565/1

BUSINESS STUDIES

FORM FOUR PAPER 1

MOKASA 1

TIME: 2 HOURS

MOKASA 1 EXAMINATION

**KENYA CERTIFICATE OF SECONDARY EDUCATION (K.c.s.e)**

**BUSINESS STUDIES**

**PAPER 1**

**MARKING SCHEME**

1. **Define the following terms as used in satisfaction of human wants (4mks)**
2. **Scarcity**

By nature, the economic resources needed to satisfy human wants, which are unlimited, are limited in supply.

1. **Scale of preference**

This is a list of human wants meant to be satisfied in an order of priority. On the top of the list are the most pressing and on the bottom are less pressing wants.

1. **Choice**

This is the act of deciding/selecting what wants to satisfy among a set of competing human wants given that resources are scarce

1. **Opportunity cost**

This is the real cost incurred once a choice among competing wants is made/ It is the forgone alternative of what is chosen.

1. **Advantages of Online trading (4mks)**

* One can have a wide variety of goods and services from all over the world
* It reduces the cost of travelling to the market or in search of product
* It is fast as deals can be made within a short period of time
* A seller can advertise goods to many consumers over a wide area
* Paper work and the many document used on other trade are removed or reduced as selling and buying is on-line
* A lot of information about the market can be accessed on the internet
* It does not discriminate small and large scale businesses

1. **Reasons why consumer cooperative societies are not popular in Kenya (4mks)**

* They face stiff competition from large scale retailers such as supermarkets and multiple shops who buy goods directly from the producers and sell-them to consumers at low prices
* Cannot offer to employ qualified staff
* Majority of their members have low income, so raising of capital is a problem
* Kenya, being an agricultural country, produces enough subsistence goods for itself. It therefore does not require consumer co-operatives
* Reluctance of non-members to buy from the shops lowers the turn-over
* Mismanagement of the shops is rampant
* Many Kenyans, especially in the rural areas are ignorant of the benefits of joining or forming one

1. **Circumstances under which a manufacturer would transport products using a container (4mks)**

* In case the products are in regular shapes
* If he/she wants to incur less insurance cost
* If the products are heavy and bulky hence need for appropriate handling equipment
* If the goods are transported over a long distance
* If the goods are of high value thus need for safety
* If the business can afford the cost of transporting using a container

1. **Functions of advertising agencies (4mks)**

* They help the organizations in designing their trademarks, logos and advertising materials
* They book space and airtime for their clients in various media
* They offer advisory services to their client on selling techniques
* They advertise on behalf of their clients
* They choose on behalf of their clients the appropriate media to be used

1. **Assumptions in the circular flow of National Income in a two sector economy (4mks)**

* **Existence of two sectors only.** It is assumed that the economy has only two sectors that is households and firms. The households provide the factors of production while firms are involved in the production of goods and services.
* **Total spending by households**. It is assumed that the households spend all their income on the goods and services produced by the firms i.e. no savings.
* **Total spending by the firms**. It is assumed that the firms spend the money received from the sale of goods and services to pay for the rewards of production factors.
* **Lack of government intervention.** The government does not influence how the firms and households carry out their activities. Such interventions are in the form of taxes, price controls among others.
* **Closed economy**. Exports and imports do not exist in such an economy.

1. **Steps that are followed when opening a ledger account (5mks)**
2. Take each account in turn
3. Identify/name the items affected by the transaction
4. Classify each of the items affected by the transaction: either, asset, liability, capital, expense or revenue
5. Determine whether each of the items affected has increased or decreased
6. Decide the side of the account on which to make the record- whether to debit or to credit
7. **Development goals that Kenya desires to achieve (4mks)**

* Eradicate extreme poverty and hunger
* Achieve universal primary education
* Promote gender equality and empower women
* Reduce child mortality
* Improve maternal health
* Combat HIV/AIDS, malaria and other diseases
* Ensure environmental sustainability
* Develop a global partnership for development
* Eradicate backward cultural practices such as FGM, early child marriages etc

1. **Principles of public expenditure (4mks)**

* It must be sanctioned
* Should have maximum social benefit
* Must be economical
* Should be flexible
* There must be proper financial management

1. **Ways of classifying goods in an economy. (4mks)**

- Perishable goods and durable goods.

