**MARKING SCHEME**

**BUSINESS STUDIES PAPER 1**

**BUKAKA END OF TERM 2 2024**

1. causes of business failure

**a. Lack of adequate capital**

**b. Stiff competition**

**c. Political instability**

**d. Lack of market/demand**

**e. Unfavourable government policy**

**f. Poor location of business**

**g. improper management practices (Any 4 X1)**

2. Circumstances under which goods can be transported using containers

**a. When goods are fragile**

**b. when goods are regular in shape**

**c. When there is need to use the available space more efficiently**

**d. When specialized machines for handling goods are available**

**e. When there is need to cut down on insurance cost**

**f. When goods are highly valued and need to be secured from theft (Any 4X1)**

3. characteristics of money

**a. Malleability**

**b. Portability**

**c. Cognisability**

**d. Durability**

**e. Not easy to forge (Any 4X1)**

4. Product market described below

a. Buyers and sellers have perfect knowledge of the market …………**PERFECT COMPETITION**……

b. Only one seller in the industry ……………………**MONOPOLY…**…………………………………………….

c. Many sellers dealing with differentiated products which are close substitutes ……**MONOPOLISTIC COMPETITION**………

d. Few sellers and many buyers …………**OLIGOPOLY**…………………………

5. characteristics of a good filing system

**a. Compactness**

**b. Accessibility**

**c. Safety**

**d. Economical**

**e. Flexibility**

**f. Suitability**

**g. Simplicity (Any 4 X1)**

6. Highlight three uses of ledger accounts

**a. They are used in preparation of the final statements**

**b. They are used to record business transactions**

**c. They can be used for future reference**

7. State the term given to each of the following statements as used in business studies

Statement. Term

a. Movement of goods and services from the producer to consumer  **distribution**

b. Creation of goods and services.  **production**

c. Using a good or service **consumption**

d. Satisfaction derived from using a good or service **utility**

8. Highlight four circumstances under which a partnership may be dissolved .

**a. If the partners mutually agree to dissolve the business**

**b. Incase of death, insanity or bankruptcy of a partner**

**c. If a court orders the business to dissolve**

**d. Incase of retirement or admission of a new partner**

**e. incase of a continued disagreement between partners**

**f. Incase of completion of the intended purpose (Any 4X1)**

9. Taxation is the main source of public revenue. Highlight four demerits of taxation

**a. Discourages foreign investment in the country**

**b. Deterrent to work**

**c. May lead to tax evasion**

**d. Discourages savings and investment**

**e. Reduces an individual’s disposable income leading to low standards of living (Any 4X 1)**

10 .The following information was extracted from the books of Wembe traders

Capital Ksh. 1,119,300

Long term liabilities Ksh. 1,807,000

Current Liabilities. Ksh 978,700

Determine Wembe traders rate of return on capital employed if the business made a net profit of Ksh. 438,945

**C.E= C+ L.T.L**

**=1,119,300 + 1,807,000**

**=2,926,300**

**Rate of return on capital employed**

**ROCE = N.P X 100**

**C.E**

**438,945 X 100**

**2,926,300**

**=15%**

11. Outline four channels of distribution of imported sugar

**a. Foreign producer to local consumer**

**b. Foreign producer to local wholesaler to retailer to consumer**

**c. Foreign producer to local retailer to consumer**

**d. Foreign producer to local wholesaler to consumer**

12. Miundo Academy's bus was involved in an accident. Highlight five steps the school should take while claiming for compensation(5mks)

**a. Notifying the Insurer**

**b. Filling a claim form**

**c. Investigation of the claim**

**d. Preparation of the assessment report**

**e. Payment of the claim**

13. Characteristics of capital as a factor of production

**a. it’s a man made resource**

**b. its geographically mobile**

**c. Its subject to depreciation**

**d. it can be improved due to advancement in technology**

**e it’s a basic factor of production** **(Any 4X 1)**

14. Types of demand of a commodity

**a. joint demand**

**b. composite demand**

**c. Derived demand**

**d. Competitive**

15. Sacco's have become very popular in Kenya today. Outline four reasons behind their popularity

**a. Members are able to save**

**b. Members can acquire loan at low interest rates**

**c. Profits are distributed to members in form of dividends**

**d. Offer education to members**

**e. Incase of death the outstanding loan is written off**

**f. incase of death the beneficiaries are refunded twice the amount of share contribution**

**g. Easy to obtain loans as few formalities are required**  **(Any 4X 1)**

16. Advantages of open office layout

**a. Cheap to construct**

**b. Easy to locate workers**

**c. Discourages absenteeism**

**d. Encourages team work**

**e. Easy to decorate**

**f. Easy to clean**

**g. Easy supervision of workers (Any 4X 1)**

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**NYANDARUA STORES**

**BALANCE SHEET**

**AS AT 31/12/2023**

|  |  |
| --- | --- |
| **FIXED ASSETS**  Furniture and Fittings 105 000  Premises 50 000 **155 000**  **CURRENT ASSETS**  Cash 70 000  Cash at bank 33 000 **103 000** | Capital **111,000**  **LONG TERM LIABILITIES**  AFC LOAN **120 000**  **CURRENT LIABILITIES**  Creditors 22 0000  Bank Overdraft 5 000 **27 000** |
| **258 000** | **258 000** |

18. State the level of production that matches the following occupations

a. Carpentry **Secondary**

b. Lumbering **Primary**

c. Fishing **Primary**

d. Banking **Tertiary**

19. Methods of government involvement in business.

**a. Regulation**

**b. Training**

**c. Creation of an enabling environment**

**d. Trade promotion**

**e. Provision of goods and services (Any 4X 1)**

20. Causes of unemployment in Kenya

**a. Unfavourable government policies**

**b. Rapid population growth**

**c. Inadequate capital**

**d. Lack of entrepreneurial culture**

**e. Inappropriate technology (Any 3X 1)**

21. Classification of goods produced in an economy

**a. Perishable and durable goods**

**b. Finished and intermediate goods**

**c. Public and private goods**

**d. Producer and consumer goods (Any 4X 1)**

22. Motives that would make a person retain part of his wealth in cash

**a. Transaction motive**

**b. precautionary motive**

**c. Speculative motive**

23. Sources of a business idea.

**a. Newspapers and magazines**

**b. Recycling waste products**

**c. Listening to what people say**

**d. Hobbies**

**e. Brainstorming**

**f. Improving an existing business (Any 4X 1)**

24.State the account to be debited and credited from the following transactions

Transaction. Debit. Credit

a. Bought a motor van in cash sh. 700,000 **Motor van cash**

b. Paid Maina by cheque sh. 6,000 **Maina Bank**

c. Converted his house to a business premises **premises Capital**

d. Took sh. 7,000 from the bank for business use **Cash Bank**

25. Highlight four internal diseconomies of scale to a firm as a result of expansion.

* 1. Managerial; as firms expand, the contact between the top management and the staff becomes minimal. This may result in lack of proper supervision and guidance of workers leading to inefficiency
  2. Overproduction; increased output results in lower prices. This may result in lower profit earnings
  3. Scarcity of factors of production; when a firm expands it requires more factors of production. The firm will compete with other firms for the available factors by for instance offering higher wage which is a disadvantage to the firm.
  4. Technical; if a firm is not operating at full capacity some of resources and equipment will not be fully employed. This increases the cost per unit of output.
  5. Production interruptions; Due to greater division of labor and specialization, the stages in the production process become very interdependent. This means a problem in one stage leads to the stoppage of the whole process.

**(Any 4X 1)**