**BUSINESS STUDIES PAPER 1 (565/1)**

**MARKING SCHEME**

**1. Types of wholesaler**

* Specialized wholesaler
* Regional wholesaler
* Rack jobbers
* General line wholesaler

**2. Factors to consider before buying office equipment include:**

* Space available
* use of which it be put
* technological trend in the industry
* funds available
* Skills available

**3. Malpractices by traders against which consumers may need protection by the government include:**

* Selling of contraband goods
* Overcharging
* Selling under weight goods
* Selling expired goods
* Giving misleading information about the product
* Hoarding

**4.Features of insurable interest include:**

* Presence of property rights or interest
* Potential insurable risk must be present
* The property must have monetary value
* The insurable risk must be legal
* There must be the possibility of suffering financial loss of a risk happening

**5.Ways of reducing the level of unemployment in Kenya include:**

* Encouraging self –employment
* Establishment of more labour intensive industries
* Impart the right skills through education and training
* Expanding the market for agricultural goods
* Exporting surplus manpower

**6.Services offered by a commercial bank to its customers include:**

* Acceptance of deposits
* Safeguarding valuable items
* Advancing loans
* Offering management and consultancy services
* Advisory services on financial matters
* Foreign exchange services

**7.Sources of public finance include:**

* Taxes
* Licences
* Court fines
* Donor aid
* Fees
* Treasury bonds and bills

**8.Reasons why countries may trade with each other include:**

* To sell their surplus
* To enhance bilateral ties
* To acquire what they are not able to produce
* Protect special interest
* To improve the quality of life of their citizens/improve access to a variety of goods

**9.Reasons why economic development is desirable to a country include:**

* Improve standard of living of the citizens
* Improve infrastructure
* Create employment
* Increase life expectancy
* Reduce rural-urban disparity
* Improve the social welfare of the citizens

**10.Factors of production and rewards they earn.**

* Rent/rates/royalties
* Wages/Salaries/Commission
* Interest
* Profit/dividends

**11.Circumstances under which a co-operative society may be dissolved include:**

* By government order
* Where the co-operative continuously make losses
* Where stipulated majority of members agree to dissolve it
* By a court order
* Where the co-operative society has achieved objectives for which it was formed

**12.Features of a bonded warehouse include:**

* Mostly located at points of entry into a country like the ports
* Stores goods that are under bond
* Guarantees payment of customs duty to customs authority
* Very spacious to accommodate even bulky goods like motor vehicles
* Must issue release warrants to owners of goods for customs clearance
* Works hand in hand with customs officials for inspection of goods

**13. Factors that may be considered when measuring the size of a firm include:**

* The level or volume of output
* The number of employees
* The capital invested
* The production methods(technology)used
* The market served
* The floor area covered by the firm’s premises
* The sales volume

**14.Ledger accounts**

1. Salim Traders Account

Ksh.200, 000

March 10: purchases

1. Shah traders account

Ksh

March 25: sales 420,000

1. Purchases account

Ksh

March 10: salim traders 200,000

1. Sales account

Ksh

March 25 shah traders . 420,000

**15. Amount paid**

**Ksh**

Invoice price 12,000

Less: tradediscount (12,000x5%) 600

11,400

Less: cash discount (11,400x10%) 1,140

10,260

**16. Calculate the rate of return on capital**

C=A-L

=500,000-(150,000+100,000)

=500,000-250,000

=250,000

ROROC=NPX100

C

=50,000X100

250,000

=20%

17 Amina traders

Trading account

for the year ended 31st December, 2006

Ksh Ksh Ksh

Opening stock 75,000 sales x125 400,000

Purchases 260’000

Add: carriage 12,500 272,000

320,000

Less: closing stock 27,500

Cost of goods sold 320,000

Gross profit

x25

80,000

400,000 400,000

**18.Benefits that a farmer may get by transporting her produce to the market by road include:**

* Relatively flexible
* Relatively cheap
* Relatively available
* Relatively fast
* Variety of means of road transport

**19.Causes of the declining supply of sukuma wiki include:**

* Fall in the price of kales(sukuma wiki)may have discouraged producers (farmers)as they opt to produce other goods
* There may have been an outbreak of disease affecting the sukuma wiki
* There may have been prolonged drought which affects the sukuma wiki
* There may have been increased cost of farm inputs like fertilizer and seeds
* The farmers could be using inappropriate technology to produce the sukuma wiki
* This may just be the ploughing time and farmers have not yet planted sukuma wiki.

**20.Ways in which households may contribute to national income of a country include:**

* + Consumption of goods
  + Payment of taxes
  + Provision of factors of production
  + Provision of saving for investments

**21. Circumstances in which a trader may use oral communication include:**

* + When there is need to negotiate a deal
  + When there is need to explain the use and features of a product
  + When there is need for immediate feedback
  + When there is need to give an immediate compliment
  + When selling over the counter

**22.Reasons why a firm may remain small include:**

* + Target market is small
  + Limited production capacity
  + Nature of the production
  + Owner’s decision to remain small
  + Inadequate technology

**23.Two-column cash book for the month of January**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **RECEIPTS** |  |  |  | **PAYMENTS** |  |  |  |
| Date | details | cash | bank | date | details | cash | bank |
| 2007 |  | ksh | Ksh | 2007 |  | ksh | ksh |
| Jan 1 | balance b/d | 25,000 | - | Jan 1 | balance b/d | - | 150,000 |
| 5 | sales | 21,500 |  | 28 | creditors | - | 80,000 |
| 16 | debtors |  | 360,000 | 28 | creditors | 20,000 |  |
|  |  |  |  | 31 | Balance b/d | 26,750 | 130,000 |
|  |  | 46,750 | 360,000 |  |  | 46,750 | 360,000 |
| Feb1 | Balance b/d | 26,750 | 130,000 |  |  |  |  |

**24.Benefits that accrue to a trader who advertises products in a newspaper include:**

* + Wide coverage-message can reach a lot of people
  + Evidence of the message exists
  + Graphical details can be included
  + A trader has a chance to compete with other traders
  + A trader has a chance of increasing sales

25. **Advantages of an enclosed office layout**

* Confidential discussion/consultation can be held
* Confer statistics to top level management
* Easy to clean/tidy up
* Limited spread of communicable diseases
* Encourage team work
* Guarantee security of personal property
* Less disruption from machines/colleagues to allow maximum concentration