

BUSINESS STUDIES

FORM 4

MID TERM

TERM 1 2023

TIME: 1HR

MARKING SCHEME

NAME ADM CLASS.....

Instructions:

Answer all the questions in the spaces provided

1. State four ways in which the government may motivate its industries to delocalize. (4mks)

- *By giving entrepreneurs free/cheap land to construct their factories.*
- *By giving tax incentives e.g. reductions, waivers, holidays, concessions e.t.c*
- *By giving cheap loans to entrepreneurs.*
- *By providing security to the new industries.*
- *By providing subsidies to those industries who are willing to delocalize.*
- *By providing appropriate infrastructure.*
- *By providing social amenities e.g. schools and hospitals*

2. Highlight any four solutions to the unemployment problem in Kenya. (4mks)

- *Adopting a relevant education system that will encourage Kenyans to accept the jobs that are available.*
- *Diversification of production activities.*
- *Population control to reduce /lower birth rates.*
- *Adopting the appropriate methods of production e.g. labour.*
- *Intensive methods in agriculture, construction e.t.c*
- *Rural development to reduce rural-urban migration*
- *Enhancing exploitation of the natural resources.*
- *Increasing government expenditure in areas like road construction, building of houses, dams, tree-planting, e.t.c.*

3. The following information belongs to the business of Kadogo retailers as at 31st March 2020.

Purchases	1800
Opening stock	1000
Carriage in	400
Purchases returns	200
Closing stock	600

- a. Calculate (a) the average stock. (2mks)

$$\begin{aligned}
 \text{Average stock} &= \frac{\text{opening stock} + \text{closing stock}}{2} \\
 &= \frac{1000 + 600}{2} \\
 &= 800
 \end{aligned}$$

- b. The cost of sales. (2mks)

$$\begin{aligned}
 \text{cost of sales} &= \text{opening stock} + \text{purchases} + \text{carriage in} - \text{purchase} \\
 &= \text{returns} - \text{closing stock} \\
 &= 1000 + 1800 + 400 - 200 - 600
 \end{aligned}$$

4. Outline any four factors considered by a business proprietor before allowing credit to a customer. (4mks)
- *Quantity of goods that the customer wants to buy.*
 - *The proprietor's wish/need to retain old customers*
 - *The customers ability to pay/credit worthiness*
 - *The frequency with which the customers buys.*
 - *The businessman knowledge of the customer*
 - *The character/honest/ reliability of the customer.*
 - *Availability of adequate stock*
5. **Mention** any four contents of a business plan. (4mks)
- *The mission and vision of the firm.*
 - *The objectives of the business*
 - *The promoters/owners of the firm*
 - *The organization structure of the firm.*
 - *The location and address of the firm.*
 - *The capital required by the firm and how to raise it.*
 - *The profitability of the business.*
 - *The risks that may affect the business.*
 - *Market analysis e.g. size, competition, demand e.t.c*
 - *External factors/influences e.g. government laws/policies, economic activities, monetary policies, etc.*

SECTION B

Answer all questions in this section.

6. Explain two differences between an oligopoly and a monopoly. (4mks)

<i>Oligopoly</i>	<i>Monopoly</i>
<i>There is heavy advertisement or product promotion by firms</i>	<i>There is no heavy product promotion and advertisement</i>
<i>The firms face kinked demand curves</i>	<i>The demand curve is downward sloping</i>
<i>The products are differentiated</i>	<i>The products are identical</i>
<i>There is interdependence between firms in pricing and output</i>	<i>There is independence in decision making on pricing</i>
<i>There are few large firms in the industry</i>	<i>There is only one large firm</i>

b. Global enterprises stated business with sh. 500,000 in cash on 1st December 201,

December 2: Deposited sh. 300,000 cash into the bank

8: Purchased goods in cash sh. 25,000

11: Took Sh. 30,000 cash for personal use.

19: Paid wages sh. 100,000 by cheque

25: Cash sales sh.75, 000

30: Paid wages sh. 100,000 by cheque.

Required:

Enter the above transactions in Global enterprises ledger accounts. (6mks)

Cash account

<i>Date</i>	<i>Details</i>	<i>Folio</i>	<i>Amount</i>	<i>Date</i>	<i>Details</i>	<i>Folio</i>	<i>Amount</i>
<i>Dec 1</i>	<i>Capital</i>	<i>b/d</i>	<i>500,000</i>	<i>Dec 2</i>	<i>bank</i>		<i>300,000</i>
<i>Dec 25</i>	<i>Sales</i>		<i>75,000</i>	<i>Dec 8</i>	<i>Purchases</i>		<i>25,000</i>
				<i>Dec 11</i>	<i>Drawings</i>		<i>30,000</i>
				<i>Dec 30</i>	<i>bal</i>	<i>cd</i>	<i>220,000</i>
			<i>575,000</i>				<i>575,000</i>

Dec 30 Bal b/d 220,000

Capital account

<i>Date</i>	<i>Details</i>	<i>Folio</i>	<i>Amount</i>	<i>Date</i>	<i>Details</i>	<i>Folio</i>	<i>Amount</i>
<i>Dec 30</i>	<i>Bal</i>	<i>c/d</i>	<i>500,000</i>	<i>Dec 1</i>	<i>Cash</i>	<i>b/d</i>	<i>500,000</i>
			<i>500,000</i>				<i>500,000</i>
				<i>Dec 30</i>	<i>bal</i>	<i>b/d</i>	<i>500,000</i>

