

565/1 FORMS FOUR  
PAPER 1  
MARKING SCHEME  
END OF TERM 1

BUSINESS STUDIES

1. Characteristics of services
  - are intangible/invisible
  - are inseparable from the provider
  - highly perishable.
  - quality cannot be standardized
  - price paid is for experience nor ownership
  - cannot be stored

Any 4 x 1 = 4mks

2. Disadvantages of division of labour
  - social problems
  - creates monotony and boredom
  - create unemployment
  - difficult to know who to identify with the final product
  - converts man into a machine like creature
  - makes man dependent on only one trade

Any 4 x 1 = 4mks

3. Advantages of Automatic Vending Machines
  - give 24 hour service
  - saves on labour cost.
  - quick customer service
  - accurate service
  - save rent expenses

Any 4 x 1 = 4mks

4. Advantages of self-employment
  - independence
  - enjoys all the profits
  - job security
  - personal satisfaction
  - enjoys status and pride

Any 4 x 1 = 4mks

5. Factors to consider when intending to buy office furniture
  - compatibility with the intended use and place
  - affordability –economical to acquire and maintain
  - size of the firm
  - durability
  - adaptability to future needs
  - availability of spare parts
  - possibility of hiring rather than buying
  - effect on staff morale

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- 6. i. cash sale receipt
- ii. payment voucher
- iii. invoice
- iv. debit note

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- 7. principles of co-operatives
  - open an voluntary membership
  - limited interest on share capital
  - democratic administration
  - dividend repayment
  - education to members
  - co-operation with other co-operatives
  - have a common bond

Any 4 x 1 = 4mks

- 8. providing an enabling environment
  - provide security
  - political stability
  - favourable legislation
  - provide basic infrastructure
  - provide credit finance
  - giving subsidies/reducing taxes

Any 4 x 1 = 4 mks

- 9. pipeline transport
  - transport cost is reduced
  - reduced environmental pollution
  - loss through accidents on the road is reduced.
  - cases of theft of oil are reduced.
  - fast transportation
  - loss damage on roads
  - reduced accidents
  - regular /reliable supply

Any 4 x 1 = 4mks

- 10. advantages of Audio-visual communication
  - reach a large audience at the same time.
  - have entertainment value.
  - enhances the impact made by oral and written communication
  - draws quick attention
  - suitable for illiterate receivers
  - increases the audience's concentration span

Any 4 x 1 = 4mks

- 11. effects of production on the environment

- depletion of productive resources
- degradation of environment leading to climate change
- pollution of air and water which is detrimental to human and animal life.
- problem of solid and plastic waste disposal which may result in spread of diseases.
- noise pollution which may cause hearing problems to human beings.

Any 4 x 1 = 4mks

12. disadvantages of a private warehouse

- expensive to put up.
- holding too much stock exposes a business to problems such as a fall in prices, expiry of goods, fire, fall in demand e.t.c
- discourages specialization
- poor arrangement can lead to contamination and inaccessibility of goods.
- could be operating in excess capacity during low seasons which can lead to laying off some workers.
- adds administrative costs.

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13. Ragati interest  $\frac{3}{5}$  of 350,000 = 210,000

He insured  $\frac{3}{4}$  of 350,000 = 262,500  
( over-insurance)

Ragatis loss after fire  $\frac{3}{5}$  of 250,000 = 150,000

Compensation = 150,000

Any 4 x 1 = 4mks

14. Sources of monopoly power.

- control of an important factor of production
- legal protection through patent rights and copy rights
- merger/amalgamation
- govt control to eliminate wasteful competition
- where the production requires heavy capital it's not affordable to many firms

Any 4 x 1 = 4mks

15. Sources of public finance

- taxes
- licenses
- count fines
- fees for government services
- rent and rates for use of government property
- escheats
- interest earned on loans

- government borrowing
- proceeds from the sale of government property
- surplus from public corporations

Any 4 x 1 = 4mks

16. Benefits of borrowing a loan from NBFI

- get long-term loan
- get finance for capital development
- low interest rates on loans
- management advice on the project
- lower collateral value
- longer grace period

Any 4 x 1 = 4mks

17. a . owner's equity  
 b. working capital  
 c. borrowed capital  
 d. capital employed

4 x 1 = 4mks

18. sales = cost of sales + gross profit

- cost of sales = opening stock + purchases + carriage inwards – return outwards \_ closing stock
- average stock =  $\frac{\text{opening stock} + \text{closing stock}}{2}$

$$\text{Opening stock} = (30,000 \times 2) - 40,000 = 20,000$$

$$\text{Cost of sales} = 20,000 + (336,000 + 2,000 - 18,000) - 40,000 = 300,000$$

$$\text{Margin} = \frac{1}{6} - 1 = \frac{1}{5}$$

$$\text{Gross profit} = \frac{1}{5} \times 300,000 = 60,000$$

$$\text{Sales} = 300,000 + 60,000 = 360,000$$

5 x 1 = 5

19. characteristics of a general journal

- A book of original entry – initial stage of recording
- It's a day book – day to day records are made
- Chronological record – record kept in order of occurrence
- each entry is accompanied by a narration
- amounts are recorded in debit and credit columns side by side

Any 4 x 1 = 4mks

$$20. \text{ ROSTO} = \frac{\text{cost of sales}}{\text{Av. Stock}} = \frac{15000}{\frac{(2000 + 1000)}{2}} = \frac{15000}{1500}$$

= 10 times

$$\begin{aligned}\text{b. purchases} &= \text{cost of sales} = \text{opening stock} + \text{purchases} - \text{closing stock} \\ &= \text{COS} - \text{O.P stock} + \text{CL stock} \\ &= 15000 - 2000 + 1000 = 14000\end{aligned}$$

$$\begin{aligned}\text{c. return on capital sales} &= \text{GP} + \text{COS} \\ \text{mark up} &= \frac{1}{4} - 1 = \frac{1}{3} = \frac{5000 + 15000}{20,000} = 20,000 \\ \text{capital} &= 20,000 \times 4 = 80,000\end{aligned}$$

$$\text{gross profit} = \frac{1}{3} \times 15000 = 5000 \quad \text{expenses} = \frac{2}{100} \times 80000 = 1600$$

$$\begin{aligned}\text{net profit} &= \text{gross profit} - \text{expenses} \\ &= 5000 - 1600 \\ &= 3400\end{aligned}$$

$$\text{ROC} = \frac{\text{net profit} \times 100}{\text{Capital}} = \frac{3400 \times 100}{80,000} = 4.25\%$$

$$\frac{1}{2} \times 8 = 4\text{mks}$$

21. A. general ledger

b. cash book

c. general ledger

d. sales ledger

e. nominal ledger

f. purchases ledger

$$\frac{1}{2} \times 6 = 3\text{mks}$$

22. Types of advertising

-primary demand

-institutional advertising

-informative

-persuasive

-celebrity

-corrective

$$\text{Any } 4 \times 1 = 4\text{mks}$$

23. Sources of energy

-solar

-firewood

-geothermal

-biogas

-hydro-electric power

$$4 \times 1 = 4\text{mks}$$

24. Type of goods

a. Public goods

- b. Consumer goods
- c. Producer/ capital goods
- d. Non-durable goods

Any 4 x 1 = 4mks

25. The business

- requires low starting capital
- low overhead costs
- is flexible
- easy to manage
- few legal formalities

Any 4 x 1 = 4mks