**BUSINESS STUDIES PP1**

**MARKING SCHEME**

1. **Characteristics of basic human wants**

* Cannot be postponed.
* Are felt needs ;
* Must be satisfied first before secondary wants
* One cannot do without them (4mks)

1. **Components of business studies:**

* Economics
* Commerce
* Entrepreneurship
* Accounting (4mks)

1. **Features of a bill of exchange .**

* Must be signed by the drawer
* Must be accepted by the drawee
* Accepted unconditionally.
* Bear revenue stamps (4mks)

1. **Benefits of External Economics of scale.**

* Firms may get skilled labours force.
* Improved infrutructure.
* Ready market
* Firms may dispose off their waste products easily (4mks)

1. **(i) Rate of return on Capital**

R.OR.O.C = Net profit

Capital Employed √

Capital = fixed Asset + stock – liability

= (400,000 + 120,000) – 60,000. √

520, 000 – 60,000

= 460,000

= 100,000 x 100

460,000

= 21.7%

(ii) Current Ratio = C.A = 120, 000 √ 2:1√

C.L 60,000 (4mks)

6.  **Features of ineffective warehouse**.

* + In appropriate building design
  + In appropriate location
  + In efficient staff
  + Lack of proper recording systems
  + In effective communication network.
  + Poor infrastructure.
  + In adequate security any 4 points (4mks)

7 . **Sources of Monopoly power**.

* + Control of an important input in production.
  + Ownership of production rights
  + Internal Economics of scale.
  + Merger
  + Size of the market
  + Restrictive practices by firms
  + Financial factors. Any 4 points (4mks)

8. **Provisions of partnership Act of 1963**

* + Patners to contribute equal amount of capital
  + Profits and losses are shared equally
  + No partner to start a competing business.
  + No salary to be paid to any partner
  + No salary to be paid to any partner
  + Incase of liquidation , outstanding debts to be paid first
  + All partners have a right to inspect the books of Accounts Any 4 points (4mks)

9. **Problem of Railway transport.**

* + Uneconomical over short distances.
  + Needs to be supplemented by other means of transport.
  + High initial construction cost.
  + Inflexible
  + A slow Means of transport (any 4points ) (4mks)

10. **Reason for taxation.**

* + To raise Revenue
  + To equitability distribute wealth
  + To control consumption of certain goods
  + To protect local industries
  + To regulate Exports and Imports
  + To promote Economic growth and devt Any 4 points (4mks)

11. **Types of Advertising:**

* + Institutional Advertising
  + Celebrity Advertising
  + Product Advertising
  + Informative Advertising

12. **Factors to consider when introducing a new product into the markets**

* + Market demand
  + Government policies
  + Affordability of the product
  + Socio – cultural beliefs of the consumers
  + Quality of the product vis – a vis existing products
  + Availability of Resources for production of the product Any 4 points (4mks)

13.  **Negative effects of economic developments**

* + Pollution and degradation of environment
  + Depletion of resources due to over timing
  + Over crowding / slums development due to rural urban migration
  + Social problems ie. White collar crimes, drug e.t.c
  + Adoption of foreign values. Any 4 points (4mks)

14.

**Wasonga General stores.**

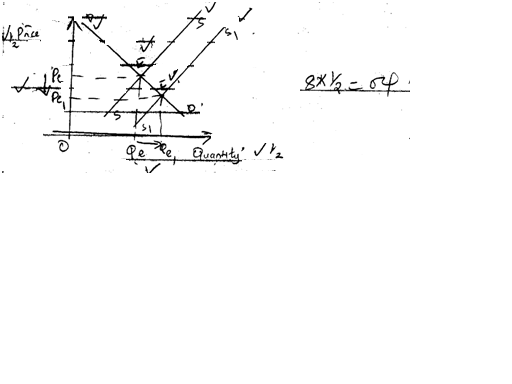
**Trading A/c**

**For the period ended 31st Jan 2013**

|  |  |
| --- | --- |
| Opening tock 70,000√  Add purchases 640,000√  Less Return outwards (140,000)√ 500, 000  G.A.F.S 570,000√  Less closing stock (68, 000)√  Cost of sales 502, 000√  Dross profit c/d 298,000√  800,000 | Scales 950,000√  Less R.I (150, 000)√  Net sales 800,000  √ 800,000  Gross profit b/d 298,000√ |

( 10 x 1/2 = 4mks)

15. Effects of an in supply on Qe and Pe



16. **Channels of distributing a locally manufactures product**

-Local manufacturer (produces) w/s Retails Consumes

-Local Manufacture (produces) Retailers Consumers

-Local manufacturer (produce) Consumers

-Local manufacturer (produces) Government Agent w/s – Retailer Consumer (4mks)

Note : Arrow must be Indicated

17. **Rewards for labours:**

* + Wages
  + Salaries
  + Fees
  + Commission

18.

|  |  |  |
| --- | --- | --- |
| Types of AlC | Dr | cr |
| Private √ |  | √ |
| Personal √ | √ | √ |
| Impersonal√ | √ |  |

8 x ½ =04

19. **Factors determining the amount of money held for precautioery motive**.

* + Predictability of cash flows
  + Family status
  + Age of individuals
  + No. of dependants
  + Individuals temperature ie. Optimism / pessimism
  + Expectation in life.

20. **Shortcomings of consumer Associations.**

* + Located in urban areas hence limiting their influence in rural areas
  + Lack of sufficient funds to finance their operations
  + Ignorance by consumers of their rights
  + Most consumers are un aware of the existence of consumers Associations
  + Face difficulties in seeking legal redress
  + Lack of proper management. (any 4 points) (4mks)

21. **Mata traders;**

**Trial balance.**

**As at 31st De 2010 √**

|  |  |  |
| --- | --- | --- |
| **Items** | **Dr** | **cr** |
| Stock  Capital  Debtors  Creditors  Motor vehicle  Cash  Accrude Rent | 2,500√  30,620 √  80,000√  12250  125370 | 99,600√  25,000√  770√  125,370√ |

8 x ½ (4mks)

22. (i). +

(ii). -

(iii) -

(iv)No effect (4mks)

23. **Features of A tied shop.**

* + Not allowed to sell goods from others manufactures
  + Similarity of goods may discourage buyers from buying
  + Slow decision making
  + Losses may occur in the suppliers does not supply goods.

24. **Factors affecting the circular flow of National income**.

* + Savings
  + Government expenditure
  + Investment
  + Foreign trade.

25. **Measures to improve volume of Exports.**

* + Custom drawbacks.
  + Diversification of foreign market
  + Use of export compensation scheme.
  + Lobbying for removal of trade Restrictions.