

2018

BUSINESS PAPER 1 MARKING SCHEME

1. Identify four component of business studies
 - (a) Economic
 - (b) Accounting
 - (c) Commerce
 - (d) Entrepreneurship
 - (e) Office practice

2. Likoni traders a newly established firm has constructed an office block. Outline four factors that will consider when deciding on type of office layout (4mks)
 - (a) The number of office staff to be accommodated
 - (b) Staff movement within the office
 - (c) Cost of setting up the layout
 - (d) Physical appearance and prestige
 - (e) Ability to coordinate and supervise workers
 - (f) Maintenance cost

3. Highlight four circumstances in which land differs from land differ from labor as factor of production. 4mks

	land	labour
i	Refers to all resources provided by nature in production	Refers to all human effort in production
ii	Its geographically immobile	Its geographically mobile
iii	Quantity is fixed in supply (supply of land cannot be increased)	Quantity of supply can be increased through growth of population.
iv.	Productivity reduces with constant use hence reducing n quality	Efficiency in production increase with constant application through experience
v	Provide raw material for production	Provide service in production
vi	Quality may be improved through technology	Quality may be improved through training
vii	Reward for land are inform of rent royalty	Reward is inform of wages and

	salaries
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4. State four reasons that make it necessary for firms to maintain a healthy environment
4mks

- (a) **To protect/safeguard human health**
- (b) **To maintain the ecological balance**
- (c) **To conserve natural resources**
- (d) **For suitable economical development**
- (e) **For environmental conservation**
- (f) **To comply with the set laws**

5. state the documents used for the following functions 4mks

- (a) To inform a buyer that his or her account has been reduced by certain amount-----
-----**credit note**
- (b) To require a supplier to provide a particular service to a customer-----**local service order**
- (c) To determine/ascertain the credit worthiness of customer----- **credit status inquiry**
- (d) To show that transport has been hired to deliver specified good to a particular buyer-----**consignment note**

6. State the unit of carriage for the following modes of transport 4mks

- (a) Portage ----- **human being**
- (b) Sea-----**ship/boat/ferries/canoe**
- (c) Railway ----- **train**
- (d) Cartage ----- **carts**

7. Highlight four main purpose of bill of landing in international trade 4mks

- (a) **It's a contract of carriage**
- (b) **It's a title document**
- (c) **Acknowledgement document**
- (d) **It's a negotiable document**

8. Give four characteristic of food as a basic human wants 4mks

- (a) It's a felt need**
- (b) Its required for survival**
- (c) Satisfied before secondary want**
- (d) Cannot be postponed**

9. Classify each of the following accounts in the table below as either real, nominal, or personal 4mks

	Account	classification
a	premises	Real
b	Rental income	Nominal
c	Debtor otieno	Personal
d	Discount allowed	Nominal

10. Highlight the importance of the following ratios in business

(a) Markup and margin 2mks

- (i) Help in setting up the selling price**
- (ii) Used to calculate profit and losses margin**
- (iii) Used to determine sales for a given period of time.**

(b) Working capital ratio

- (i) Help to show the business whether is in position to meet it short term financial obligation as they fall due**
- (ii) Assist to know whether the business is utilizing it resources fully**

11. List four after sale services that a seller may offer to the buyer in order to create brand loyalty to a product. 4mks

- (a) Transport**
- (b) Installation**
- (c) Technical advice**
- (d) Availing spare parts**

- (e) Regular re-servicing**
- (f) Offering warrant guarantee**
- (g) Training technician / operators**

12. The demand for oranges doubled in five months even though the price of oranges remained the same over the same period. state four factors that may account to this.
4mks

- (a) Increase in population**
- (b) Increase in consumers income**
- © Favorable change in taste and preference**
- (d) Increase in price of substitute commodities**
- (e) Favorable government policy**
- (f) Better terms of sale**
- (g) favorable weather**

13. highlight four circumstances under which siren can be used in communication 4mks

- (a) when police vehicles are chasing robbers on highways**
- (b) when patient are being transferred from one hospital to another**
- (c) when a house/ institutions has been attacked by robbers and there is siren in it**
- (c) Where the fire fighters vehicles are running to put off the fire**
- (d) When the hearse is transporting corpse to grave yard**

14 Give four positive effect of creeping inflation in an economy. 4mks

- (a) Benefits borrower as they end up paying less**
- (b) Improves the climate for investment**
- (c) Helps to maintain aggregate demand**
- (d) May have some motivating effect to work**
- (e) Stimulate production**

- (f) Increase in employment**
- (g) Increase in outputs**

15. highlight four ways in which the government engage itself in commercial activities

