**PATHWAY EXAMINATIONS – 2016**

**565/1**

**BUSINESS STUDIES**

**JULY/AUGUST**

MARKING SCHEME

1. Definitions.
2. Activities carried out with a view of making profit.
3. Iinvolves increasing the usefulness of a good or service.
4. Movement of goods from producers to consumers.
5. A person who uses a good or a service.
6. (a) ap - Demand curve

bq – Supply curve

letter c – Equilibrium point

Price (ksh)

Quantity

p

q

c

b

a

PE

QE

* Food reduces the effects of hunger.
* Food protects the body against diseases
* Provides the body with warmth.
* It is a source of important minerals for body building
* Good record keeping
* Good working strategies.
* Good planning
* Favourable government policies.
* Good security in the area.
* Adequate academic and technical knowledge.
* Adequate business management knowledge.
* Adequate demand market.
* Good customer relations.
* Good self-discipline and moral character.
* Positive changes in technology.

Positive change in business environment

5. Outline four differences between chain stores and departmental stores. (4mks)

|  |  |
| --- | --- |
| Chain stores | Departmental stores |
| 1. They have branches all over the country e.g ART Ltd | All departments operate under one roof |
| 1. Stock a limited variety of goods | Stock a wide variety of goods |
| 1. All branches sell similar goods.   Purchases are centralized | Each department deals with different line of goods.  Purchases are decentralized |
| 1. Prices are uniform in all branches | Each department sets its own price |

1. Cash Payment journal√

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Date | Details | Rcpt No. | L.F | Disc. Received  Shs. | Cash  Shs. | Bank  Shs |
| 2014  June 1. | Purchases√ |  |  |  | 25,000√ |  |
| 4. | Kibogong√ |  |  | 2,000√ |  | 38,000√ |
| 12. | Stationery√ |  |  |  | 19,000√ |  |
| 18. | Yatich√ |  |  | 2,700√ |  | 87,300√ |
| 30. | Salaries√ |  |  |  | 30,000√ | 50,000√ |
|  | Totals posted to the discount received√, cash√ and bank√ accounts. |  |  | 4,700√ | 74,000√ | 175,300√ |

**20 × 1/5 = 4 marks**

1. Features of monopoly

* No free entry into the industry
* Seller determines the price of the product
* Demand curve steeply slopes from left to right
* Products have no close substitutes
* There is a single firm in the industry

1. Transactions

Accounts Debited credited

1. Wages cash
2. drawings cash
3. Furniture zaodon/ creditors

Electricity bank

1. Consumer price index (CP1) = P1x 100

P0

1. = 800 x 100 = 200%

400

1. The price of commodity ‘x’ in 2016 is 200% it’s price in 2010. Which indicates that the price of this commodity rose by 100% since 2008.
2. Features of capital

* It is man-made
* It a basic factor of production
* Subject to depreciation through wear and tear
* Can be improved through technology
* It is mobile

Supply is determined by factors like interest and savings (4 x 1 = 4mks

11.

* Records can be easily retrieved
* Time saving
* Clean and tidy records produced
* Minimum storage space required
* Accuracy is enhanced
* Cost of maintenance lower
* Not easily damaged
* Not easily lost

1. Roles played by intermediaries

* Reducing transactions between producers and consumers
* Bulk breaking
* Accumulating (assembling bulk)
* Risk taking
* Provision information to producers about consumers
* Product promotion/advertising
* Provision of storage facilities
* Transportation
* Availing goods to consumers
* Guarantor to the government. (any 4x1=4 marks)

13.

* equitability
* certainity
* convenience
* Diversified
* Flexible
* economical

Simplicity

1. Positive effects of inflation

* Debtors pay less
* Sellers earning more
* Motivating people to work
* Increasing production
* Better use of the available resources. *(4 x 1 = 4 mks)*

15.

1. Accounting machine
2. A computer
3. A facsimile/fax machine
4. Safe/vault

16. Factors that affect the circular flow of income

* + Investment
  + Government
  + Savings
  + d) Foreign trade (4 x 1 = 4 marks)

17. Features of a co-opeartive societies

* Have legal entity - Have perpetual life
* Minimum number of 10 members
* Members have limited liabilities
* Managed by committee members (9)

18. - Manufacturer –consumers

- Manufacturer – Wholesaler –Retailer –Consumer

- Manufacturer –Retailer –Consumer

- Manufacturer –Government agent –Wholesaler –Consumer

* Speed post.
* Post restante.
* Express mail.
* Registered mail.
* Ordinary mail.
* Business reply service.
* Saccos charge low interest rates while commercial banks charge high interest rates.
* Saccos offer sense of ownership to members which is not there in commercial banks.
* No collateral are required by Saccos while commercial banks require collaterals.
* Sacco loans are insured by CIS while commercial banks loans are not insured.
* Saccos offer several types of loans while commercial banks offer one type of loan.

(1 x 4 = 4 mks)

1. Current trends in the road transport sector

* The introduction of alcohol blow
* Registration of all public service vehicles in saccos
* Introduction of tamper proof speed governors
* Construction of super highways/ roads with dual carriage.
* Some public service vehicles are fitted with wi-fi
* payment of fare using cards *(4 x 1 = 4 mks)*
* Error of total omission
* Error of original entry
* Error of commission
* Compensating errors
* Complete reversal of entry
* Error of principle

*23.*

(i) External environment.

(ii) Internal environment.

(iii) External environment.

(iv) Internal environment. (*4 x 1 = 4 mks*)

1. Features of assets

* Fixed/current assets
* Must have been acquired in the past.
* Resources owned and controlled by business
* Items of value/measured in monetary terms
* Future economic benefits

25. Calculation of:

(a) Cost of goods sold.

Gross profit = 0.10 🗸 x 400,000 🗸

= Shs.40,000 🗸

Cost of goods sold = 400,000 🗸 - 40,000 🗸

= Shs.360,000 🗸 (6 x 1/3 = 2 marks)

1. Closing stock.

Cost of good sold = Opening stock + Purchases – Returns outwards – Closing stock

360,000 🗸 = 100,000 🗸 + 200,000 🗸 – 10,000 🗸 - C

Closing stock = Shs.40,000 🗸🗸 (6 x ½ = 2 marks)