

MOMALICHE THREE CYCLE 8

Business Studies

Paper 1

MARKING SCHEME

1. i) Appropriate business structure.
ii) Positive attitude of owners.
iii) Good business culture.
iv) Adequate human resources.
v) Adequate financial resources.
vi) Adequate physical resources

4x1 = 4

mks

2. Reasons for licensing businesses

- i) Regulate number of business in an area.
ii) Control goods entering/leaving a country
iii) To control illegal businesses.
iv) To raise government revenue.
v) To ensure that professionals are qualified.
vi) To ensure that traders engage in businesses that they are licensed for.

4 x 1 = 4

mks

3. (a) Purchases invoice, purchases journal
(b) Credit note, sales returns journal
(c) Receipt, payment journal
(d) Sales invoice, sales journal

4 x 1 = 4

mks

4.

- ❖ He will get dividends every year
- ❖ He will be able to save money in his sacco account
- ❖ Loans are obtained at low interest rates
- ❖ In case of his death, outstanding loans will be written off
- ❖ It is possible for him to obtain different categories of loans
- ❖ His beneficiaries will receive twice his share contributions in case of his death
- ❖ It is easy for him to obtain loans since only few formalities are required
- ❖ Saccos offer education to their members
- ❖ Sacco may offer **banking facilities through their front office services.**

5. Importance of making a choice

- i) Economic resources are scarce.
- ii) Human wants are unlimited.
- iii) Human wants vary in intensity/urgency.
- iv) Human wants are competitive.
- v) Some human wants are habitual.

4 x 1 = 4

mks

6. Reasons why sms is replacing letters as a way of communication.

- i) Cheap to use sms services.
- ii) Faster than letters.
- iii) Can be sent to many people at once.
- iv) Provide immediate feedback.
- v) Clarification can be made.
- vi) It is reliable.
- vii) It is prestigious.

4 x 1 =

4mks

7. Type of warehouse.

- i) Bonded/excise warehouse.
- ii) Public warehouse.
- iii) Free warehouse.
- iv) Private warehouse.

8.

9.

- ❖ Letter of enquiry
- ❖ Order
- ❖ Goods received note
- ❖ Goods returned note

❖ I owe you

4x1=4mks

10. Factor of production

- i) Labour
- ii) Capital
- iii) Land
- iv) Entrepreneurship

4x1=4mks

11. Advantages of promoting products through radios.

- i) Reaches many audiences at the same time.
- ii) Accessible even in remote areas.
- iii) May reach target audience through airing them in their favourite programmes.
- iv) May entertain through music/beats
- v) May be aired through different languages.
- vi) Serves both literate and illiterate.
- vii) May be aired repeatedly.

4x1=4mks

12. Negative effects of overpopulation

- i) Strain on available social amenities.
- ii) Low standard of living.
- iii) Encouraging rural urban migration.
- iv) High dependency ratio.
- v) Imbalance in demand and supply.
- vi) Food shortage.
- vii) Increase in crime rate.
- viii) Environmental degradation

4x1=4mks

13. Way HIV/AIDS has negatively affected entrepreneurship.

- i) Lack/reduced product market.
- ii) Lack/reduced labour.
- iii) High labour turnover affecting performance.
- iv) Loss of skilled manpower.
- v) High cost of training new workers.
- vi) High cost of insurance/medical cover.

- vii) Decreased staff morale when colleagues ail/die.

4x1=4mks

14. Anthony Traders
Balance sheet
As at 31st Dec. 2014

Shs		Shs	
Cash	40,000✓	Capital	490,000✓
Premises	400,000✓	Creditors	140,000✓
Fixtures	180,000✓	Bank loan	160,000✓
Vehicles	100,000✓		
Debtors	70,000✓		
	<u>790,000</u>		<u>790,000</u>

8 x ½ =

4mks

15. Murang'a Traders
Trading Account
For the month ending 31st January 2015

Shs		Shs	
Opening stock	200,000✓	Sales	500,000✓✓
Add:Purchases	500,000✓		
Cost of goods available for sale	700,000✓		
less: Closing stock	<u>300,000✓</u>		
CGS	400,000		
Gross profit c/d	100,000✓✓		
	<u>500,000</u>		<u>500,000</u>

8 ticks @ ½ =

4mks

16. i) C – Consumer expenditure.
ii) I – Investment expenditure
iii) G – Government expenditure
iv)(x-m) – Net exports

4x1=4mks

17. Causes of shift in demand curve.

- i) Fall in price of complementaries.
ii) Rise in household income.

- iii) Rise in price of substitutes.
- iv) Expected increase in price of the commodity.
- v) Positive taste/preference/fashion.
- vi) Favourable seasonal changes.
- vii) Favourable government policies

4x1=4mks

18.Characteristics of direct production.

- i) Goods are low quality.
- ii) Small scale production.
- iii) Little/no specialization.
- iv) Mechanization minimal.
- v) Production is mainly for own use/No exchange.
- vi) Promotes individualism.
- vii) Does not encourage invention/innovation/creativity.
- viii) Skill used cannot be improved.
- ix) Tools used cannot be improved.

4x1=4mks)

19.Factors that influence decision on what goods/services to produce.

- i) Profitability.
- ii) Market/demand/customer.
- iii) Level of competition.
- iv) Availability of resources.
- v) Cost of production.
- vi) Government policy

4x1=4mks

20.Role of intermediaries.

- i) Accumulate bulk.
- ii) Breaking bulk.
- iii) Advice.
- iv) Prepare goods for sale.
- v) Store goods until they are needed.
- vi) Transport goods to where they are needed.
- vii) Product promote.

4x1=4mks

21.Benefits of using computers in business operations.

- i) Computers are fast in operations.
- ii) Occupy less space.
- iii) Output is presentable.
- iv) Assist to reduce fraud.
- v) Are more accurate.
- vi) Have large storage facilities.

- vii) Have wide range of uses.
- viii) Promote prestige.

4x1=4mks

22. Type of errors.

- i) Compensating error.
- ii) Error of omission.
- iii) Error of principle.
- iv) Complete reversal of entries

4x1=4mks



8 ticks @ $\frac{1}{2}$ =

4mks

24. Final capital = open capital + profit + Additional investment – drawings

$$= 240,000 + 170,000\checkmark + 58,000\checkmark - 82,000\checkmark$$

$$= \text{sh } 386,000\checkmark$$

4 ticks @ 1mk = 4

mks

25. Compensation = sum insured x actual loss

Value of property

$$= \frac{600,000\checkmark}{1,000,000\checkmark} \times 500,000\checkmark$$

$$= \text{sh. } 300,000\checkmark$$

$$= \text{sh. } 300,000\checkmark$$

4 ticks @ 1mk =

4mks

