**MOKASA 1 EXAMINATIONS**

## FORM FOUR TERM ONE 2023 BUSINESS STUDIES 565/1 - PAPER ONE MARKING SCHEME

1. **Importance of learning business studies to the individual (4mks)**
   * Assists the learners/members of the society to acquire knowledge and awareness of business terminologies which are necessary when discussing business issues such as profit and loss.
   * Assists the individuals in appreciating the role of business in society/in provision of goods and services.
   * It enables the learners to acquire basic knowledge, skills and attitudes necessary for the development of self and the nation by starting and operating business.
   * Equips the members of society with knowledge and skills necessary to start and run a business comfortably.
   * Makes the members of society to appreciate the need for good business management practices
   * Assists individual to acquire self-discipline and positive attitude towards work
   * Equips individual with abilities to promote co-operation in society through trade
   * Enables the individual to understand the role of government in business activities
   * Equips individuals with abilities to understand the role of communication and information technology in modern business management
   * Helps the individuals to develop positive attitudes towards the environment
   * Equips the individual with knowledge and skills required to evaluate business performance
   * It helps individual to develop various intellectual abilities such as inquiry, critical thinking, analysis, interpretation, rational judgment, innovation and creativity.
   * It enables learners to acquire skills for wise buying and selling.
   * It creates a firm foundation for further education and training in business and other related fields.
   * It enables one to understand and appreciate the basic economic issues that affect the society such as increase in prices of goods and services.

## Ways in which division of labour may be of benefit to a manufacturing business

**(4mks)**

* + Output per worker is greatly increased.
  + It makes it possible for greater use of machines in production which makes production fast and efficient.
  + Enables a worker to acquire skills in a particular field.
  + It saves time. A worker does not waste time moving from one activity to another.
  + High quality goods and services are produced.
  + As workers become used to one routine job, they expend less mental and physical energy.

## The following statements describe the purpose of some documents used in home trade. Identify the document described (4mks)

|  |  |
| --- | --- |
| Purpose of the document | **Name of the document** |
| i. Send to the buyer as response to a  specific letter of inquiry | **A quotation** |
| ii. Issued to the buyer so as to correct  an overcharge in the invoice | **Credit note** |
| iii. Send to the seller as an  acknowledgement of a debt | **I owe You (IOU)** |
| iv. Send to the seller asking for  payment before goods are delivered | **Profoma Invoice** |

1. **Problems likely to be faced by people who rely on Matatu transport (4mks)**
   * Some Matatus’ are poorly maintained to the extent of being unroadworthy
   * Most drivers are reckless as they rush to compete for customers. They pick or drop passengers anywhere
   * In some cases, touts use impolite language when dealing with passengers
   * They may cause noise pollution such as unnecessary hooting and loud music
   * They may cause congestion in towns unnecessarily because leading to delay
   * Uncalled for sudden increase in fares at peak hours, during the night and on public holidays
   * Their operation is concentrated on peak hours, rarely operating at night.
   * They at times unexpectedly change their route hence causing breach of contract**.**

***Accept any other relevant answer***

## Give the meaning of the following insurance policies (4mks)

1. **Marine cargo policy**

This type of policy covers the cargo or goods carried by the ship. The policy is taken by the owners of the sea vessels to cover the cargo being transported.

## Consequential loss policy

This policy covers or compensates the insured for the loss of profit suffered when business operations have been interrupted. It is offered to protect future earnings of an enterprise after fire damage.

## Third party motor policy

This policy cover all damages caused by the vehicle to people and property other than the driver and the vehicle. This includes pedestrians, fare-paying passengers, cows, fences and other vehicles

## Construction or builders marine policy

This policy covers risks that a ship is exposed to while it is either being constructed, tested or being delivered.

1. **Measures the government of Kenya is taking so as to encourage delocalization of firms**

**(4mks)**

* + By giving entrepreneurs free of cheap land to construct their factories.
  + By giving tax incentives to those who locate their industries in the delocalized area.
  + By giving cheap loans to entrepreneurs wishing to establish industries in areas with few industries.
  + By providing security in the new industrial areas.
  + By providing subsidies to those industrialists who are willing to delocalize.
  + By providing the appropriate infrastructure in the area.
  + By providing social amenities e.g. schools and hospitals in areas where the delocalized industries are to be established.
  + By offering financial assistance to the delocalized industries.