- Intermediate and finished goods.

- Public goods and private goods.

- Free goods and economic goods.

- Capital/Producer goods and consumer goods.

- Material goods and non-material goods.

**NB: Must be matched for a mark to be awarded**

**11. Documents that must be submitted when registering a company (4mks)**

- Memorandum of association

- Articles of association

- List of directors

- Declaration of compliance

- Director’s statement

- Statement of company’s share capital

- Prospectus

- Certificate of trading.

**12. Ways which the prices of goods and services can be determined in an economy other**

**than the price mechanism (3mks)**

- Auction

- Haggling (bargaining)

- Price legislation/price control/government intervention

- Price discrimination

- Tendering

- Retail Price Maintenance (R.P.M)

**13. Ways through which communication can be improved between the communicating**

**parties. (4mks)**

- By being prepared when passing the information.

- By proper timing – deliver the message at the right time

- By giving complete messages – relay all the relevant details/facts on the message.

- By attentiveness of the receiver – the recipient should listen attentively

- Not communicating in a noisy place

- Using of the appropriate channel

- Using a language understood by all parties

- Avoiding any prejudgment

- Avoiding emotional influences when communicating

- Positive attitude – Sender/recipient should show due regard for each other.

- Accuracy of the message – the message should be free from errors/should be

factual.

- Clarity – the message should not be rogue

- Preciseness – by avoiding unnecessary details.

**14. Identify the type unemployment and the particular solution. (4mks)**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Description of unemployment | Type | Solution |
| (a) | Where there are many employees doing work meant for few people | Disguised unemployment | - Population control  - Encourage foreign investments  - Increase public spending in public works |
| (b) | Where there is a mismatch between the skilled labour looking for jobs and the vacancies available | Structural unemployment | - Encourage self –employment.  - Promote mobility of labour  -Use appropriate technology. |
|  | Where labour is needed for only at certain times of the year | Seasonal unemployment | - Introducing supplementary activities to be carried out during the low season.  - Intensify irrigation to ensure continuous production throughout the year.  - Encourage geographical mobility of labour. |
| (d) | Where people have physical or mental disabilities and cannot get jobs. | Residual unemployment | - Encourage education and employment of disabled people. |

**15. Advantages of using a credit card when purchasing goods and services (4mks)**

- It is convenient to carry around.

- Enables the holder to get goods and services from specified sellers without paying immediately.

- Enables the holder to get money from specified banks.

- Increases the credit rating of an individual.

- It is safer to carry the card around than to carry cash.

- Some cards are internationally acceptable.

16. The following information relates to Chumah Ltd during the month of March 2017.

March 7th: Sold an old vehicle for sh.900,000 to Super Motors Ltd on credit.

March 9th: Sold an old computer for sh. 27,000 to Yannar Ltd on credit.

March 10th: Purchased a Tractor on credit for sh.600,000 from Sifa Farms Ltd.

March 16th: Purchased Dining Chairs from Ujumbe Furnitures sh. 90,000 on credit.

**Open a journal proper for Chumah Ltd for the month of March 2017. (4mks)**

Chumah Ltd Journal proper for the month of March 2017.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Details | L. F. | DR | CR |
| March 2017  7th | Super motors A/c  Vehicle A/c  Being a record of sale of an old vehicle on credit to Super motors Ltd. | -  - | 900,000  - | -  900,000 |
| 9th | Tanaar Ltd A/c  Computer A/c  Being a record of sale of an old computer to Yanaar Ltd on credit | -  - | 27,000  - | -  27,000 |
| 10th  16th | Tractor A/c  Sifa Farms A/c  Being a record at purchase of a tractor on credit  Dining chairs A/C  Ujumbe Furnitures A/C  Being a record of purchase of dining chairs from Ujumbe Ltd | -  -  -  - | 600,000  -  90,000  - | -  600,000  -  90,000 |