Bank account

<i>Date</i>	<i>Details</i>	<i>Folio</i>	<i>Amount</i>	<i>Date</i>	<i>Details</i>	<i>Folio</i>	<i>Amount</i>
<i>Dec 2</i>	<i>Cash</i>		<i>300,000</i>	<i>Dec 19</i>	<i>Wages</i>		<i>100,000</i>
			<i>500,000</i>	<i>Dec 30</i>	<i>Wages</i>		<i>100,000</i>
				<i>Dec 30</i>	<i>bal</i>	<i>c/d</i>	<i>100,000</i>
			<i>300,000</i>				<i>300,000</i>
<i>Dec 30</i>	<i>bal</i>	<i>b/d</i>	<i>100,000</i>				

Purchase account

<i>Date</i>	<i>Details</i>	<i>Folio</i>	<i>Amount</i>	<i>Date</i>	<i>Details</i>	<i>Folio</i>	<i>Amount</i>
<i>Dec 30</i>	<i>Cash</i>		<i>25,000</i>	<i>Dec 30</i>	<i>Bal</i>	<i>c/d</i>	<i>25,000</i>
			<i>25,000</i>				<i>25,000</i>
<i>Dec 30</i>	<i>bal</i>	<i>b/d</i>	<i>25,000</i>				

Drawings account

<i>Date</i>	<i>Details</i>	<i>Folio</i>	<i>Amount</i>	<i>Date</i>	<i>Details</i>	<i>Folio</i>	<i>Amount</i>
<i>Dec 11</i>	<i>Cash</i>		<i>30,000</i>	<i>Dec 30</i>	<i>bal</i>	<i>c/d</i>	<i>30,000</i>
			<i>30,000</i>				<i>30,000</i>
<i>Dec 30</i>	<i>Bal</i>	<i>b/d</i>	<i>30,000</i>				

Wages account

<i>Date</i>	<i>Details</i>	<i>Folio</i>	<i>Amount</i>	<i>Date</i>	<i>Details</i>	<i>Folio</i>	<i>Amount</i>
<i>Dec 19</i>	<i>Bank</i>		<i>100,000</i>	<i>Dec 30</i>	<i>Bal</i>	<i>c/d</i>	<i>200,000</i>
<i>Dec 30</i>	<i>Bank</i>		<i>100,000</i>				<i>200,000</i>
			<i>200,000</i>				<i>200,000</i>
<i>Dec 30</i>	<i>bal</i>	<i>b/d</i>	<i>200,000</i>				

Sales account

<i>Date</i>	<i>Details</i>	<i>Folio</i>	<i>Amount</i>	<i>Date</i>	<i>Details</i>	<i>Folio</i>	<i>Amount</i>
<i>Dec 30</i>	<i>bal</i>	<i>c/d</i>	<i>75,000</i>	<i>Dec 25</i>	<i>Cash</i>		<i>75,000</i>
			<i>75,000</i>				<i>75,000</i>

				<i>Dec 30</i>	<i>Bal</i>	<i>b/d</i>	75,000
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7. The following diagram represents the circular flow of income between firms and households in an economy. Identify the flows labeled A,B, C and D.

- A – factors of production /factor services*
- B- payment for factor services*
- C – payment for goods and services*
- D- goods and service*

b) Dorcas holdings had the following balances on 31st December 2019.

	Sh
Furniture	240,000
Debtors	160,000
Creditors	80,000
Stock	80,000
Bank	120,000
Cash	24,000
Salaries due	64,000

Required:

i. Calculate Dorcas holdings capital as at 31st December 2019.

(2mks)

$$C = A - L$$

<i>Total assets</i>		<i>total liabilities</i>	
<i>Furniture</i>	240,000	<i>creditors</i>	80,000
<i>Debtors</i>	160,000	<i>salaries due</i>	64,000
<i>Stock</i>	80,000		144,000
<i>Bank</i>	120,000		
<i>Cash</i>	24,000		
	624,000		

$$C = 624,000 - 144,000$$

$$= 480,000$$

ii. Prepare opening entries in Dorcas' General Journal.

(4mks)

Dorcas Holidays General Journal

<i>Date</i>	<i>Details</i>	<i>Dr</i>	<i>Cr</i>
01/01/2019	Furniture	240,000	
	Debtors	160,000	
	Stock	80,000	
	Bank	120,000	
	Cash	24,000	
	Capital		480,000
	Creditors		80,000
	Salaries due		64,000
	Being a record of opening entries	624,000	624,000

8. Outline two advantages of using the internet as a means of communication. (4mks)

- *It is a faster means of communication*
- *Information can be downloaded and printed.*
- *Product promotion can be done over the internet.*
- *One can communicate with others all over the world.*
- *It enables buying and selling of products over the internet.*

b. Explain three circumstances under which a high population growth may be desirable. (6mks)

- *When population increase creates a wider market for goods and services, thus attracting both local and foreign investors.*
- *When population increases creates a wider market for goods and services, thus attracting both local and foreign investors.*
- *When population increases the labour supply, leading to payment of low wages which may become an incentive to entrepreneurs.*
- *When population increase creates pressure on available resources which creates higher efficiency, new innovations and improved technology in the country.*
- *When increased population enables the government to recruit many people into armed forces for defense/security.*

