**PAPER 1 BUSINESS STUDIES MARKING SCHEME**

**1. Reasons for popularity of hyper market to shoppers in Kenya**

* Easily accessible
* Provide one stop shopping
* Availability of parking space
* Availability of auxiliary services
* operate for longer hours accept debt /credit cards for payment
* Attractive /convenient to shop in
* Located from hussies of the city centre

4x1=4mks

**2.Ways of improving the internal environment of a business**

* Employing better skilled/educated employers
* Increasing capital structure /finance of business
* Improving management policies /skills style
* Identifying achievable /clear objective
* Improve business culture\well organized business structure
* Improve internal communication
* Identifying better equipment for production

4x1=4mks

**3.Circumstances under which personal selling maybe used**

* When there is need for immediate feedback
* When there is need for demonstration on use/ operation of product
* When launching a new /improved product to the market
* When there is need for persuasion /convincing of the customers
* Where there is need to correct negative publicity
* When the market is localized /concentrated in a given area

4x1=4mks

**4.Economies of scale to a firm operating on large scale**

* Marketing economies
* Purchasing economies
* Financial economies
* Risk bearing economies
* Welfare economies
* Research economies
* Managerial economies

4x1=4mks

**5.Role of warehousing in trade**

* Ensure goods are secured
* Ensure steady supply of goods
* Ensures stability of prices
* Ensures continuity in production
* Encourage mass production
* Protects goods

4x1=4mks

6.

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date  | Details | folic | Dis all | Cash  | Bank  | Dat e | Details  | folio | Dis rece | Cash  | Bank  |
| Sep 1 | Bal b/d |  |  | 50,000 |  | Sep 1 | Bal b/d |  |  |  | 60,000 |
| Sep 15 | Munene  |  | 5,400 |  | 84,600 | 4 | Wanja  |  | 500 |  | 19,500 |
| Sep 20 | cash |  |  |  | 45000 | 20 | Bank  |  |  | 45,000 |  |
|  |  |  | 5400 | 50000 | 129600 | 30 | Bal old |  |  | 5,000 | 50,100 |
| Oct 1 | Bal b/d |  |  | 5000 | 50100 |  |  |  | 500 | 50,000 | 129,600 |

10x1/2=5mks

7. cc=oc+a1-l-D

450000=900000+60000-150000-D

450000=810000D

D=810000-450000

=sh 360,000

8x1/2=4mks

**8. Identifying source document**

1. Debit note
2. Payment voucher
3. Invoice
4. Receipt

4x1=4mks

9.

**Dr Cr**

1. Cash capital
2. Purchase shah limited
3. Shah limited purchase returns
4. Drawings cash

8x1/2=4mks

10.

1. 74 520
2. 167 263
3. 39 469

**11. Four circumstances under which firm may acquire monopoly power**

* Ownership of production rights
* Control of an important input in production
* Internal economies of scale
* Small size of the market
* \amalgamation and mergers
* Restriction practices

**12.Four benefits of indirect production to a country**

* Quality good are produced
* Large output
* Encourages specialization
* Employs use of modern technology
* Surplus goods are produced hence earns reverse
* Creates interdependences among countries

13.

1. Secondary
2. Basic
3. Basic
4. Secondary

**14. Four ways in which commercial attaches promote trade in Kenya**

* Looking for new markets for expert
* Advertising a country’s products abroad
* Organizing educational tours for exporters and trade missions
* Providing exporters with data /statistics on foreign markets
* Informing exporters the standards of goods required abroad
* Organizing trade fairs and exhibitions
* Selecting buyers, agents and distributors for exports

**15.Four effects of a declining population**

* Reduce government expenditure on social services such as education, health
* Attainment of optimum population
* Proper utilization of land and other natural resources
* Reduced dependency ratios
* \reduction of aggregate demand for goods and services
* Reduction of labour supply
* Surplus government revenue
* Increased job opportunities /reduced unemployment
* Increased savings hence more investment
* Increased per capita income
* Better living standards.

**16. Advantages of operating a partnership business**

* Ability to raise more capital
* Partners bring in different talents/skills
* Partners can share the workload
* If losses occur partners share them
* Better decisions made due to sharing of ideas
* Easy to start

4x1=4mks

**17.Factors leading to increase in demand**

* Rise in incomes of consumers
* Rise in population
* Fall in price of complimentary products
* Favorable change in taste /fashions towards the products
* Favorable government policies on consumption of products

4x1=4mks

**18.Circumstances under which an insurance contract may be terminated**

* When the insured ceases to have insurable interest on the property
* Incase of a court under terminating the contract
* When the insured fails to act in utmost good faith
* When the maturity of the contract occurs
* If the insured decides to terminate the contract
* When insured risk occurs and compensation made

4x1=4mks

***Circumstance must come out clearly***

**19.Advantages of open office layout**

* Easy supervision
* Resources can be shared
* Cheaper to construct
* Easier to communicate
* Cheaper to decorate
* Saves on space
* Misuse of office resources discouraged
* Easy to re-organize

4x1=4mks

**20.Area of study describe by each statement**

1. Economics
2. Commerce
3. Accounting
4. Entrepreneurship

4x1=4mks

**21. Reasons why business observe ethical practices while conducting in activities**

* Ensure fair competition
* To protect consumers
* To protect the environment
* To protect the rights of employer
* To maintain a positive image of the business
* To avoid discrimination in business
* To abide by a countries laws
* To promote social responsibility
* To protect the right of employer

Any 4x1=4mks

 **22. Disadvantage of a long chain of distribution**

* Goods may take long to be delivered
* Perishable goods may go bad before getting to the buyer
* May lead to high prices of the goods
* Fragile goods may be damaged while changing hands /being transported
* Consumers may lack personal touch with the producers

4x1=4mks

23a. Expenditure approach 1x1=1mk

bi. C-expenditure on consumer goods

ii. G-government expenditure

iii. (x-m) – Net exports /exports –imports
3x1=3mks

**24i.Working capital –current asset-current liabilities**

=(560000+700000+440000)-(80000+200000)

=1700000-280000

1420000

8x1/4=2mks

Borrowed capital =long term liabilities

=500000+400000

900000

4x1/2=2mks

**25. List price =10x3000=30,000**

Trade discount =10/100x30000=3000

Cash discount =3/100x (30000-3000)

3/100x27000=810

Amount paid =30000(3000-810)

=sh 26,190

8x1/2=4mks