$Type equation here.$3KNT MARKING SCHEME JULY 2017 BUSINESS P1 565/1

1. Four features of land
* Its supply is fixed
* Lacks geographical mobility
* Quality is not homogeneous
* Its productivity can be increased
* It is subject to law of diminishing returns
* It is a natural resource
1. Injections
2. Government expenditure
* Exports
* Investment
1. Withdrawals
* Taxation
* Savings
* Imports
1. Four differences between

Private warehouse Public warehouse

* Owned by producers - Owned by anybody to rent out space
* Used by owners only -Used by any member of public
* Usually found near premises of producer -Found mainly in towns, port areas/terminals
* Managed as department of the main - Managed as a business in itself

business

* Usually small in size - Usually bigger in size
* Less documentation involved - More documentation involved
* Insurance of goods is optional -Insurance is mandatory
* No licence required to operate - Licence required to operate
1. Factors causing decrease in supply

– Use of traditional techniques in production

* Unfavourable weather conditions
* Inadequate supply of factors of production
* Unfavourable change in government policy
* High cost of production
* Expected increase in the price of the product in future
1. Four aids to trade

-Warehousing

- Barking

-Transport

-Communication

- Insurance

- Advertising/product promotion methods

6. Four services offered by wholesalers to manufacturers

- Links manufacturers with the retailers

- Prepare goods for sale

-Provide storage facilities

- Provide working capital/finance by paying cash

- Relieves manufacturer of some risks

- Provide information in market trends/conditions

- Carry out product promotion/advertising

- Offer transport/distribution services

7. Four characteristics of under development

- Low standards of living in the country

- Low per capital income

-Rapid population growth rate

- Under utilized natural resources

-low literacy levels

- Use of simple methods in production

-pronounced income inequalities

-Low levels of productivity

- Poor infrastructure

-High levels of uemployment

8. Reasons for opening a current account

- Account holder can make payment by cheque

- Holder can enjoy overdraft facilities

- No minimum balance maintained in account

- can withdraw any amount any time

- Can receive monthly statements from bank

- Can make payments using post dated cheques

- Can make arrangements with bank to make payments on his behalf

- Well maintained current account can increase credit rating thus get a loan from bank.

9. Net worth = Assets – Liabilities

= (300,000 + 123,700) – (125,000 +84,500)

= 423,700 – 209,500

=shs 214,200

 8 x ½ 4mks

10. Cash A/C

|  |  |
| --- | --- |
|  shsJan 1 capital 100,000 15 commission  Received 110,000 |  ShsJan 14 purchases 50,000 16 Drawings 4,000 25 General expenses 90,000 30 Rent 40,000 31 Bal c/d 20,000 |
|  210,000 |  210,000 |

11.

|  |
| --- |
|  Purchases Journal |
| date | Details | Amount |
| 1 Feb  | Nyaga | 90,000 |
| 5 Feb | Mukami | 40,000 |
| 10 Feb | Moko | 20,000 |
|  | Totals posted ti purchases A/C in General ledger | 150,000 |

 12x 1/3 = 4mks

12. Four methods of protecting consumers (government initiated

- Setting up standards

- Licensing

- Weights and measures Act

- Food and drug act

-Rent and tribunal Act

- Trade description Act

- Public Health Act

13. a) Where a want is required by all people in the world eg food (2mks)

b) Where two or more items may be used together at the same time

-Where wants are simultaneous eg when you buy a car you must buy petrol (2mks)

14. a) Transfer payments

b) Transfer payments

c) development

d) recurrent

15. Meaning of principles of Insurance

a) Subrogation

It states that after the insured has been compensated the remnant of the insured item becomes the property of the insurer.

1. Contribution

When a property is insured by more than one insurance company upon the occurrence of the event of loss, all insurers will share the loss proportionately.

d)Indemnity – State that the insured can only be compensated for the actual loss suffered

16. Four types of resources in a business

- Human resources

-Financial resources

- Physical resources

- Technology

17)Why celebrities are commonly used in advertising

* To improve sales
* To give good image of the business
* To popularize firm’s products
* A confirms reminder to consumers about existence of a product.

4 x 1 = 4 mks

18. Factors that may encourage young people to be entrepreneurs

- Existence of role models

- Access to business finance /capital

- Need for job

- Availability of infrastructure

- Positive cultural practices

- Availability of market

- Government support in development of entrepreneurs

- Need to be self-employed

- Existence of consultancy institutions

-Hobbies/interests

-Availability of relevant curriculum in training institutions

 4x1 = 4mks

19. Features of monopoy market

- One single seller of a product

- Product produced has no close substitute

-Law quality goods are product due to lack of competition

- Existence of discriminative monopoly

- Demand curve slopes steeply from left to right

 4 x 1 = 4mks

20. Benefits of international trade

- Availability of variety of goods

- A county can buy goods /services that it does not produce

-A country is able to dispose off its surphurs

- Creates employment to citizens

- Creates international peace /understanding

- Availability of high quality goods

-A county is able to specialize in production

- A county is able to get assistance from other countries

 4 x 1 = 4mks

21. Causes of unemployment in Kenya

- Rapid population growth rate

-Introduction of capital intensive methods of production

-Inappropriate education system which is white collar job oriented

-The people may be too selective when choosing the jobs they want

-Low demand for goods and services

-Inadequate resources required for production

-Rural/urban migration

-Changes in season

 4 x 1 = 4mks

 Njuki Traders

 Balance Sheet

 As at 31st January 2017

|  |  |
| --- | --- |
|  ShsAssetsFurniture 40,000 |  shsLiabilities and capital 66,000Less drawing 1,000 |
| Stock 4,000 |  65000 |
| Debtors 4,000 |  |
| Cash 9,500  |  |
| Furniture debtor 10,000 | Bank overdraft 2500 |
|  67,500 |  67,500 |
|  |  |

 10 x ½ = 5mks

23. Three column cash book

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Details | Disc All | Cash | Bank | Date | Details | Disc | Cash | Bank |
| July 1 | Bal b/d |  | 2500 |  | July 1 | Bal b/d |  |  | 500 |
|  3 | James | 500 |  | 4500 |  2 | Wages |  | 300 |  |
|  10 | cash |  |  | 1100 |  3 | Peter |  | 900 |  |
|  |  |  |  |  |  10 | Bank |  | 1100 |  |
|  |  |  |  |  |  10 | Bal c/d |  | 200 | 51090 |
|  |  | 500 | 2500 | 5600 |  |  |  | 2500 | 5600 |

24. i) Gross profit

ROT = Cost of sale

 Average stock

Average stock = opening stock + closing stock

 2

Mark up = Gross profit

 Cost of sales

3 = Cost of sales

 (160 000 + 200,000

 2

3 = COS

 180,000

Cost of sales = 3 x 180,000

= 540,000

20 = GP

100 540,000

GP= 20 X 540,000

 100

= 108,000 9 X 1/3 = 3 marks

ii) Sales

Sales = GP + COS

= 108,000 + 540,000

= 548,000

4 X ¼ = 1MK

25. Chains of distributing locally manufactured goods

i) Manufacturer – consumer

II) Manufacturer - Retailer – consumer

iii) manufacturer – Wholesaler – Retailer – consumer

iv) manufacturer – own retail out let – consumer

 4 x 1 = mks