**BURAMU**

**MARKING SCHEME**

**PAPER 1.**

1. **Highlight FOUR internal factors that may positively influence business operations. (4 marks)**
2. Availability of adequate business financial/physical/human resources.
3. A working business structure.
4. Achievable business objectives.
5. Informed business owners.
6. Proper research and development.
7. Use of appropriate technology.
8. Working business culture.
9. Good managerial skill and practice.

**(Any 4 × 1 = 4 marks)**

1. **Outline FOUR characteristics of economic resources. (4 marks)**
2. Have monetary value.
3. Scarce in supply.
4. Unevenly distributed.
5. Have utility/ability to satisfy human wants.
6. Can be combined.
7. Can change possession.

**(Any 4 × 1 = 4 marks)**

1. **List FOUR types of utility and in each case give an example. (4 marks)**
2. **Form utility** – processing of raw materials.
3. **Place utility** – transformation of goods.
4. **Time utility** – storage of goods.
5. **Possessive utility** – buying and selling of goods
6. **Natural utility** – using item in its natural status such as drinking water.

**(Any 4 × 1 = 4 marks)**

1. The following balances were extracted from the Book of Baraka traders from as at 31st December 2005. Use the information to prepare Baraka Traders balance Sheet as at 31st December 2005. (5 marks)

**Kshs**

Machinery 150,000 Motor vehicles 200,000

Stock 40,000 Creditors 25,000

Loan from KCB 100,000 Bank 20,000

Furniture 7,000 Capital 292,000

**Baraka Traders**

**Balance Sheet**

**As at 31/12/2005**√

Fixed Asset Capital 292,000√

Machinery 150,000√

Motor vehicle 200,000√ Long Term Liability

Furniture 7,000√ 357,000 KCB Loan 100,000√

Current Assets Short Term Liability

Stock 40,000√ Creditors 25,000√

Bank 20,000√ 60,000

417,000 √ 417,000

1. **Outline FOUR roles of transport in promoting trade. (4mark**
2. Bridging gap between producer and consumer.
3. Stabilizing prices of goods.
4. Offer job opportunities/employment.
5. Promotion of production/development of industries.
6. Improving the value of goods by moving them from where they are produced.
7. Widens market for produced goods.
8. Facilitates movement of labour.
9. Facilitate trade by encouraging specialization.
10. Improving living standards of people by availing variety.

**(Any 4 × 1 = 4 marks)**

1. **Give FOUR reasons why firms prefer open office layout to an enclosed office layout. (4 marks)**
2. Easy supervision of workers.
3. Easy to clean and decorate.
4. Cheap to construct.
5. Encourage sharing of office equipment/machines.
6. Discourages absenteeism.
7. Easy to locate workers/staff.
8. Discourage laziness among workers.
9. Economical in the use of floor space
10. Discourages laxity
11. Encourages teamwork
12. May discourage unethical behavior
13. Faster flow of work/communication
14. Easy to reorganize/flexible
15. Easy/cheap to decorate

**(Any 4 × 1 = 4 marks)**

1. **Identify FOUR types of source documents. (4 marks)**
2. Receipts.
3. Invoice.
4. Credit Note.
5. Debit Note.
6. Payment Voucher.

**(Any 4 × 1 = 4 marks)**

1. **Outline FOUR features of parastatals. (4 marks)**
2. Formed by government through existing laws/Act of parliament.
3. Initial Capital is provided by the government.
4. Owned by the government/the government have controlling right.
5. Formed to perform certain specific functions.
6. Managed by Board of Directors appointed by government/cabinet secretary in charge.
7. Have limited liability.
8. Operate without making profit/Main aim is not to make profit but provide essential services.
9. In case of profit, it goes to the government.
10. Government finances the losses.
11. Have an entity of their own/own property/sue/can be sued.

**(Any 4 × 1 = 4 marks)**

1. **Outline FOUR benefits enjoyed by a business which has its own warehouse. (4 marks)**
2. Affords security to the goods stored.
3. Allows the distributors enough time to plan for the distribution of goods.
4. Goods can be tested/checked if still in good condition.
5. Items requiring mending may be restored/maintained.
6. Goods not fully manufactured may be completed in a private warehouse.
7. Able to meet market demand since it is possible for them to stock the right quantities required by their customers.
8. Stock seasonal goods and be able to satisfy customer’s seasonal demand.
9. Promotes customers satisfaction by stocking different types of goods and thus creates customer loyalty to goods stored.
10. Full control over operations.
11. It avoids the cost of hiring space.
12. Business will not be tied down to procedures of receiving and issuing of goods.
13. Operations can easily be automated for goods to be received, stored and dispatched are already known.

