**LARI SUB-COUNTY**

**BUSINESS STUDIES**

**MARKING SCHEME**

**PAPER ONE**

1. **Economic factors influencing business operation**
* Consumer level of income
* Inflation rate
* Taxation rate
* Bank rate
* Price level
1. **Economic development indicators**
* Shifting from agricultural sectors to manufacturing sectors
* Reduction in illiteracy
* Increase in skilled manpower
* Improvement in health facilitates
* Improvement in technology and entrepreneurial ability
1. **Essential elements of transport**
* ***Unit of carriage***- refers to vessel that is used to transport goods and people
* ***Methods of propulsion***- driving force (source of power)
* ***Ways***- refers to route or path passed by the vessels
* ***Terminals (terminuses)*** - place where loading and offloading of goods and services
1. **Internal economies of scale enjoyed by a large scale firm**
* Marketing economies
* Financial economies
* Managerial economies
* Technical economies
* Risk bearing economies
* Research economies
* Welfare economies
1. **Capital owned**

Initial capital + net profit- drawing

= 90,000 + 15,000- 5,000

= Ksh 100,000

1. **Acid test =**

Current assets – Stock

 Current liabilities

Current assets = cash in hand + stock

 = 20,000 + 20, 000

 = 40,000

Current assets – stock

 = 40,000- 20,000

 =20,000

Therefore,

Acid test = 20,000

 20,000

 = 1:1

1. **Sources of capital for a sole proprietorship business**
* Borrowing from friends/ relatives
* Borrowing from financial institutions
* Inheritance
* Donations from friends and relatives
* Credit buying
* Ploughed back profits
* Leasing and renting out properties
1. **Four differences between goods and services**

|  |  |
| --- | --- |
| **GOODS** | **SERVICES** |
| Can be tangible  | Are intangible |
| Can be stored | Cannot be stored |
| Can be standardized | Cannot be standardized |
| Can change possession(separable from the producer) | Cannot be separated from the provider |
| Not all goods are perishable | Services are highly perishable |
| Most can be seen  | Cannot be seen |
| Can change in value over time | Cannot change in value since they cannot be stored |

1. **Problems encountered when using income approach**
* Incomplete information
* Problem of double counting
* Unpaid services and subsistence production
* Changes in value of money
* Inflation
* Depreciation
* Housing allowance
1. **Causes of demand pull inflation**
* Increase in government expenditure
* Effects of credit creation by the commercial banks
* Increase in money incomes
* General shortages of goods and services
* Increase in consumers’ expenditure
1. **Circumstances under which a cheque is dishonoured**
* Insufficient funds in the account
* When the cheque is postdated
* Stale cheque
* If the drawer has closed his/her account with the bank
* When the bank learns about death, insanity or bankruptcy of the drawer and gives instruction that the cheque should not be honoured
* Guillotine
* Paper punch
* Composite
* Franking
1.
* Sales/ debtors
* General
* Nominal
* Private
1. **Benefits of E-banking/M-banking**
* Help him/her top up his mobile phone automatically
* Help him automatically know when salary has been entered into his/her account
* Can request for mini-statements
* Help in checking the account balance
* Help in paying utility bills without going to the bank
* Can transfer money (credit) from the bank to the phone eg to Mpesa and vice versa
1. **Factors that lead to increase in demand**
* Increase in consumer income
* General increase in population
* Favorable government policy
* Positive change in tastes and preference
* Future expectation of increase in price
* Future expectation of decrease in quantities
* Better/favorable terms of sales
* Fair distribution of income
1. **Methods of trade restriction**
* Tariffs
* Quotas
* Administrative bottlenecks
* Foreign exchange control
* Moral persuasion
1. **Source documents**
* Outgoing receipts
* Incoming invoice
* Payment voucher
* Debit note
1. **Line of communication**
* Horizontal communication
* Upward vertical communication
* Downward diagonal communication
* Upward diagonal communication

Value of the policy x loss

 Actual value of the property

= 900,000 x 500,000

 1,200,000

=ksh. 375,000

1. **Features of monopoly**
* Single seller, many buyers (the firm is the industry)
* Commodity does not have close substitutes
* Difficult for other firms to enter the market
* Prices are usually fixed by the supplier
* The firm controls the entire output
1. Under population
2. Optimum
3. Over population

 **Bidii Traders**

 **Balance Sheet**

 **As at 31st December 2017**

|  |  |
| --- | --- |
| AssetsFixed assetsLand 120,000Furniture 75,000 195,000Current assetsStock 80,000Debtors 35,000Cash 15,000 130,000 325,000 | Liabilities + capitalCapital 130,000Long-term liabilitiesLong-term loans 65,000Current liabilitiesBank overdraft 80,000Creditors 50,000 130,000 325,000 |

1. **Reasons why government levies taxes**
* To raise revenue
* To discourage consumption of certain products
* To reduce inequality in income distribution
* To control inflation
* To reduce the balance of payment deficit
* To discourage importation of certain products in order to protect local industries
1. **Types of warehouses**
* Free warehouses
* Bonded warehouses
* Private warehouses
* Public warehouses
1. **Ways in which the government may get involved in business**
* In regulation of business activities
* In protecting consumers from exploitation
* In training/ human resource development
* In provision of enabling environment for business activities
* In provision of public utilities/ commercial activities through public corporations
1. **Q**
* No effect
* Decrease
* Increase
* decrease