**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, 000G.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√ 800,000Gross 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** |
| StockCapitalDebtorsCreditorsMotor vehicleCashAccrude Rent |  2,500√30,620 √80,000√12250125370 | 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.