**(Any 4 × 1 = 4 marks)**

1. **Identify FOUR types of unemployment in an economy stating the cause for each. (4 marks)**
2. Residual unemployment – physical disability.
3. Involuntary unemployment – one wants a job at prevailing wage rate but cannot get.
4. Disguised unemployment – when there are more employees than required.
5. Cyclical unemployment – due to relatively low demand of goods.
6. Structural unemployment – this is due to relatively low factor of mobility
7. Seasonal unemployment – due to relatively low demand for labour at certain time.

**(Any 4 × 1 = 4 marks)**

1. **Outline FOUR circumstances that may make an insurance company not to compensate the insured in the event of a loss. (4 marks)**
2. When the insured has no insurable interest.
3. When insured did not disclose all material facts about the insured property.
4. When the loss caused was due to act of God/natural calamity.
5. When the loss caused by willful actions by the insured.
6. When insurance company is insolvent/Insolvency of insurance company.
7. In case of late claim.
8. In case the loss does not warrant compensation/too little.
9. In case the loss is cause by other factors hence no proximate cause.
10. In case the insured was not paying premium hence violated the terms of the contract.
11. When the insurance period has expired hence contract not active.

**(Any 4 × 1 = 4 marks)**

1. **Highlight FOUR factors that may lead to a decrease in the supply of *sukuma wiki* in the market. (4 marks)**
2. Decrease in price of the product hence unprofitable to supply.
3. Increase in the cost of production hence expensive to produce.
4. Inadequate of factors of production such as land.
5. Decrease in price of other related products.
6. Use of outdated technology in production.
7. Unfavourable weather conditions such as drought/delay rains.
8. Unfavourable government policy such as increase of taxes on farm inputs such as fertilizer/seeds.
9. Decisions of suppliers to supply less.
10. Increase in price of other commodities hence suppliers change to supply those with high prices.

**(Any 4 × 1 = 4 marks)**

1. **State FOUR benefits of conducting business online. (4 marks)**
2. Wider/worldwide market for products because many countries are connected to the internet.
3. Offers equal playing field to both small and large businesses as there discrimination/restriction.
4. Fast way of transacting business online/saves time/urgent transactions can be carried out.
5. Reduces the need for paperwork.
6. Cuts down the number of transactions since dealings are online.
7. Cheap/saves on cost of travelling/sending/receiving/storing information/products.
8. A firm can access information on other businesses/products/market online to enhance its operations.
9. Access to wide variety of goods/services to consumers.
10. Fast means of communication

**(Any 4 × 1 = 4 marks)**

1. **Outline FOUR reasons why the government may encourage firms to be located in a particular region. (4 marks)**
2. To facilitates the creation of a pool of labour.
3. To facilitates creation of market for the firm’s products.
4. To encourage establishment of auxiliary firms in an area.
5. To promote development of social amenities.
6. To stimulate utilization of idle resources in the area.
7. Allow easy disposal of waste products, by selling to other firms.
8. To generate/Create employment opportunities for members of the surrounding community.
9. To encourage development of infrastructure where firms are located.
10. To enable government to offer security.

**(Any 4 × 1 = 4 marks)**

1. **Outline FOUR ways in which the government can create enabling business environment. (4 mark)**
2. Setting favourable laws that support business operations.
3. Improving infrastructure to ease movements of factors of production.
4. Maintaining political stability to create a conducive environment.
5. Offering subsidies to the business people.
6. Offering incentives such as land/tax holidays.
7. Offering adequate public utility.

**(Any 4 × 1 = 4 marks)**

1. **State the type of wholesaler described in each of the following statements. (3 marks)**
2. Sell all types of goods – **General/Merchandise**
3. Sell one commodity only - **Specialized wholesaler**
4. Operate on a self-selection basis - **Cash and Carry**

**(Any 3 × 1 = 3 marks)**

1. **Outline FOUR differences between goods and services. (4 marks)**

**Goods Services**

1. Tangible items Intangible items
2. Can be seen Cannot be seen
3. Can be stored Cannot be stored
4. Some are perishable Highly perishable
5. Can be standardized Cannot be standardized
6. Can change possession Cannot be separated from the provider

**(Any 4 × 1 = 4 marks)**

1. **Indicate the type of accounts the following items fall under. (4 marks)**

**Item Type**

1. Drawing – **Private Account**
2. Sales - **Nominal Account**
3. Building - **Real Account**
4. Debtors - **Personal**

**(Any 4 × 1 = 4 marks)**

1. **State FOUR disadvantages of long chain of distribution to a buyer. (4 marks)**
2. Leads to high prices of goods.
3. Chances of damage to goods due to much handlings
4. Perishable goods may go bad
5. Delayed feedback to manufacturers.
6. Likelihood of delays.