## Items included in the calculation of national income using the income approach (4mks)

* + Salaries and wages
  + Profits from investments
  + Interest on capital
  + Rent/rates & royalties
  + Dividends from government investments

1. The following balances relate to Echale Enterprises that started a business on 1st May 2022. Ksh.

Cash at Bank 65,000 – 20,000 – 10,000 =35,000

Motor van 35,000

Capital 100,000 + 40,000 = 140,000

**New items:**

## Stock 20,000 + 40,000 -15,000 = 45,000

**Cash 15,000 + 10,000 = 25,000**

The following transactions took place during the first week of May.

2nd May 2022, bought goods for sale worth Sh. 20,000 and paid by cheque

4th may 2022, the businessman used his personal money amounting to Sh. 40,000 to buy more stock of goods for sale

6th May 2022, sold goods at cost for Sh. 15,000 in cash

7th may 2022, withdrew Sh. 10,000 from bank for office use

## Prepare a balance sheet as at 31st may 2022. (4mks)

Echale Enterprises Balance sheet

As at 31st May 2022

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Fixed Assets Motor Van Current Assets Stock  Bank Cash | Sh.  45,000  35,000  25,000 | Sh. 35,000  105,000  140,000 | Capital | Sh. 140,000 |
|  | 140,000 |

## Features of a current account as a service offered by commercial banks (4mks)

* + Deposits of any amount can be made at any time.
  + Balances in this account do not earn any interest.
  + The account holder is not required to maintain a minimum cash balance in this account
  + Withdrawals can be at any time without giving and advance notice as long as the customer has sufficient funds.
  + Cheque books are issued to the account holder to be used as a means of payment/ cheques are usually used to withdraw money from the account.
  + Monthly bank statements are issued to the account holder.
  + Overdraft facilities are offered to the account holders’ i.e the bank can allow customers to withdraw more money than they have in their accounts.

## Features of economic resources. (4mks)

* + **Scarce in supply**. available in insufficient quantities.
  + **Have money value**. Have a value at which they can be expressed.
  + **Unevenly distributed**. Are available in varying quantities at different places.
  + **Have utility**. Have ability to satisfy human wants.
  + **Have alternative uses**. May be put into different uses.

## Can change ownership.

* + **Can be combined**.
  + **Can be complimentary**. May be consumed together.

## Uses of computers in an organization. (4mks)

* + Used for data input, storage and inventory control.
  + Used for processing accounting transactions and prepare the ledger accounts and payrolls
  + Stores information relating to members of staff
  + Used in communication e.g. internet, intranet e.t.c
  + Used for capacity building and training
  + Used for reproduction of documents
  + Serves as a tool for supervision
  + Used for entertainment
  + Assists in decision making

## Ways in which the government regulates business activities. (4mks)

* + Through licensing
  + By ensuring standards
  + Legislation. By formulating and enforcing laws that control businesses
  + Through taxation of goods and services.
  + Subsidizing production
  + Total bans
  + Setting quotas
  + Price controls

## Reasons that will make a producer to construct his own warehouse instead of renting one.

**(4mks)**

* + To reduce the cost of hiring which is expensive in the long run.
  + To have full control of the warehouse.
  + The owner may design his warehouse according to his specifications.
  + Enables special handling of goods which is not available in public warehouses.
  + To avoid being tied down by procedures involved in receiving and issuing goods

## The table below shows the supply of oranges in market X.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year** | **2022** | **2021** | **2020** | **2019** |
| **Quantity**  **supplied** | **25000** | **20000** | **17500** | **13200** |

**Highlight four factors that might have led to the above trend. (4mks)**

* + Favourable government policies e.g increase in subsidies
  + Rise in the price of oranges over years
  + Favourable natural factors such adequate rainfall
  + Future expectation of a fall in price of oranges.
  + Low costs of production.
  + Entry of new firms into the industry
  + Use of better/modern technology

## Channels that are used in distribution of tea to the USA. (4mks)

Local Produce foreign consumer

Local producer foreign wholesaler  foreign retailer foreign consumer Local producer foreign wholesaler foreign consumer

Local producer foreign representative  foreign wholesaler foreign consumer Local producer foreign agent foreign retailer foreign consumer ***NB: Must start with Local and end with Foreign***

## The following relates to Musa Traders for the year ended 31st December, 2018.

Sh

|  |  |
| --- | --- |
| Buildings | 300,000 |
| Van | 80,000 |
| Furniture | 50,000 |
| Stock | 30,000 |
| Debtor | 70,000 |
| Capital (1.1.2018) | 350,000 |
| Creditors | 50,000 |
| Cash | 10,000 |
| Drawings | 80,000 |
| Net profit | 172,300 |
| Loan | 47,700 |

## Required: Determine Musa Traders capital as at 31.12.2018. (4mks) Opening capital + net profit - drawings = closing capital

**350000+172300-80000=442300**

1. The transactions below took place in the business of Evergreen traders in the month of February the year 2022.

Feb 3rd Purchased a new motor vehicle worth sh 3,000,000 from X Motors Limited on credit.

