MARKING SCHEME PAPER 1

1. **. *Elements of demographic environment that may influence operation of business***

-Population size

-Geographic distribution of population

-The population density

-Distribution of population by sex/gender

-Distribution of population by age

-Population growth rate. 4x1=4

2. ***utility created by each of the following business activities***

-Possession

-Place

-Time

-Form 4x1=mks

3. Highlight **four** importance of consumer protection. ( 4 marks)

-Protect consumer from wastage caused by hoarding

-Protect them from underweight goods

-Protect them from being overcharged

-Protect them from harmful goods

- protect them from false advertisement

4. Highlight four disciplines of business studies. (4 mks)

(a) Accounting

(b) Economics

(c) Entrepreneurship

(d) Commerce

- Office practice

5. ***Circumstances under which differed payment may be appropriate***

-When the seller wants to attract or retain customers

-When the seller wants to increase sales

-When the seller wants to use credit facilities as a competing tool

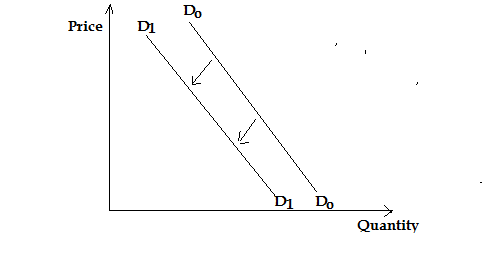
-When the seller want to dispose off slow moving stock

-When credit worthiness of a customer is unquestionable 4x1=4

6. **State four reasons why the concept of choice is important in Economics.**  (4mks)

* Limited resources
* unlimited human wants/needs
* Scarcity of goods and services
* Limited skills technology to produce goods.
* Limited time to produce goods.

7. The diagram below shows a shift in demand curve of a commodity from DoDo to D1D1.



Outline four factors that may have contributed to the above shift. (4 mks)

(a) Decrease in consumers’ income

(b)Unfair distribution of income

(c) Decrease in population

(d) Unfavourable tastes and preference

-Decrease in price of substitute goods

- Unfavourble weather changes

- Unfavourable government policies

8. Identify the book of original entry associated with the following sources documents given below. ( 4 marks)

Source documents Books of original entry

Invoice received Purchase journal

Credit note received Purchases returns / returns outward journal

Receipt issued Cash receipt journal

Credit note issued Sales returns journal

9. **Benefits of international trade to a country**

-Enable a country to sell (dispose of its surplus)

-Enable a country to acquire goods and services which its unable to produce locally

-A source of government revenue when import taxes are received

-Creates employment to people when they engage in various trading activities

-Enable a country to get variety of goods 4x1=4 marks

10. **Highlight four characteristics of money as a means of payment.**  (4mks)

* Malleability
* Cognisability
* Portability
* Divisibility
* Homogeneity
* Complexity
* Durability
* Scarcity
* General acceptability

11. **Ways of improving service delivery in parastatals and state corporation**

-Regular auditing of books of accounts

-Setting targets to be achieved by all firms

-Retrenching some of the idle workers

-Make them adapt modern technology

-Employing qualified /skilled managers

-Workers signing performance contract 4 x 1 = 4

12. **State four circumstances under which a trader may require less warehousing space.**

* If he/she is dealing with perishable goods
* When demand is very high
* If he is located near customers
* If dealing with fast moving goods.
* If goods are of high value
* If dealing with foods that require order.

13. The use of electronic boards is becoming increasingly popular as a mean of product promotion .State **four** advantages derived from their use. ( 4 marks)

-Very attractive and cannot be easily ignored

-Offer 24 hours service

-Advert repeated over and over again

-Can be used to demonstrate the use of the product

-Creates a long lasting impression

-They are strategically located to increase their coverage

14. **Contributions of households to the national income of a country**

-Providing a ready market for commodities produced

-Providing labour for firms

-Paying taxes to the government

-Providing savings and investments in the country

-Providing land to firms

-Offering capital to firms to facilitate production. 4 x 1 = 4mks

15. Outline factors that an entrepreneur will consider when determining the most viable business opportunity. (4 mks)

(a) The profitability of business

(b) Availabilty of required skills to manage the business

(c) Availability of security

(d) The level of competition

- availability of market

- Govt policy

- Capital required

- Possibilty of expansion

16. List **four** factors that may discourage the use of pipeline as a means of transporting petroleum products in a country. (4 marks)

**-** Lack of adequate capital / finance for installation of pipelines

- Nature of product may not require pipelines

- Lack of appropriate technology for installation of pipes

– Availability of other means of transports that is cheaper.