- (a). Regulation**
- (b) training**
- (c) trade promotion**
- (e) Provision of essential services**
- (f) Creation of enabling environment**
- (g) Consumer protection**

16. highlight four reasons why the government of Kenya levies taxes to her citizens 4mks

- (a) to raise revenue**
- (b) to discourage consumption of some commodities**
- (c) to reduce inequality in income distribution**
- (e) To control inflation**
- (f) To discourage import and export of some commodities**

17. The following transactions were conducted by Ruiru enterprise in june 2017

June 8: credit purchases from Amos shs 10000 invoice number 087

June 15: credit sales to Marwa shs 2000 invoice number 458

June 20: Marwa returned goods worth shs 500 credit note number 234

June 26: business returned goods worth shs 3000 to Amos credit note number 567

Required

Journalize the above transaction 4mks.

Purchases journal

Date 2017	details	Invoice no.	Amount sh
June 8	amos	087	10000

SALES JOURNAL

DATE 2017	DETAILS	INVOICE NO.	AMOUNT
JUNE 15	MARWA	458	2000

SALES RETURN/RETURN INWARD JOURNAL

DATE2017	DETAILS	CREDIT NOTE NO.	AMOUNT SH
JUNE 20	MARWA	234	500

PURCHASES RETURN/ RETURN OUTWARD JOURNAL

DATE 2017	DETAILS	CREDIT NOTE NO.	AMOUNT SH
JUNE 26	AMOS	567	3000

MARKS 12 TICKS /4= 4

18. outline four problems associated with income approach in computation of national income of a country

- (a) problem of transfer payment**
- (b) Inaccurate data on peoples income**
- (c) problem of illegal income**
- (e) Existence of large subsistence sector in which money is not used**
- (f) Difficult to obtain accurate data of income for people working abroad**

19. mention four contents of partnership deed of Juja and co. partners 4mks

- (a) name of partners**
- (b) duration of partnership**
- (c) procedure of sharing profit and losses**
- (e) Name of partnership**
- (f) Address of the head office**
- (g) Objective of the business**
- (h) Admission and retirement of partner**

20. JB traders had the following assets and liabilities as at 1st Jan 2014

Furniture shs 350000

Debtors 45000

Stock 25000

Cash 7500

Creditors 48000

For the year ended 31st Dec 2014 the following information was available

- (i) Additional capital introduced was 24000
- (j) Drawing made during the year were 1500 monthly
- (k) Net profit was 34500

Required

Determine the capital as at 31st Dec 2014 5mks

Opening capital = total asset – liabilities

350000+45000+7500-48000=379500

FC=IC+AC+P-D

379500+24000+34500-18000= 416000

10/2=5.

21. Outline three problems that are encountered during the implementation stage of development plan in less developed countries. 3mks

- (a) over ambitious plan**
- (b) lack of local support**
- (c) inadequate finances and other resources**
- (e) Unqualified personnel to implement**
- (f) Corruption and mismanagement**
- (g) Lack of political good will**

22. highlight four circumstances under which a manufacturer would prefer to sell goods directly to consumers without involving middlemen 4mks.

- (a) when the consumers /market is concentrated in one area**
- (b) where the product is perishable**
- (c) if the product require demonstration on how to use it**
- (d) if the product is produced according to consumers specification.**
- (f) if it's the government policy**
- (g) if he want to offer after sales service**
- (h) if he has financial capability to distribute his goods.**
- (i) if he want to collect market information**

23. As a banker to commercial banks highlight four roles played by central bank of Kenya. 4mks

- (a) offer a central clearing house for cheques**
- (b) Advices commercial bank on financial matters**
- (c) supervises the operation of commercial banks**
- (d) Acts as a custodian of reserve held by commercial banks/compulsory deposit**
- (e) acts as lender of last resort.**

24. differentiate between monopoly and monopolistic market structure 4mks

	MONOPOLY	MONOPOLISTIC COMPETITION
a	There is only one supplier for the entire market	There are many sellers who act independently
b	The commodity supplied does not have close substitute	Commodity supplied are similar but differentiated
c	Its difficult for other firms to enter in the market	There are no barrier to entry or exit to market
d	Prices are fixed by the supplier/ price setter	There is interdependence in fixing prices
e	There is price discrimination	No price discrimination as prices are determined by market forces
f	Firms spends only on informative advertising since it has no competition	Firms incurs heavy advertising cost to enhance product differentiation

25. Joshua insured his vehicle against theft, later the vehicle was stolen in a packing bay. Outline the procedure he would follow when making insurance claim for his vehicle. 4mks

- (i) notifying the insurer**
- (ii) filling the claim form**
- (iii) Investigation of the claim**
- (iv) Payment/compensation of the claim**