**KASSUJET JOINT EXAMINATION- JUNE 2018**

**BUSINESS STUDIES PAPER 1**

**565/1**

**MARKING SCHEME**

1. **Ways in which the economic environment may positively influence the activities of a business** 
   1. The prices of commodities are low leading to increased demand
   2. Increase in consumers incomes hence high demand
   3. If the taxes levied on goods are low as it will make prices of commodities to fall
   4. If banks charge low interest rates on loans, it encourages people to borrow loans and buy more goods
   5. If there is low levels of inflation increasing or maintaining higher ability to buy

1. **Benefits to a community following the establishment of a milk processing factory in their locality.**
2. Source of employment to the locals
3. Provides market for local raw materials/Milk
4. Enables the locals to buy their products saving them the need to travel in search of them
5. Will influence the development of infrastructure like roads which benefits them
6. They participate in community welfare programmes such as street cleaning activities, sponsoring competitions, giving bursaries to needy children
8. **General functions of state corporations**
9. Providing essential goods and services at friendly prices/helping citizens from exploitation
10. Providing goods and services that are so essential yet do not give good returns which are then avoided by the private sector
11. Providing services to the public whose initial capital outlay is huge and cannot be raised by private businesses
12. Engaging in business so as to provide job opportunities to the citizens
13. Engage business so as to reduce/avoid foreign dominance in the economy
14. To provide sensitive products that cannot be left in the hands of the private sector
16. **Mailing service that fits the following descriptions**

|  |  |
| --- | --- |
| **Description** | **Name of the mailing service** |
| 1. Offered to travelers who may wish to receive correspondence away from their post office box | **Post Restante** |
| 1. Used for sending correspondence and parcels to a destination in the shortest time possible | **Speed post/Express** |
| 1. Offered to those sending articles of value for which security in handling is required. | **Registered mailing service** |
| 1. Usually in form of letters and parcels including light parcels delivered by hand, road, rail or by air | **Ordinary mail** |

1. **Benefits that are likely to be enjoyed by a firm as a result of expansion of the entire industry**
2. Easier access to labour force
3. Enjoys improved/efficient infrastructure
4. Firms may be able to dispose off their waste product easily
5. Ready market may be available from the surrounding firms
6. Readily available services such as banking, insurance and medical care
7. Adequate supply of power due to large volume of consumption e.t.c
9. **Possible channels of distributing imported Machinery from Germany**
10. Foreign Manufacturer Agent Wholesaler Retailer Local consumer
11. Foreign Manufacturer M. Representative Wholesaler Retailer Local Consumer
12. Foreign Manufacturer wholesalers Retailer Local consumer
13. Foreign Manufacturer Wholesaler Local consumer
14. Foreign Manufacturer Retailer Local Consumer
15. Foreign manufacturer Local consumer

1. **Table of Assets, Liabilities and Capital. Determine the missing figures**

|  |  |  |
| --- | --- | --- |
| **Assets** | **Liabilities** | **Capital** |
| 755,700 | **a** | 223,300 |
| **b** | 315,800 | 455,200 |
| 537,750 | **c** | 269,450 |
| 478,900 | 602,500 | **d** |

1. 532,400
2. 777,000
3. 268,300
4. -123,600
5. **Forms of economic integration**

* Free trade area
* Customs union
* Common Market
* Economic union

1. **Highlight four advantages of division of labour and specialization in an organization.**

* Employees become specialists I their jobs as a result of performing tasks repeatedly.
* It saves on time in performing tasks in work place.
* It produces high quality products.
* There is standardization of products due to use of machines.
* Better organization work increases efficiency in the work place.
* Mass production/output per worker is increased/Increased quantity

1. **Jennifer just completed her secondary school studies. She wishes to engage in a small scale retail business in her locality. Four types of such business she can start:**

* Itinerant trader (Hawking, peddling)
* Open air market
* Single shops
* Kiosks
* Market stalls
* Canteen
* Roadside sellers.

1. **Measures that have been put in place by the government to bring order and sanity in the public transport sub-sector.**

**-** Removal of Unroadworthy vehicles which may cause accidents.

- Installation of bumps to reduce speed which may cause accidents.

- Heavy penalties on motorists who disobey traffic rules.

- Making sure that passenger vehicles have safety belts to minimize casualties.

- Ensuring that public service vehicles have speed governors to limits the speed

- Construction of dual carriage roads and by-pass to ease congestion.

- Restrictions on travelling hours to ensure drivers have ample time to rest.

- Use of alcoblow to curb drunken driving

- All the PSVs are operating under a registered SACCO

- All drivers and conductors must have uniforms

- Drivers and drivers required to have certificate of good conduct

1. **Outline four differences between life assurance policy and general (property insurance policy.**

|  |  |
| --- | --- |
| **Life assurance policy** | **Genera (property) insurance policy** |
| -Taken to cover life only  -It is a long term policy | -Taken to cover property only  -It is a short term policy |
| -Principle of indemnity does not apply | -Principle of indemnity applies |
| -It has surrender rate | -Does not have surrender rate |
| -It is a kind of a saving | -It is not a saving planning in any way. |
| -Policy value depends on ability to pay | -Policy value depends on the value of property |

1. **The equation given below relate to quantity demanded and quantity supplied at the equilibrium point. (4mks)**

Qde = 4p + 50

Qse = 8p + 30

Determine the equilibrium price and quantity.