**(Any 4 × 1 = 4 marks)**

1. **Give the appropriate term of communication associated with each of the following statements. (4 marks)**
2. A manager gives instructions to a supervisor in her division - **Vertical**
3. Rumors going around that most disciplined workers will be rewarded - **Informal**
4. A manager issues a general circular to the employees - **Formal**
5. Prefects discussing discipline in their school - **Horizontal**

**(Any 4 × 1 = 4 marks)**

1. **Outline FOUR factors that may limit the number of entrepreneurs in a country. (4 marks)**
2. Stiff/unhealthy competition.
3. Poor infrastructure.
4. Limited demand/market/market information.
5. Inadequate capital/credit facilities.
6. Insecurity.
7. Political instability.
8. Unqualified personnel.
9. Poor technology/in availability of technology.
10. Irrelevant education (curriculum)/lack of training in business.
11. Absence of role models/absence of successful businessmen to motivate budding entrepreneurs.
12. Diminishing jobs in the formal sector/since formal employment is becoming difficult to secure
13. Negative peer influence/when people see their peers not succeeding in business

**(Any 4 × 1 = 4 marks)**

1. Wanja started a business with sh. 60,000 as at 1st January 2010. During the year profits and additional investments were sh. 50,000 and sh. 60,000 respectively. At the end of the year, Wanjau remembered that she had taken goods for her personal use and that as at 31st December 2010, her capital was sh. 19,500.

Calculate the value of goods that Wanja had taken for her personal use. (4marks)

Closing Capital = Opening Capital + Profit + Additional Investment – Drawing.

19,500 = 60,000 + 60,000 + 50,000 – Drawing**√**

Drawing = 60,000 +60,000 + 50,000 – 19500**√**

Drawing = 150,500/=**√√**

**(Any 4 × 1 = 4 marks)**

1. **State FOUR ways in which the knowledge of business studies would benefit a secondary school leaver. (4 marks)**
2. Enables one to understand the general business environment.
3. Develops ability to identify business opportunities for self-reliance.
4. Acquire knowledge and skills to start/run a business.
5. Acquire knowledge for further studies in other disciplines.
6. Forms a basis for pursuing careers in business related subjects.
7. One is able to understand and appreciate the role of government in business.
8. One is able to understand/appreciate the need for ethical practices in business.
9. One is able to understand/appreciate the role of government in business.
10. One is able to understand/appreciate his rights/obligations in society.
11. Develop positive attitude towards work.
12. Appreciate the role of business in the society.
13. Enhance co-operation and understanding.

**(Any 4 × 1 = 4 marks)**

1. **Outline FOUR circumstances under which monopoly exist. (4 marks)**
2. If firms amalgamate to control the market.
3. If the firm is set as a state monopoly/government owned/controlled to eliminate wasteful competition.
4. Legal protection through patent rights/copyrights.
5. If the firm has control over strategic factor of production/in puts/raw material.
6. If the venture requires large capital which other firms cannot raise.
7. If the firm possess secretive productive technique.
8. If the firm enjoys internal economies of scale.
9. If the size of the market is small hence best served by one firm.
10. Where there exists substantial economies of scale which can only be tapped through one very large enterprise.

**(Any 4 × 1 = 4 marks)**

1. The following information belong to Taratibu traders for the year ended 30th September 2020. Determine Taratibu trader’s capital. (4 marks)

|  |  |
| --- | --- |
| **Details** | **Shs** |
| Fixed assets | 1,840,000 |
| Current assets | 400,000 |
| 3 year bank loan | 300,000 |
| Current liabilities | 150,000 |

Assets = Capital + Liabilities

FA + CA = C + LTL + CL

1,840,000 + 400,000 = C + 300,000 + 150,000

Capital = 1,840,000 + 400,000 – 300,000 – 150,000

Capital = 1,790,000/=