WEITHAGA ZONE FORM 4 BUSINESS EXAM PAPER ONE

TERM TWO 2019 MARKING SCHEME.

1. Outline **four** challenges that an office faces when using machines. ( 4 marks )

i) Are expensive to buy and maintain.

ii) Breakdown may cause delay.  
iii) Change in technology may lead to obsolescence.

iv) Workers may misuse them for their own benefits.

v) May create discontent / dissatisfaction among staff if they are not trained on them properly.

vi) May create unemployment.

2. In the space provided, name the type of business organization described. ( 4 marks )

Description Business type

i) Each member has only one role - Partnership

ii) Formed by an act of parliament - Public corporation / parastatal

iii) Members are not free to fransfer their shares - Private limited company

iv) Start operating after receiving certificate - Public limited company

of trading.

3. Highlight **four** factors that may cause the supply curve to shift to the right. ( 4 marks )

i) Reduced cost of production

ii) Favourable climate / weather

iii) Increase in price of jointly produced products

iv) Favourable government policies

v) Entry of new firm(s) into the market

vi) Reduced incidences of industrial strikes

vii) Availability of factors of production

viii) Future expectations of a fall in price

4. List down **four** transactions that are likely to be recorded in the general journal. ( 4 marks )

i) Purchase of fixed assets

ii) Sale of fixed assets

iii) Correction of errors

iv) Issue of shares and debentures

v) When making opening and closing entries

vi) When writing off bad debts

5. State **four** circumstances that may lead a trader to decline giving credit facilities to his customer. ( 4 marks )

-Incase the customer is uncreditworth.

-In case of too low stock level.

-If the customer has doubtful character.

-Where customers order goods beyond ability of the seller.

-Where it’s a business policy.

-Where a customer gives a long repayment period.

-Where the rate of stock turnover is (very) high.

6. A certain county has been experiencing a decreasing population over the last 20 year. Highlight **four** negative implications that may be associated with this trend. ( 4 marks )

i) Under utilization of resources.

ii) Low level of specialization.

iii) Reduced market for goods.

iv) Lack of social amenities.

v) Slow economic developments.

vi) Low labour supply.

7. Identify the insurance term described by the statement. ( 4 marks )

i) Amount of money refundable to the insured when he terminates the contract prematurely –**surrender value.**

ii) A principle demanding that the insured disclose all the relevant facts concerning the subject of insurance - **utmost good faith / uberrima fidei.**

iii) Event of loss that the insured takes cover against - **risk**

iv) Value of the property as given by owner at the time of applying for the cover - **sum insured.**

8. Outline **four** ways business observe ethical practices. ( 4 marks )

i) Avoiding customer exploitation

ii) By protecting the environment

iii) By upholding the rights of employees

iv) By avoiding corruption

v) Ensuring fair competition

vi) Obeying the rule of law

9. The following balances relates to Koimbi Traders as 1st January 2019

Capital 136,000

Furniture 80,000

Stock 45,000

Creditors 20,000

Bank 26,000

Cash 5,000

On 2nd January, 2019 the following transactions took place:

(i) Purchased a motor van for shs 400,000 on credit from DT motors.

ii) Paid a creditor shs 2,000 in cash

iii) Bought furniture for shs 13,000 by cheque.

Prepare the balance sheet as at 2nd January 2019

(i )Motor van 400,000

DT motors 400,000

(ii) Creditor 18,000

Cash 3,000

(iii) Furniture 93,000

Bank 13,000

Koimbi Traders

Balance sheet √

As at 2/01/2019

Assets

Motor van 400,000 √ Capital 136,000 √

Furniture 93,000 √ **Liabilities**

Stock 45,000 √ DT Motors 400,000 √

Bank 13,000 √ Creditors 18,000 √

Cash 3,000 √

554,000 √ 554,000

( 10 x ½ = 5 marks )

10. Outline **four** reasons why a school in Nairobi would prefer to transport six students to Mombasa for music festivals using standard gauge railway (SGR) train rather than a bus.

( 4 marks )

i) Train is cheaper

ii) Saves on time as it is quite fast unlike bus

iii) Train will not be affected by traffic jam unlike the bus

iv) Cases of road accident are reduced since trains are not prone to accident

v) Its more comfortable to travel by train over long distance than the bus.

11. Highlight **four** measures that government can put in place to restrict imports. ( 4 marks )

i) Imposing custom duty

ii) Fixing quotas

iii) Total ban

iv) Putting in place complicated imports procedures

v) Restrict sale of foreign currency / control foreign exchange.

12. Highlight **four** reasons why the government trains businessmen. ( 4 marks )

i) To expose them to modern development in management

ii) To educate them on efficient methods of business management

iii) To expose them to problems facing them and possible solutions

iv) Impart on business ethics

v) Educate them on how to use the available resources to minimize costs and maximize profit

vi) Inform them on various available profitable business activities.