- Rugged terrain that make it difficult and expensive to construct

17. Open relevant ledger accounts using the following information. (4 mks)

1/2/2011 started business with sh. 10,000 in cash and sh. 50,000 at bank.

2/22011 Bought goods on credit from LK traders worth sh.5000

4/2/2011 Withdrew sh. 2000 from bank for office use.

|  |  |
| --- | --- |
| Dr Capital A/c Cr | |
|  | 1.2.2011 cash 10,000✓  1,2,2011 Bank 50,000✓ |

|  |  |
| --- | --- |
| Dr Cash a/c cr | |
| 1.2.2011 capital 10,000✓  4.2.2011 Bank 2,000✓ |  |

|  |  |
| --- | --- |
| Dr Purchases a/c cr | |
| 2.2.2011 LK Trdaders 5,000✓ |  |

|  |  |
| --- | --- |
| Dr LK Traders a/c cr | |
|  | 2.2.2011 purchases 5000✓ |

|  |  |
| --- | --- |
| Dr Bank a/c cr | |
| 1.2.2011 Capital 50,000 | 4.2.2011 Cash 2000✓ |

(8x1/2 = 4 mks)

NB: date and details must be correct to score.

18. ***Circumstances under which deferrsed payment may be appropriate***

-When the seller wants to attract or retain customers

-When the seller wants to increase sales

-When the seller wants to use credit facilities as a competing tool

-When the seller want to dispose off slow moving stock

-When credit worthiness of a customer is unquestionable 4x1=4

19. Gross profit

i)Margin = Gp x 100

Sales

Gp = 25 x100

920,000

100Gp = 920000 x 25

100 100

Gp = 230,000 1 mk

ii) cost of sales

sales – Gp = 920,000 – 230,000

= 690,000 1mk

iii)Purchase for the year

COGS = OS + P + CI– RO – CS

690,000 = 150,000 + P – 230,000

= 770,000 1mk

iv) Net profit

Gp – expenses

230,000 – (15 x 920000) = 230,000 – 138,000

100

= 92,000 1mk

20. **Benefits of international trade to a country**

-Enable a country to sell (dispose of its surplus)

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-A source of government revenue when import taxes are received

-Creates employment to people when they engage in various trading activities

-Enable a country to get variety of goods 4x1=4 marks

21. State four basic features of a market. (4 mks)(a) Availability of buyers

(b) Availability of goods and services

(c) Availability of sellers

(d) Availability of medium of exchange

- freedom to buy and sell

- Area/a place

- Interaction between buyers and sellers

22. **. Circumstances under which a business firm may use photocopying as a means of reproducing documents**

* When high quality copies are required
* When copies are required fast since it quicker than duplicating or printing
* When coloured copies are required
* When there is no need for comparison with original
* When the business does not want to pollute the environment

23. **A business had the following record for the year ended 31st December 2018** (4mks)

Capital as at 31/12/2018 64,000

Net profit for the year 14,000

Capital as at 1st Jan 2018 42,000

Monthly drawings 1500

Calculate the additional investments made during the year.

Final = Opening + Net + Additional – drawings – Net

Capital capital profit investments

64,000 = 42,000 + 14,000 + Ai – 18,000

64000 = 38,000 + AI

Additional = 64,000 – 38,000

investments

Ans = Shs. 26,000

24. Highlight **four** circumstances under which the heads of sales department may need to communicate with the head of production department in a business. ( 4 marks)

**-** When he wants to co-ordinate and harmonize different activities to avoid waste

- To help set achievable goals

- To create teamwork within department

- To share experiences on how to motivate the juniors

25. **Hekima private limited company would like to open up a subsidiary branch in Mombasa, outline factors it would consider before setting up the manufacturing unit.**

* Potential demand for the goods
* Source of raw materials
* Security
* Existing of instracture
* Auxiliary services
* Legal requirements
* Effects on environment.