**NB: Dr a/cs should be entered first**

17. The following information relates to Mkabwa traders Ltd as at 31/12/2015.

Capital 290,000

Drawings 35,000

6 year loan 500,000

Furniture 600,000

Closing stock 40,000

Cash in hand 155,000

Debtors 100,000

Bank overdraft 140,000

Expected

**Prepare Mkabwa Traders Ltd Balance sheet as at 31/12/2015 (4 marks)**

Mkabwa Traders

Balance sheet

As at 31/12/2015

|  |  |
| --- | --- |
| F. A.  Furniture 600,000  C.A  Stock 40,000  Debtors 100,000  Cash 155,000 295,000  895,000 | Capital 290,000  Less drawings 35,000  Net capital 255,000  LTL  6 year Loan 500,000  STL  Bank overdraft 140,000  895,000 |

1. **Factors that influence entrepreneurial practices negatively. (4mks)**

* Unfavorable government policies. i.e. high taxes, reduced subsidies etc.
* Poor infrastructure.
* Low and irrelevant levels of education.
* Inadequate resources. (raw materials)
* Unfavorable cultural practices.
* Political instability.
* Stiff competition.
* Limited access to credit facilities.
* Unfavorable natural factors.
* Unavailability of market.
* Lack of relevant business skills.
* Poor entrepreneurial culture.

1. **Features of a chain store (4mks)**

* Centrally managed.
* All branches sell similar goods.
* Design and display of goods is similar in all shops.
* Prices are the same in all branches.
* Decisions are made at the head office.
* Purchases are centralized.
* Sells are decentralized.
* The shop front and interior design are the same for all shops

1. **Importance of warehousing to a consumer. (4mks)**

* Ensure stability in prices due to continued supply
* Consumers inspect goods before buying. (assured of quality)
* Steady flow of goods. (no shortages)
* Some goods may improve in quality such as wine
* Goods are protected from damage. (consumers get goods in right condition)
* Goods are prepared for sale. ( consumers get them in right quantities)
* Consumers enjoy a variety of goods.

1. **Circumstances under which a producer would sell through a wholesaler. (4mks)**

* Where the market is spread out.
* Where the producer wishes to avoid risks associated with distribution such as goods getting spoilt, prices falling, decline in demand etc.
* Where the producer doesn’t have adequate storage facilities.
* Where the producer may not have enough finances to open outlets
* Where the producer wants to avoid storage and transport costs.
* Where other producers wants sell through wholesalers as a competing tool.
* If they do so due to government policy

1. **(4mks)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Transaction | Capital | Assets | Liabilities | Balance sheet totals |
| Started Business with ksh. 10,000 in cash. | Increase | Increase | No effect | increase |
| Purchased goods worth ksh. 4,500 on credit. | No effect | Increase | Increase | No effect |
| Took goods worth ksh 2,000 for personal use. | Decrease | Decrease | No effect | Decrease |
| Sold goods worth ksh. 2000 for ksh 3,000 on cash | Increase | Increase | No effect | Increase |

1. **icks x ¼ = 4 marks**
2. **Ways in which the central Bank acts as Banker to the government. (4mks)**

* Operates accounts for all government departments
* Advices the government on all financial matters
* Borrows on behalf of the government both internally and externally
* Manages the national debt on behalf of the government
* Controls and regulates the operations of commercial Banks on behalf of the government

1. **(4mks)**

|  |  |  |
| --- | --- | --- |
| Item | Current Account | Capital Account |
| Grants from foreign donors |  |  |
| Visible imports |  |  |
| Receipts from tourism |  |  |
| Dividends paid to foreign investors. |  |  |

1. **Ways in which the government creates an enabling business environment (4mks)**

* By providing subsidies
* By giving incentives such as tax holidays, concessions/rebates etc
* By protecting local industries from foreign competition
* By improving infrastructure
* By enhancing security
* By offering financial assistance i.e loans at low interest rates and for longer repayment periods
* By offering loan guarantee
* By training business people
* By organizing shows trade fairs and exhibitions to encourage traders to promote their products.