

Kenya Certificate of Secondary Education
BUSINESS STUDIES pp1
FORM FOUR 2ND TERM EXAMINATION 2019

MARKING SCHEME

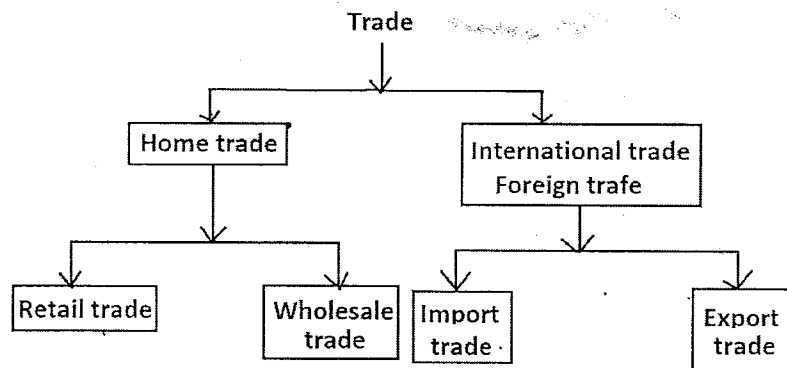
1. State four features of land as a factor of production. (4marks)

- It is a natural resource
- It is a Fixed in supply
- It lacks geographical mobility
- It is Basic factor of production
- It is occupationally mobile
- Its Reward is rent/rates
- It is Subject to the law diminishing returns
- Its productivity can be varied by varying the inputs
- Its quality is not homogenous

2. State four functions of an office. (4marks)

- Collecting information
- Receiving information
- Storing information
- Mailing
- Communication Centre
- Recording information
- Safeguarding and controlling organizations property
- Center of administration/nerve Centre
- Distributing information/dissemination of information

3. Fill the relevant branches of trade in the diagram given below. (4marks)



4. The following information relates to Mwangangitraders for the year ended 31st December 2008

Details	ksh
Fixed assets	1,840,000
Current assets	400,000
6 year bank loan	600,000
Current liabilities	150,000

Determine the owners capital using the information given above(4marks)

$$(FA+CA)-(longtermliabilities+current liabilities)$$
$$(1,840,000+400,000)-(600,000+150,000)= 1,490,000$$



5. Give four differences between public corporations and private limited company. (4marks)

Public corporation	Private limited company
(i) Formed by an act of parliament	(i) Formed under companies act
(ii) Initially financed by government	(ii) Financed by shareholders
(iii) Board of directors nominated by the government	(iii) Directors nominated by shareholders
(iv) Political influence is eminent	(iv) No political influence
(v) Profits go to the government	(v) Profits go to shareholders

6. Highlight four factors that a trader may consider when choosing a means of transport. (4marks)

- Nature of goods –whether they are bulky, perishable or fragile
- Speed/urgency- where goods are to be delivered quickly
- Cost of transport- should be economical
- Distance to be covered
- Availability of means
- Packaging requirements for the goods
- Availability of terminals
- Reliability of the means
- Amount of goods/number of passengers
- Need for special facilities
- The risks involved/security

7. State four ways in which a youthful population may be useful to an economy. (4marks)

- Increased innovation due to their adventurous nature
- Faster growth of some sectors like music, fashion and fast food industries.
- Flexibility and adaptability to technological changes which improve production. Less expenditure on social security and pension
- Wider market for goods meant for the youth like clothing
- Guaranteed continuous supply labour

8. State four benefits of national income statistics to the government. (4marks)

- Provides a breakdown on consumer expenditure and government expenditure.
- Provides information on the distribution of income.
- Provides information used for comparing economic performance of the country across two or more years.
- Provides statistics for measuring the economic growth of the country.

9. State four external factors that may negatively influence the operations of a business. (4marks)

- Unfair Competition
- In adequate technology
- Unstable political environment
- Unfavourable frame works
- Unreliable supply systems
- Poor physical facilities and infrastructure
- Natural calamities
- Low population level
- Insecurity

10. Outline four circumstances under which a cooperative society may be dissolved (4marks)

- When the cooperative continuously makes losses
- Where the court orders it to be dissolved
- Where the cooperative society has achieved objectives for which it was formed
- Where a stipulated majority of members agree to dissolve it.
- Where there is change in law

11. The following transactions relate to Wanjala stores

- a) 10th October 2018 sold unused stationery for sh.4000 on credit to Otieno
- b) 24th October 2018, bought a motor vehicle on credit from Munyoki motors for sh800000
Required: record the above transactions in the general journal given below(4marks)

Date	Particulars	Folio	Dr	cr
Oct 10	Otieno		4000	
	Stationery(sale of stationery on credit)			4000
	Motor vehicle		800000	
	Munyoki motors(purchase of motor vehicle on credit)			800000

12. Outline four disadvantages of barter trade. (4marks)

- Some goods are too bulky to carry
- Its difficult to determine fair rate of exchange
- Some items cannot be divided into smaller units without losing their value
- It's difficult to determine fair rate of exchange.

