

BUSINESS FORM 4 PAPER 1 MARKING SCHEME

1. Highlight four principles of insurance. (4 mks)

- (i) Insurable interest
- (ii) Doctrine of utmost Good faith "uberrima fides"
- (iii) Indemnity
- (iv) Proximate Cause

2. Outline four reasons how competitive environment affects Business activities. (4 mks)

- (i) Substitution
- (ii)
- (iii)
- (iv)

3. State four characteristics of a perfect competition market. (4 mks)

- (i) Homogeneity (Uniformity) of the Product
- (ii) Uniformity of buyers and sellers
- (iii) Perfect knowledge of the market to everyone
- (iv) No government interference

4. Outline four differences between a good and a service. (4 mks)

(i)	Can change value over time	Cannot change in value since they cannot be stored.
(ii)	They are tangible	They are intangible
(iii)	most can be seen	Can not be seen.
	Can be store	Cannot be stored.
(iv)	Not all goods are perishable	Services are highly perishable
	Can be standardized	Cannot be standardized

5. Match the following statements with the correct source documents. (4 mks)

	Statement	Source document
(i)	A document that serves as an evidence that cash has been received or paid out.	Cash receipt
(ii)	A document that shows the details of all the expenses incurred, the amount of money spent and the purpose of incurring such an expense.	Petty cash voucher

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(iii)	A document sent by the seller to the buyer demanding payment for goods or service delivered.	Invoice
(iv)	A document written by a supplier and sent to a buyer informing him / her that his / her account with the supplier has been debited.	debit note

6. This is the Mitegi's demand schedule for Bread in a week.

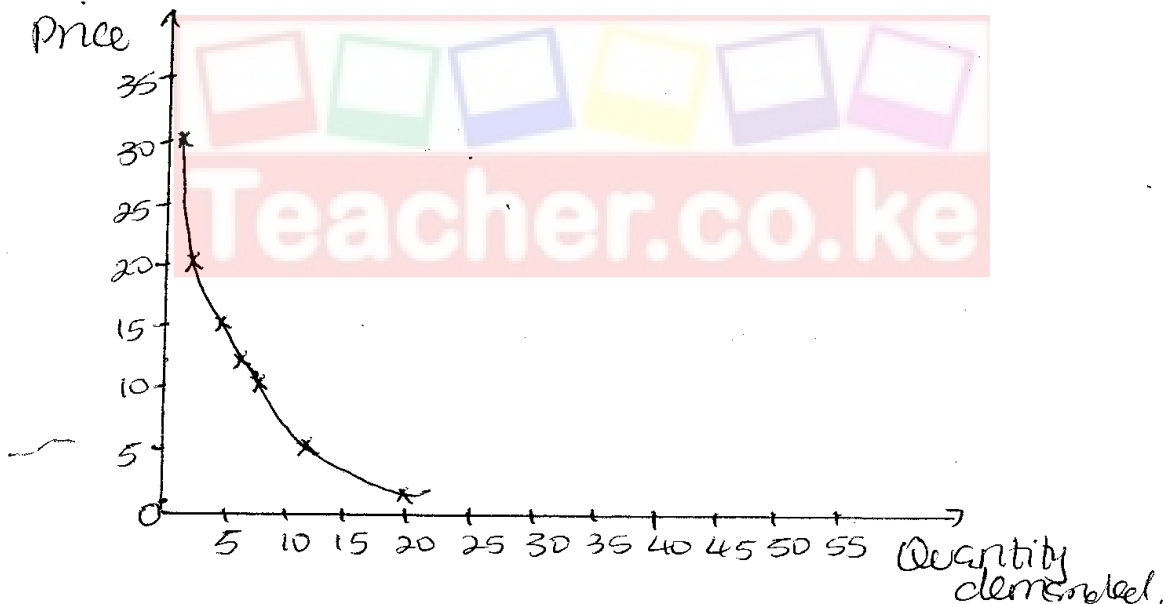
(4 mks)

Price per loaf (shs)	No of loaves demanded
30	1
20	2
15	4
12	6
10	8
5	12
1	20

Required:

Draw the demand curve of Mutegi's Bread for a whole week.

(4 mks)



7. Highlight four importance of business studies to a learner.

(4 mks)

- (i) - It equips the learner with knowledge and skills necessary to start and run a business comfortably.
- (ii) - Assist the learner in appreciating the role of business in provision of goods and services.
- (iv) - Assist the learner to acquire self-discipline and positive attitude towards work.
- Helps the learner to develop positive attitudes towards the environment.

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8. Using the balance sheet equation. Fill the missing figures in the following table. (4 mks)

	Assts	Capital	Liabilities
(i)	21,920	- 8421	30,341
(ii)	22,032	2,192	19,840
(iii)	3,773	1,591	2,182
(iv)	240	150	90

9. Outline four roles played by the stock exchange market as a market for securities. (4 mks)

- (i) - Creation of employment.
- Raising revenues for the government.
- (ii) - Provides useful information.
- Fixing of prices of the commodities.
- (iii) - Facilitating buying and selling of shares.
- It also assist companies to raise capital.
- (iv) - Safeguarding investors interest.
- It also promotes the culture of savings.

10. Highlight four factors which may influence choice of a distribution channel. (4 mks)

- (i) - Nature of the product.
- Marketing risks.
- (ii) - Roles of intermediaries.
- Resources and size of the firm.
- (iii) - Nature of the market.
- (iv) - Government policy.
- Competitors.

11. Outline four advantages of a bonded warehouse.

(4 mks)

- (i) - It helps the government to check on illegal goods entering the country.
- (ii) - It is also a source of revenue to the government.
- Goods in the bonded warehouse are secure.
- It also gives the importer time to look for market.
- Importers can also prepare the goods for sale while in the bonded warehouse.