13. For each of the following forms of production, indicate the correct classification in the appropriate column. ( 4 marks )

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Forms of production | | Primary | Secondary | Tertiary |
| i | Farming | √ |  |  |
| ii | Transportation |  |  | √ |
| iii | House building |  | √ |  |
| iv | Retailing |  |  | √ |

14. State **four** negative effects of long chain of distribution to the buyer. ( 4 marks )

i) Increased price of products

ii) Delays in delivery of products

iii) Tampering with quality of goods ( handling of goods by so many people )

iv) Perishable goods may get damaged

v) High risk of loss of some products.

15.Outline **three** features of basic human wants. ( 3 marks )

i) Are felt needs

ii) Cannot be postponed

iii) Essential for human survival

iv) Satisfied before secondary wants

v) Are universal

vi) Satisfied at individual level.

16. State **four** reasons why short message service (SMS) are replacing letters as a method of communication. ( 4 marks )

i) Cheaper / economical when sending

ii) Reaches the receiver faster than letters

iii) Possible to provide immediate feedback

iv) Some may be sent to many people at a go

v) Operates 24 hours as long as there is network in an area.

17. Outline **four** ways in which the central bank controls the operations of commercial banks.

( 4 marks )

i) By licensing them / approves their establishment and issues them with licenses.

ii) By regulating the rates of interest that they charge their customers for loans borrowed.

iii) By determining the cash ratio / liquidity ratio which determines their ability to create credits.

iv) By controlling the establishment of branches of the bank.

v) By determining the minimum capital requirement for their establishment.

vi) By requiring them to deposit a certain percentage of their customer deposit with it / compulsory deposit

vii) By setting the margin requirement by setting the security requirements for applying for loans.

18. Outline **four** benefits of running a business. ( 4 marks )

i) To earn profits

ii) Utilize free / leisure time

iii) Provide essential goods and services

iv) Create employment

v) Create market for locally available materials

vii) An outlet for new innovations

viii) To be own boss

19. Highlight **four** advantages of after sales services as a method of sale promotion to a customer. ( 4 marks )

i) He is assisted with technical advice on how to use a product.

ii) May be assisted in installation of the products at no cost.

-iii) Usually given a guarantee on the item for a certain period of time

iv) He saves on servicing costs

v) Where an item has a major technical breakdown, it can easily be replaced at no extra cost.

vi) It saves on transportation costs

20. State **four** ways in which households contributes to national income of a country.

( 4 marks )

i) Consumption of goods

ii) Payment of taxes

iii) Provision of labour

iv) Provision of savings for investment / capital

v) Provision of land

vi) Provision of entrepreneurship.

21. Outline **four** methods of controlling cost push inflation. ( 4 marks )

i) Reducing tax on production

ii) Providing goods in short supply

iii) Subsidizing production

iv) Reducing cost of land in form of rent and rates.

v) Using buffer stock to stabilize prices.

22. Outline **four** features of a public warehouse. ( 4 marks )

i) Rent storage space to businesses / members of the public

ii) Usually situated near main transport terminals / seaport / airport / railway station / main highways / towns.

iii) Usually very big in size in order to meet the needs of many users.

iv) Insurance of goods is mandatory.

v) Have extensive documentation / record keeping.

vi) Managed as a business in its own right

23. The following information shows the financial position of Mwalimu Traders as at 1st May ,2018.

Capital 130,000

Cash in hand 40,000

Rent owing 12,000

Furniture 110,000

Debtors 20,000

Stock 60,000

Trade creditors 38,000

Bank overdraft 50,000

Required: Prepare the trial balance for the business. ( 5 marks )

Mwalimu Traders

Trial balance √

As at 01 /05/ 2018

|  |  |  |
| --- | --- | --- |
| Particulars | Dr | Cr |
| Capital |  | 130,000 √ |
| Cash in hand | 40,000 √ |  |
| Rent owing |  | 12,000 √ |
| Furniture | 110,000 √ |  |
| Debtors | 20,000 √ |  |
| Stock | 60,000 √ |  |
| Trade creditors |  | 38,000 √ |
| Bank overdraft |  | 50,000 √ |
|  |  |  |
|  | 230,000 √ | 230,000 |

( 10 x ½ = 5 marks )

24. List **three** importance of learning Business Studies. ( 3 marks )

i) Enables one to understand the general business environment

ii) One develops ability to identify business opportunities for self reliance

iii) Leads to better understanding of other related subjects.

iv) Form a basis for pursuing careers in business related subjects

v) Helps an individual to understand and appreciate the role of government in business

vi) Helps one to develop positive attitude towards work.

25. State whether the following business occurrences will increase or decrease net worth of a business. ( 4 marks )

a) Loss - Decrease

b) Additional investment - Increase

c) Drawings - Decrease

d) Profits - Increase