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

1. Disadvantages of division of labour

-social problems

-creates monotony and boredom

-create unemployment

-difficult to know who to identify with the final product

-convents man into a machine like creature

-makes man dependent on only one trade

 Any 4 x 1 = 4mks

1. 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

1. Advantages of self-employment

-independence

-enjoys all the profits

-job security

-personal satisfaction

-enjoys status and pride

 Any 4 x 1 = 4mks

1. 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

 Any 4 x 1 = 4mks

1. i. cash sale receipt

ii. payment voucher

iii. invoice

iv. debit note

 Any 4 x 1 = 4mks

1. 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

1. 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

1. 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

1. 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

1. effects of production on the environment

-depletion of productive resources

-degradation of environment leading to climate change

-pollution if 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

1. 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.

 Any 4 x 1 = 4mks

1. Ragati interest 3/5 of 350,000= 210,000

He insured ¾ of 350,000=262,500

 ( over-insurance)

Ragatis loss after fire 3/5 of 250,000 =150,000

Compensation =150,000

 Any 4 x 1 = 4mks

1. 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

1. 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

1. 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

1. a . owner’s equity

b. working capital

c. borrowed capital

d. capital employed

 4 x 1 = 4mks

1. sales = cost of sales + gross profit

-cost of sales = opening stock + purchases + carriage inwards – return outwards \_ closing stock

-average stock = opening stock + closing stock

 2

Opening stock = (30,000 x 2 ) – 40,000 = 20,000

Cost of sales = 20,000 + (336000 + 2000 – 18000)-40000= 300,000

Margin = 1/6 – 1 = 1/5

Gross profit = 1/5 x 300000= 60,000

Sales = 300,000 + 60,000 = 360,000

 5 x 1 = 5

1. 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

1. ROSTO = cost of sales 15000/ (2000 + 1000) = 15000

 Av. Stock 2 1500

 = 10 times

b. purchases= cost of sales = opening stock + purchases – closing stock

 = COS – O.P stock + CL stock

 = 15000 – 2000 + 1000 = 14000

c. return on capital sales = GP + COS

 mark up = ¼ - 1 = 1/3 = 5000 + 15000 = 20,000

 capital = 20,000 x 4 = 80,000

gross profit = 1/3 x 15000=5000 expenses = 2/100 x 80000=1600

net profit = gross profit – expenses

 =5000 – 16000

 = 3400

ROC = net profit x 100 = 3400 x 100

 Capital 80,000 = 4.25%

 ½ x 8 = 4mks

1. A. general ledger

b. cash book

c. general ledger

d.sales ledger

e. nominal ledger

f. purchases ledger

 ½ x 6 = 3mks

1. Types of advertising

-primary demand

-institutional advertising

-informative

-persuasive

-celebrity

-corrective

 Any 4 x 1 = 4mks

1. Sources of energy

-solar

-firewood

-geothermal

-biogas

-hydro-electric power

 4 x 1 = 4mks

1. Type of goods
2. Public goods
3. Consumer goods
4. Producer/ capital goods
5. Non-durable goods

 Any 4 x 1 = 4mks

1. The business

-requires low starting capital

-low overhead costs

-is flexible

-easy to manage

-few legal formalities

 Any 4 x 1 = 4mks