12th Sold old chairs worth sh 100,000 to Web traders on credit. 13th Bought computers worth 150,000 on credit from Tims traders.

22nd Sold an old tractor worth sh 250,000 to Sarich traders on credit.

Required: Record the above transactions in the relevant books of prime entry. (4marks)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Particulars** | **Folio** | **Dr shs** | **Cr shs** |
| Feb 3 | Motor vehicle a/c |  | 3000000 |  |
|  | X motors ltd a/c |  | 3000000 |
|  | (Being a credit |  |  |
|  | purchase of a new |  |  |
|  | motor vehicle from |  |  |
|  | x motors) |  |  |
| 12 | Web traders a/c |  |  |
|  | Furniture a/c | 100000 |  |
|  | (Being a sale of |  | 100000 |
|  | old chairs on credit |  |  |
|  | to web traders.) |  |  |
| 13 | Computer a/c | 150000 |  |
|  | Tims a/c |  | 150000 |
|  | (Being purchase of |  |  |
|  | a computer from |  |  |
|  | Tims traders on |  |  |
|  | credit.) |  |  |
| 22 | Sarich a/c | 250000 |  |
|  | Motor vehicle a/c |  | 250000 |
|  | (Being sale of an |  |  |
|  | old tractor to |  |  |
|  | Sarich traders on |  |  |
|  | credit.) |  |  |
|  |  |  | |

1. The diagram below relates to the population structure of country X.

Output per capita

B

Population

A

C

# Outline four challenges faced by a country whose population falls on ‘C’. (4mks)

* Strain on the available social amenities
* Low standards of living
* High dependence level on the working population.
* Increased crime rate
* Environmental degradation
* Encourage rural to urban migration
* Food shortage
* Over utilization of resources such as land

# Reasons for privatizing public corporations. (4mks)

* + To improve efficiency in their operations.
  + To generate revenue to the government through sale of shares.
  + To enhance competition.
  + To increase public participation
  + To reduce government expenditure
  + To comply with conditions set by developing partners
  + Enables the government to concentrate on the state responsibilities.
  + To minimize political interference

Price

D0

A

D1

Quantity

The diagram above is the demand curve of a market structure.

1. Identify the product market. (1mk)

# - Oligopoly

1. **State three features of the market above. (3mks)**

* They may price leadership i.e dominant firms dictate the market price
* Few sellers
* Products have close substitutes but differentiate through branding, packing, shape and size.
* There are barriers to entry and exit.
* Firms are interdependent in pricing.
* Action by one firm leads to a reaction from the other firms.
* All firms in the market face a kinked demand curve & price rigidity
* Firms may engage in price wars which may lead to collapse or survival of other firms

# Outline four circumstances under which written communication may be used in an organization. (4mks)

* + If the message is confidential in nature.
  + If the information is detailed
  + If there is need to address many people.
  + If there is need for a cheaper means
  + When communications with people with hearing and talking impairment
  + Avoid distortion of the message

# Advantages of personal selling as a method of product promotion to the seller (4mks)

* + rsuasnature

ive in

Pe

* + It is flexible
  + The sales person can demonstrate the operations and use of products.
  + One can clarify issues relating to the product.
  + Allows immediate feedback.

***Accept any other relevant response***

# Oketch, a prospective entrepreneur in Nakuru intends to start a business. Identify four items he should include in his business plan. (4mks)

* + Name of the business
  + Products to be sold.
  + Personnel to manage the business.
  + Amount of finance required.
  + Market to be served.
  + Projection
  + Summary of the plan

# Outline four ways in which human resources contribute to the success of a business.

**(4mks)**

* + Skilled workers who are properly matched with their duties will produce quality goods/services.
  + Proper time management leads to timely delivery of goods and services.
  + Teamwork leads to co-operation
  + Hardworking employees leads to increased production.
  + Creative employees leads to new goods.
  + Good decision made in the interest of the business.
  + Discipline employees do not need supervision.
  + Offering their labour for continuity of production.
  + Self driven that perform task with.
  + They make quality decision in the interest of the business.
  + Employees who treat customers well improves the image.
  + By asking for feedback from customers for improvement.

1. **Identify the type of ledger in which the following accounts are maintained. (4mks)**

|  |  |  |
| --- | --- | --- |
|  | **Account** | **Ledger** |
| (a) | Photocopier | General ledger |
| (b) | Commission | Nominal ledger |
| (c) | Drawings | Private ledger |
| (d) | Koech (supplier) | Purchases ledger |