**565/1**

**BUSINESS STUDIES**

**PAPER ONE**

**FORM 4**

**JULY/AUGUST 2019**

**MARKING SCHEME**

1. **Features of economic resources**
2. They are scarce/limited in supply.
3. They have money value.
4. Some are mobile while others are immobile.
5. They have alternative uses.
6. Different places are endowed with different economic resources.
7. They have ability to create goods and services.

4 × 1 = 4marks

1. **Causes of cost push inflation.**
2. Rise in wages and salaries.
3. Increase in profit margin.
4. Increase in taxes.
5. Increase in cost of inputs other than labour.
6. Reduction in subsidies.

4 × 1 = 4marks

1. **Circumstances under which hire purchase may be used to acquire goods and services.**
2. When the buyer does not have enough money to pay at once.
3. When the buyer desires to own luxurious items.
4. When the buyer is salaried employee or has regular income.
5. When the buyer wants to use the item immediately before completing paying.
6. When the product is expensive.

4 × 1 = 4marks

1. **Method of product promotion**
2. Publicity
3. Personal selling.
4. Public relations.
5. Advertising.

4 × 1 = 4marks

1. Goals of development in a country.
2. Provision of adequate health facilities.
3. Attainment of high and suitable economic growth. \
4. Alleviation of poverty.
5. Attainment of food security.
6. Maintenance of political stability.
7. Provision of security.
8. Alleviation of unemployment.

4 × 1 = 4marks

1. **Differences between monopoly and perfect competition market.**

|  |  |  |
| --- | --- | --- |
|  | **Monopoly**  | **Perfect competition**  |
|  | Consists of one seller.  | Consists of many sellers.  |
|  | Product is only one in the market.  | Products are homogeneous.  |
|  | Firm is the industry.  | Many firms make the industry.  |
|  | There is government interference.  | No government interference.  |
|  | Entry and exit is restricted.  | Free entry and exit.  |
|  | Transport costs are incurred.  | No transport costs incurred.  |
|  | There is restricted flow of information.  | Perfect knowledge of the market.  |
|  | Firms earn supernormal profits. | Firms earn normal profits.  |

4 × 1 = 4marks

1. **Functions of wholesalers.**
2. Act as a link between producers and retailers.
3. Transport goods to retailers’ premises.
4. Offer storage to ensure continuous supply.
5. Stabilizes prices due to storage of goods.
6. Reduce operational costs as they link producers with retailers.
7. Advise both producers and retailers about pricing.
8. Advertise goods which they deal in.
9. Prepare goods for sale by sorting, blending and grading.
10. Financing trade by paying producers in cash.

4 × 1 = 4marks

1.

**SAFARI TRADERS**

**BALANCE SHEET**

**AS AT 31/12/2015**

|  |  |  |  |
| --- | --- | --- | --- |
| **ASSETS**  |  | **CAPITAL AND LIABILITIES**  |  |
| **Fixed Assets**  |  | Capital  | 120,000 |
| Land  | 200,000 | Less drawings  |  20,000 |
| **Current Assets**  |  | Net capital  | 100,000 |
| Stock  |  10,000 | Bank overdraft  |  80,000 |
| Debtors  |  20,000 | Accrued electricity  |  50,000 |
|  | **230,000** |  | **230,000** |

4 × ½ = 4marks

1. **Types of taxes**
2. Direct
3. Indirect
4. Direct
5. Indirect

4 × 1 = 4marks

1. **Methods the government uses to protect consumers**
2. Setting up standards.
3. By licensing.
4. Weights and measures act.
5. Foods and drugs act.
6. Trade description acts/sale of good act.
7. Public health act.
8. Rent and tribunal act.

4 × 1 = 4marks

1. **Benefits that people receive from business enterprise.**
2. Creation of employment.
3. Income generation.
4. Obtain goods and services.
5. Provide market for local resources.
6. To be own boss when one starts a business.
7. Special services are offered.
8. Proper utilization of spare time.
9. New invention among people.

4 × 1 = 4marks

1. **Disadvantages of manufacturers if wholesalers are eliminated from the chain of distribution.**
2. Beans risks associated with distribution.
3. Incurs costs of advertising products.
4. Incur costs of transporting goods to retailers.
5. Manufacturers will have to break bulk.
6. Incurs cost of storage.