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- (iii) - Some goods in the bonded warehouse also improves in quality.
- (iv) - The government can also be able to verify documents for goods in bond.

12. Match the following documents with their relevant uses.

(4 mks)

	Statement	Documents
(i)	This is a document which briefly describes the goods a seller stocks	Catalogue
(ii)	A documents sent by the seller to the buyer when an inquiry is specific in nature.	Quotation
(iii)	A document sent to a prospective buyer to inform him/her that the order has been received and it is being acted upon.	Acknowledgement note.
(vi)	A document sent by the buyer when goods get damaged on the way and returned to the seller.	Goods returned note.

13. Highlight our goals of economic development.

(4 mks)

- (i) - Eliminating or reducing poverty.
- (ii) - Reduce unemployment levels.
- (iii) - Reduce disparities in income distribution
- (iv) - Provides important human basic needs such as food, shelter, health and protection.

14. Outline the type of unemployment in an economy and give the cause for each. (4 mks)

- (i) Unemployment occurs when people lose jobs and go looking for new ones
- Frictional unemployment.
- (ii) Unemployment that occurs when people are actively looking for jobs at the existing wage rate but cannot get them. - open unemployment / involuntary
- (iii) Unemployment that occurs repeatedly at similar times
- cyclical unemployment.

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- (iv) Unemployment that occurs when demand for labour declines due to either changes in the method of production or a decrease in the supply of goods and services.
 - Structural Unemployment

15. Outline four reasons why there is need for ethical practices in business. (4 mks)

- (i) - To avoid cheating of permanence of the product.
- (ii) - To avoid false pricing
- To ensure that there is no negative impact on env.
- (iii) - To ensure that they disclose side effects.
- (iv) - To ensure that they avoid social cultural conflicts.

16. Highlight four problems encountered in measuring national income using the output approach method. (4 mks)

- (i) - By valuing illegal activities like drugs trafficking and smuggling.
- (ii) - The problem of valuing output of the subsistence sector.
- (iii) - The problem of changing prices
- Problem of differentiating primary inputs from intermediate inputs.
- (iv) - By valuing government output since many of its services are not sold in the market.

17. Match the following uses with the appropriate office equipment. (4 mks)

	Uses	Office equipment
(i)	It is a machine that is used for preparing cash receipts	Cash register
(ii)	It is a machine used for trimming documents into required shapes and size.	Guillotine
(iii)	A machine which is used for cutting unwanted documents into tiny pieces to avoid such documents getting into the wrong hands.	Paper shredder
(vi)	A machine which is used for complex calculations.	Computer.

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18. Explain the meaning of the following terms of sale as used in international trade. (4 mks)

- (i) F.O.B. (Free on Board) - The prices quoted includes the movement of goods upto when they are in the ship and the
- (ii) LOCO or ex-warehouse or ex-works - The price quoted covers the goods as they are in the exporter's premises. The importer premises has to meet the costs of moving the goods from the Exports premises
- (iii) F.O.R. (Free on Rail) - Prices quoted includes the expenses for transporting to goods from the seller's warehouse upto the nearest railway station.
- (iv) In bond - quoted includes all expenses incurred until the goods are delivered in the bonded warehouse. The importer therefore meets all other charges such as storage charges and custom duties

19. Highlight four ways how consumers can protect themselves from exploitation from unscrupulous wholesalers / traders. (4 mks)

- (i) Buy call buying from their shops.
- (ii) Report to relevant authorities
- (iii) Take them to court.
* Not to purchase where
- (iv) Form consumer co-operatives (shops) own
Education on their rights.
Confirm genuine quality price etc before purchase

20. Outline four criteria used in determining the size of the firm. (4 mks)

- (i) level of sales / profits • Costs of
- (ii) Number of employees • production.
- (iii) Size of space / floor • Size of market
- (iv) level of

21. Outline four tools that the central bank of Kenya uses to control monetary policy. (4 mks)

- (i) Open market operations
- (ii) Bank rate
- (iii) Selective control
 - liquidity ratio (cash ratio)
 - Compulsory deposits.
 - Requests, Moral suasion • Directives.

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(iv)

22. Calculate the gross profit given the margin of $\frac{1}{6}$ and the cost of goods sold to be 400,000/=.
(4 mks)

$$\text{Margin} = \frac{1}{6}$$

$$\text{mark-up} = \frac{1}{6-1} = \frac{1}{5}$$

$$\text{mark-up} = \frac{\text{Gross Profit}}{\text{Cost of Sales}}$$

$$\frac{1}{5} = \frac{\text{GP}}{400,000}$$


$$\frac{1}{5} \times \frac{\text{GP}}{400,000} = \frac{400,000}{5}$$

$$\text{GP} = \underline{\underline{80,000}}$$

23. Highlight four advantages of operating a current account. (4 mks)

- (i) - There is overdraft facilities
- Account holder is not required to maintain any min. bal.
- (ii) - It is possible to deposit any amount at any time during the working hrs.
- (iii) - Use of cheques by the account holder serves as an evidence of the payments made.
- (iv) - Payments can be made even if there is insufficient funds in the account by use of post-dated cheques

24. Outline four factors that influences the choice of product in the market.

- (i) Price
- (ii) Fashion  Any other
- (iii) Design
Quality - variety
- alternatives available
- (iv) Government policy.

25. List four essential of an effective communication.

- (i) - The sender / communicator.
- (ii) - The message.
- (iii) - medium / The Channel.
- (iv) - The receiver.
- The feedback