**565/1**

**BUSINESS STUDIES**

**PAPER 1**

**MARKING SCHEME**

1. **Reasons why national income statistics may not be a good measure of comparing standards of living in different countries**

- Conversion of currencies may be tedious and cumbersome

- Type of goods and services used in computing national income may differ from country to country.

- Disparity of income distribution in different countries

- Different needs and tastes of people living in different countries

*4x1=4marks*

1. **Functions of an entrepreneur**

- Control the business

- Start the business

- Make decision and policies

- Acquire and pay for all other factors of production

- Bear all the risks

- Pay for such expenses as electricity, water etc

- Own the project

*4x1=4marks*

1. **Possible transactions for the entries in the cash book**

2015

March 2: Started business with capital of sh. 3000 cash

March 3: Bought goods worth sh. 2000 in cash

March 4: Sold goods and received sh. 1500 cash

March 6: Paid wages in cash sh. 300

*1 mark for each statement which gives correct meaning*

1. **Advantages of direct taxes**

* Economical in collection
* Tax revenue is certain
* There is fairness in distribution
* Does not affect the prices for goods and services
* Brings redistribution of wealth
* The society is conscious that they are paying taxes
* Simple to understand
* The tax is desirable as it only affects people who fall within its jurisdiction
* The tax is flexible because it can be expanded

*4x1=4marks*

1. **Advantages of containerization**

- Minimizes the risk of loss or damage of goods

- Containers are fitted with devices which make movement and handling easy

- Saves time in loading and off-loading

- Special containers are available for goods requiring special attention

- Insurance costs are relatively low as risks are less.

- Containers save space because they are of regular shape

*4x1=4marks*

1. **Parts of an official letter**
   * + 1. Address of the writer
       2. Salutation
       3. Topic
       4. Complimentary clause

*4x1=4marks*

1. **Causes of balance of payments disequilibrium**

- Fall in volume of export

- Deterioration in the country’s imports

- Increase in volume of imports

- Restriction by trading partners

- Less capital inflow compared to outflow

- Overvaluation of domestic currency

- Devaluation of currency by trading partners

*4x1=4marks*

1. **Shortcomings of under population**

- Limited market

- Limited labour supply

- Underutilization of resources

- Uneconomical to provide goods and services

- Lack of specialization

- Reduced pace of economic development

*4x1=4marks*

1. Credit note
2. Order
3. Invoice
4. Inquiry

*4x1=4marks*

1. **Cost associated with office machines**

- Purchase price

- Repairs and maintenance

- Depreciation

- Labour cost

- Transportation expenses

- Cost of power or fuel

*4x1=4marks*

1. Cartel-Group of related companies that agree to work together
2. Absorption-A business taking over another business by buying its shares
3. Franchising-Where a business allows another business to manufacture and sell its products
4. Performance contract-An agreement between an employer and an employee on standards of work to be achieved. *Any 4 relevant points 4marks*

|  |  |  |
| --- | --- | --- |
|  | **A/c to debit** | **A/c to credit** |
|  | Purchases✓ | Kamene✓ |
|  | Drawings✓ | Purchases✓ |
|  | Office expenses✓ | Cash✓ |
|  | Bank✓ | Motor vehicles✓ |

8 x ½ = 4marks

1. **Emilio trading A/C as at on 31st December 2014**

**Emilio trading A/C as at 31/12/14**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | sh | sh |  | sh |
| Opening stock |  | 3000✓ | sales | 9000✓ |
| Purchases | 16000✓ |  | Less returns inwards | 500✓ |
| Less returns |  |  |  | 8500 |
| outwards  Cost of goods available for sale | 4000✓ | 12000✓  15000✓ |  |  |
| Less closing stock |  | 7000✓ |  |  |
| Cost of sales |  | 8000✓ |  |  |
| Gross loss c/d |  | 500✓ |  |  |
|  |  | 8500✓ |  | 8500 |

10 x ½ = 5marks

1. **Four causes of cost – push inflation**

- Increase in wages and salaries

- Increase in taxes

- Increase in profit margin by sellers

- Increase in cost of inputs other than labour

- Reduction in subsidies

*4x1=4marks*

1. **Measures that the government may use to influence location of firms in rural area**

- Provision of free or subsidized land

- Reduction or waiver of license fees

- Construction of roads in rural areas

- Provision of market for goods produced by the firms

- Reduction of taxes for goods produced by the firms

- Provision of power in rural areas

- Improvement of security in rural areas *4x1=4marks*

1. **Factors to consider when creating departments**

- Size of the organization

- Nature of activities performed by the organization

- Number of employees

- Availability of offices

- Financial requirements *4x1=4marks*

1. **Name the columns labeled A, B, C, D and E**

A-Date

B-Folio

C- Discount Received

D-Cash

E-Bank

*5x1=5marks*

1. **State whether the following factors fall under micro-environment or macro-environment**
2. Macro environment
3. Macro environment
4. Micro environment
5. Micro environment *4x1=4marks*
6. Primary level
7. Secondary level
8. Tertiary level
9. Primary level

*4x1=4marks*

1. a) A cheque

b) Cash receipt

c) Payment voucher

*3x1=3marks*

1. **Factors that may necessitate re-insurance**

* High value of the property
* When chances of loss through insured risk are high
* When the insurance company has insured many different risks
* When the insurance company wishes to share liability in the event of loss
* When it is a legal requirement for an insurance company to re-insure

*4x1=4marks*

1. **Services offered in m-banking**

* Top up mobile phone airtime automatically
* Mini-statement and account balance
* Payment of utility bills without going to the bank
* Transfer of money from bank to the phone and vice versa
* Temporary overdraft facilities

*4x1=4marks*

1. **A cheque three parties. Identify who they are in the following story. Marian has a current account at equity bank. She paid Cynthia by cheque**

Marian - Drawer

Equity Bank - Drawee

Cynthia – Payee

*3x1=3marks*

1. **Types of wholesalers**

- General merchandise wholesalers

- General line wholesalers

- Specialized wholesalers *3x1=3marks*

1. A. Shareholders

B. Company secretary

C. Any major department e.g. marketing, Transport, purchasing etc

D.

*4x1=4marks*