Qde = 4p + 50

Qse = 8p + 30

Qde = Qse

4p + 50 = 8p + 30

50 – 30 = 8p – 4p

P = 5

Qde = (5 x4) + 50

Qde = 20 + 50

Qde = 70

Price = 5

Quantity = 70

1. **State four emerging issues in population and employment (4mks)**

* The HIV/Aids pandemic
* Population growth and control policies
* Family planning campaign to create awareness.
* Teenage pregnancies
* Provision of free basic health services
* Food security issues
* Illegal immigration into the country
* Emphasis on maternal child health.
* Ephasis on certificate of good conduct during recruitment
* Employment on the basis of performance contracts
* Social welfare scheme provided by the government for aged persons
* County and Central government deliberately awarding contracts to women and the youth
* Government created the UWEZO FUND to give loans to women and youth to start and run businesses

1. **Prepare Zawadi traders rental income account**

**Dr ZAWADI TRADERS RENTAL INCOME ACCOUNT**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Details | LF | Amount | Date | Details | LF | AMOUNT |
| 2015  12 Nov  12 Nov | A tenant  balance | c/d | 20,000  150,000  170,000 | 2015  1 Jan  10 June  12 Nov | Balance  Tenants  Balance | b/d  b/d | 50,000  120,000  170,000  150,000 |

1. **Services that are being offered by the Kenya Women Finance Trust (KWFT) to their client as one of the micro-financial institutions.**

* It offers financial assistance to small and medium size business enterprises.
* They advices entrepreneurs on available business opportunities, business management and record keeping.
* They give graduated loans to customers starting with small amount and increases the amount if the previous loans is wisely invested.
* They encourage savings by advancing loans to groups and individuals based on amount saved.
* They supervise and monitor their customers on the use of the borrowed loans.
* They give them fewer conditions during their process of lending.
* Give affordable amount of loan to borrowers, however small, at low interest rates and longer repayments periods.

1. **Characteristic of basic human wants.**

**-** One cannot do without

**-** They are felt needs.

**-** They cannot be postponed

**-** They are satisfied before secondary wants

**-** They are universal

1. **Ways in which it computerization contributes to the success of an organization.**

- It has enable globalization

- It has made communication faster.

- It has reduced paper work.

- Has assisted in data storage and inventory control.

- It facilitates market research activities

- Makes it easy the performance of any complex mathematic procedure

- Aid in security controls

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1. **Ways in which Kenya Bureau of standards (KEBS) regulates businesses.**

**-** Conducting regular inspections to ensure that standards are meet by business people

**-** They stamp on products to prove that the established standards have been adhered to.

**-** Take legal actions against those who violet set standards.

**-** Set standards for all local and imported manufactured goods by conducting research and tests on these goods.

**-** Ensures businesses have valid licenses

**-** Test goods to ensure they are safe for consumer use

**-** Destroy contaminated or poisonous goods

**-** Check labels and packages to ensure that they have the correct information

**-** They monitor and control the use of the standardization mark

1. **Briefly give the meaning of the following warehouses.**
2. Private warehouse – They are warehouses that are privately owned by individuals or firms for storing their goods only.
3. Public warehouse – They are warehouses owned by individuals or firms purposely constructed for renting to those in need of storage spaces.
4. Free ware house – They are warehouses in which tax free goods are kept awaiting sale or collection by owners.
5. Bonded warehouse – They are public warehouses especially meant for keeping imported goods as they await payment of customs duty.
6. **Features of perfect competition market structure.**

* They are large number of buyers and sellers.
* Products are uniform that is homogeneous.
* There is freedom of entry and exit.
* There is uniformity of buyers and sellers
* There is no government intervention.
* There is perfect knowledge of the market among buyers and sellers
* No excess supply or demand
* Perfect mobility of factors of production
* No transport costs

1. **Reasons why high per capita income in a country may not be an indicator that its citizens are living a higher standard of live.**

* The income may not be distributed equitably among all the citizens.
* Data used may not be accurate.
* A high per capita income may be at the expense of citizen’s social welfare.
* Higher income may be as results of increase in level of inflation.
* Increased productivity even when there are rising levels of environmental pollution
* Use of inaccurate population data

1. **State the book of original entry used to record information from the following source documents**

|  |  |
| --- | --- |
| **Source Document** | **Book of Original entry** |
| 1. Received invoice | **Purchase journal** |
| 1. Copy of credit note | **Sales returns journal** |
| 1. Payment voucher | **Cash payment journal** |
| 1. Issued invoice | **Sales journal** |

1. **In the spaces provided indicate with a tick (√) whether each of the following transaction will increase, decrease or have no effect in the balance sheet totals.**

|  |  |  |  |
| --- | --- | --- | --- |
| **Transaction** | **increase** | **Decrease** | **No effect** |
| 1. Selling a business asset at a loss |  | √ |  |
| 1. Depositing extra cash in business account |  |  | √ |
| 1. Drawing cash for personal use |  | √ |  |
| 1. Buying stock on credit | √ |  |  |

1. **The following information relates to Poleni Traders for the year ended 31st December 2017.**

Sales Ksh. 300, 000

Opening stock Ksh. 50, 000

Purchases Ksh. 260, 000

Profit margin Ksh. 20%

**Prepare a trading account for the year ended 31st December 2017.**

Karibu Traders

Trading account

For the period ended 31st December 2017

|  |  |
| --- | --- |
| shs  Opening stock 50,000  Add purchases 260,000  Cogas 310,000√  Less c. s 90,000 √√  COGS 220,000√  Gross profit 80,000 √  320,000 | shs  Sales 300,000  300,000 |