4 × 1 = 4marks

1. **Demerits of using newspapers as a means of advertising.**
2. Does not cater for illiterate.
3. May not reach rural areas.
4. Expensive to book a space in newspaper.
5. Message may be read only once as people are interested for that particular time.

4 × 1 = 4marks

$Mark up=25\%$

$Margin=20\%$

$\frac{Gross profit}{Sales}=Margin$

$ \frac{Gross profit}{600,000}=\frac{20}{100}$

$Gross profit=\frac{20}{100}×600,000$

$ =Sh.120,000$

4 × 1 = 4marks

1. **Merits of globalization**
2. Facilitates application of better technology for improved goods.
3. Encourages collaboration among businesses from different countries.
4. Makes it possible to share new production techniques.
5. Facilitates sharing of research findings.
6. Enables business enterprises to take advantage of resources found in other parts of the world.
7. Wider markets.
8. Leads to transfer of capital.

4 × 1 = 4marks

1. **Causes of business failure**
2. Inadequate capital.
3. Inappropriate marketing strategies thus low sales.
4. Unfair/unhealthy competition.
5. Inefficient management skills.
6. Inadequate manpower.
7. Inappropriate technology.

4 × 1 = 4marks

1. **Ways in which commercial banks facilitates transferring of money.**
2. Standing orders.
3. Credit transfer.
4. Electronic transfer.
5. Credit cards.
6. Cheque/bank drafts.
7. Traveller’s cheque.
8. Letter of credit.

4 × 1 = 4marks

1. **Documents in international trade.**
2. Certificate of origin.
3. Bill of loading.
4. Consular invoice.
5. Pro-forma invoice.

4 × 1 = 4marks

1. **Determining the size of a firm**
2. Number of employees.
3. Volume of output.
4. Floor space covered by premises.
5. Amount of capital invested.
6. Production methods used.
7. Market served.
8. Sales volume.

4 × 1 = 4marks

1. **Benefits of pooling of risks.**
2. Enables insurance company to compensate those affected.
3. Enables insurance company to spread risk over larger number of people.
4. Surplus funds are invested to generate profits.
5. Enables the company to meet its operating costs.
6. Enables the company determine the premiums to be charged.
7. Enables the company reinsure itself.

4 × 1 = 4marks

1. **Circumstances when per capita income statistics would be a good indicator**
2. When national income is evenly distributed among citizens.
3. When national statistics are in real terms and allowances made to take care of price fluctuations.
4. When output per year is based on essential and final goods/services consumed by the masses.
5. When real statistics on population figures is obtained and not projections used.

4 × 1 = 4marks

1.

|  |  |  |
| --- | --- | --- |
|  | **Source document**  | **Book of original entry**  |
|  | Credit note  | Sales return journal.  |
|  | Incoming invoice.  | Purchases journal.  |

4 × 1 = 4marks

1. **Errors that do not affect the agreement of a trial balance.**
2. Errors of total omission.
3. Error of original entry.
4. Compensating errors.
5. Complete reversal of entry.
6. Error of principle.

4 × 1 = 4marks

1. **Circumstances under which verbal communication would be preferred to written communication.**
2. If the person intends to convince another.
3. If the message is urgent.
4. If distance between the sender and the recipient is very short.
5. If the message is confidential.
6. If the immediate feedback is required.
7. If the recipient is illiterate.

4 × 1 = 4marks

1.

**JACKY’S STORES**

**BALANCE SHEET**

**AS AT 15TH APRIL 2005**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Fixed assets  |  |  | Capital  | 260,000 |
| Buildings  | 200,000 |  | Loan from  |  |
| Motor van  |  35,000 | 235,000 |  Hfck  | 100,000 |
| Current assets  |  |  |  Creditors  |  24,000 |
| Stock  |  22,000 |  |  |  |
| Debtors  |  6,000 |  |  |  |
| Cash at bank  |  85,000 |  |  |  |
| Cash at hand  |  36,000 | 149,000 |  |  |
|  |  | **384,000** |  | **384,000** |