13. State four benefits of a bonded warehouse to the government. (4marks)

- A source of data for planning purposes
- Enable the government to control entry of harmful goods
- Enables the government to regulate the quantity of imports/exports
- Enables the government to inspect goods while still under bond
- The government uses it to check illegal goods entering/leaving the country
- A source of revenue from customs duty
- Enables verification of documents for goods on transit.
- Enables checking the quality of goods entering/leaving the country

14. State four characteristics of a monopolistic competitive market. (4marks)

- There is a large number of buyers and sellers who act independently
- There are no barriers to entry or exit from the country
- Firms set their own prices(4marks)
- Buyers and sellers have perfect knowledge of the market.
- Firms incur huge selling /promotional costs

15. State four reasons why traders need to observe ethical practices when carrying out product promotion. (4marks)

- To ensure fair competition
- To protect consumers/customers
- To protect the environment
- To protect the right of employees
- To promote social responsibility
- To maintain a positive image
- To abide by the country's laws
- To maintain suppliers
- To promote positive cultural practices



16. In the spaces provided, state the source documents used to record information the subsidiary books listed below

Subsidiary books	Source document
i) Sales return day book	Credit note issued or outgoing credit note
ii) Purchases day book	Invoice received/purchase invoice/incoming invoice
iii) Sale day books	Invoice issued/sale invoice/outgoing invoice
iv) Purchases returns day book	Credit note received/incoming credit note

17. Outline four factors to consider when selecting a distribution channel(4marks)

- Nature of the product
- Nature of the market
- Role of intermediaries
- Resources and size of the firm
- Competitors
- Government policy
- Marketing risks

18. Highlight four differences between hire purchase and installment buying (4marks)

Hire purchase	Installment buying
a. Buyer does not become the owner of the good on taking their possessions	a. The buyer becomes the owner of the goods on taking their possession
b. The buyer cannot resell the goods since he is not the legal owner	b. Can resell the goods as he/she is the legal owner of the goods
c. Hire purchase price is usually higher than the price of goods bought on credit	c. Price of goods bought on installment is lower than that of the same goods bought on hire purchase.
d. If the buyer defaults in paying any installment goods may be repossessed by the owner	d. Goods cannot be repossessed if the buyer defaults payment but the buyer can be sued.

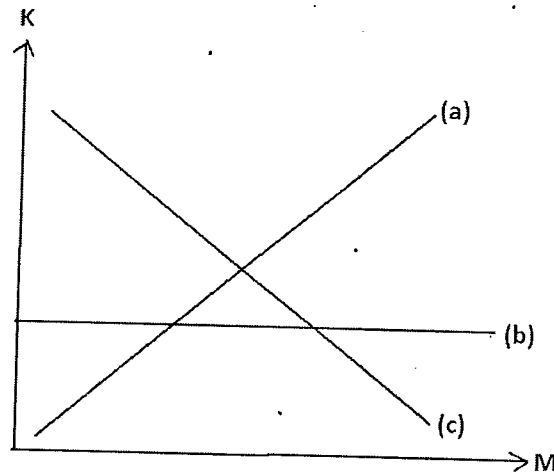
19. Outline four circumstances in which the government may be involved in business (4marks)

- When a business venture requires investment of large sums of money which individual entrepreneurs may not provide
- When the goods or services to be provided are essential to the welfare of citizens.
- When there is need to protect citizens from exploitation by private entrepreneurs
- When the government desires to create employment for citizens.
- When there is need to safeguard national security/sensitive products e.g fire arms
- When the venture is strategic but provides low profits hence unattractive to private investors
- When there are monopolies in the economy the government gets involved to increase competition.
- When there is need to attract foreign investment
- When there is need to stimulate economic growth and development

20. Outline four effects of fixing prices above the equilibrium. (4marks)

- Demand decreases
- Supply increases
- There will be a surplus or excess goods in the market
- Excess goods might be destroyed
- Producers will be forced to reduce the price of the equilibrium.
- Some producers will be thrown out of the market if they don't meet cost of production

21. The diagram below represent various types of taxes: proportional tax-regressive tax and progressive tax



- i) State what is represented by the axis labeled K and M (1mark)
- K
tax rate
 - M
tax base
- ii) Identify the tax curve labeled(a),(b) and (c) (3marks)
- (a)
Progressive tax curves
 - (b)
Proportional tax curve
 - (c)
regressive tax curve
22. Outline four services offered in agency banking as a trend in the banking sector (4marks)
- Customer deposits
 - Withdrawal from own account
 - Transfer of funds
 - Paying bills
 - Balance enquiries
 - Opening new accounts
 - Filling of loan application forms
23. Natalia opened her retail shop in Makueni County but after two years she had to close down the business. State the factors that might have caused the failure of her business (4marks)
- Poor location of the business may have made it inaccessible to customers
 - Stiff competition from other retailers
 - Inadequate finances to meet the obligations of the business
 - Insecurity
 - Political instability
 - Improper management practices
 - Poor customer relations
 - Unfavourable government policy
 - Poor marketing strategies
 - Inadequate stock
 - Lack of market/low demand



24. The table below shows general price changes over a period of five years.

YEAR	PRICE(ksh)	CPI
2010	90.00	-
2011	100.80	-
2012	103.50	-
2013	105.30	-
2014	108.00	-

Using year 2010 as the base year, determine the consumer price index for 2011,2012,2013 and 2014. (4marks)

- 2011=100.80/90x100=112
- 2012=103.50/90x100=150
- 2013=105.30/90x100=117
- 2014=108.00/90x100=120

25. The following information was extracted from the books of Salome traders
Capital 1,119,300; long term liabilities 1,807,000; and current liabilities 978,700
Required: determine Salome traders rate of return on capital employed if the business made a net profit of 438,945 (4marks)

$$\begin{aligned} \text{CE} &= \text{C} + \text{LTL} \\ &= 1,119,300 + 1,807,000 \\ &= 2,926,300 \\ \text{Rate of return on capital} &= \frac{\text{NP}}{\text{CE}} \times 100 \\ &= \frac{438,945}{2,926,300} \times 100 \\ &= 15\% \end{aligned}$$

