

TEACHER.CO.KE
FORM 4 BUSINESS STUDIES PAPER 1 (565/1)
OPENER TERM 1, (2022).

MARKING SCHEME

1. Ways in which the economic environment may positively influence the activities of a business(4 marks)

- The prices of commodities are low leading to increased demand
- Increase in consumer's incomes hence high demand
- If the taxes levied on goods are low as it will make prices of commodities to fall
- If banks charge low interest rates on loans, it encourages people to borrow loans and buy more goods
- If there is low levels of inflation increasing or maintaining higher ability to buy

2. Benefits to a community following the establishment of a milk processing factory in their locality. (4 marks)

- Source of employment to the locals
- Provides market for local raw materials/Milk
- Enables the locals to buy their products saving them the need to travel in search of them
- Will influence the development of infrastructure like roads which benefits them
- They participate in community welfare programmes such as street cleaning activities, sponsoring competitions, giving bursaries to needy children

3. General functions of state corporations(4 marks)

- Providing essential goods and services at friendly prices/helping citizens from exploitation
- Providing goods and services that are so essential yet do not give good returns which are then avoided by the private sector
- Providing services to the public whose initial capital outlay is huge and cannot be raised by private businesses
- Engaging in business so as to provide job opportunities to the citizens
- Engage business so as to reduce/avoid foreign dominance in the economy
- To provide sensitive products that cannot be left in the hands of the private sector

4. Mailing service that fits the following descriptions (4 marks)

Description	Name of the mailing service
i) Offered to travelers who may wish to receive correspondence away from their post office box	Post Restante
ii) Used for sending correspondence and parcels to a destination in the shortest time possible	Speed post/Express
iii) Offered to those sending articles of value for which security in handling is required.	Registered mailing service
iv) Usually in form of letters and parcels including light parcels delivered by hand, road, rail or by air	Ordinary mail

5. Benefits that are likely to be enjoyed by a firm as a result of expansion of the entire industry (4 marks)

- Easier access to Labour force
- Enjoys improved/efficient infrastructure
- Firms may be able to dispose of their waste product easily
- Ready market may be available from the surrounding firms
- Readily available services such as banking, insurance and medical care
- Adequate supply of power due to large volume of consumption etc.
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6. Possible channels of distributing imported Machinery from Germany(4 marks)

- Foreign Manufacturer → Agent → Wholesaler → Retailer → Local consumer
- Foreign Manufacturer → M. Representative → Wholesaler → Retailer → Local Consumer
- Foreign Manufacturer → wholesalers → Retailer → Local consumer
- Foreign Manufacturer → Wholesaler → Local consumer
- Foreign Manufacturer → Retailer → Local Consumer
- Foreign manufacturer → Local consumer

7. Table of Assets, Liabilities and Capital. Determine the missing figures(4 marks)

Assets	Liabilities	Capital
755,700	a	223,300
b	315,800	455,200
537,750	c	269,450
478,900	602,500	d

- a) 532,400
- b) 777,000
- c) 268,300
- d) -123,600

8. Highlight four advantages of division of labour and specialization in an organization. (4 marks)

- Employees become specialists in their jobs as a result of performing tasks repeatedly.
- It saves on time in performing tasks in work place.
- It produces high quality products.
- There is standardization of products due to use of machines.
- Better organization work increases efficiency in the work place.
- Mass production/output per worker is increased/Increased quantity

9. Jennifer just completed her secondary school studies. She wishes to engage in a small scale retail

business in her locality. Four types of such business she can start: (4 marks)

- Itinerant trader (Hawking, peddling)
- Open air market
- Single shops
- Kiosks
- Market stalls
- Canteen
- Roadside sellers.

10. Measures that have been put in place by the government to bring order and sanity in the public transport sub-sector. (4 marks)

- Removal of unroadworthy vehicles which may cause accidents.
- Installation of bumps to reduce speed which may cause accidents.

- Heavy penalties on motorists who disobey traffic rules.
- Making sure that passenger vehicles have safety belts to minimize casualties.
- Ensuring that public service vehicles have speed governors to limit the speed
- Construction of dual carriage roads and by-pass to ease congestion.
- Restrictions on travelling hours to ensure drivers have ample time to rest.
- Use of alcohol blow to curb drunken driving
- All the PSVs are operating under a registered SACCO
- All drivers and conductors must have uniforms
- Drivers and drivers required to have certificate of good conduct

11. Outline four differences between life assurance policy and general (property insurance policy. (4 marks)

Life assurance policy	Genera (property) insurance policy
➤ -Taken to cover life only	➤ -Taken to cover property only
➤ -It is a long term policy	➤ -It is a short term policy
➤ -Principle of indemnity does not apply	➤ -Principle of indemnity applies
➤ -It has surrender rate	➤ -Does not have surrender rate
➤ -It is a kind of a saving	➤ -It is not a saving planning in any way.
➤ -Policy value depends on ability to pay	➤ -Policy value depends on the value of property

12. The equation given below relate to quantity demanded and quantity supplied at the equilibrium point. (4mks)

$$Q_{de} = 4p + 50$$

$$Q_{se} = 8p + 30$$

Determine the equilibrium price and quantity.

$$Q_{de} = 4p + 50$$

$$Q_{se} = 8p + 30$$

$$Q_{de} = Q_{se}$$

$$4p + 50 = 8p + 30$$

$$50 - 30 = 8p - 4p$$

$$\frac{20}{4} = \frac{4p}{5}$$

$$P = 5$$

$$Q_{de} = (5 \times 4) + 50$$

$$Q_{de} = 20 + 50$$

$$Q_{de} = 70$$

$$\text{Price} = 5$$

$$\text{Quantity} = 70$$

13. State four emerging issues in population and employment (4 marks)

- The HIV/Aids pandemic
- Population growth and control policies
- Family planning campaign to create awareness.
- Teenage pregnancies
- Provision of free basic health services
- Food security issues
- Illegal immigration into the country
- Emphasis on maternal child health.
- Emphasis on certificate of good conduct during recruitment
- Employment on the basis of performance contracts
- Social welfare scheme provided by the government for aged persons
- County and Central government deliberately awarding contracts to women and the youth
- Government created the UWEZO FUND to give loans to women and youth to start and run businesses

14. Services that are being offered by the Kenya Women Finance Trust (KWFT) to their client as one of the micro-financial institutions. (4 marks)

- It offers financial assistance to small and medium size business enterprises.
- They advise entrepreneurs on available business opportunities, business management and record keeping.
- They give graduated loans to customers starting with small amount and increases the amount if the previous loans is wisely invested.
- They encourage savings by advancing loans to groups and individuals based on amount saved.
- They supervise and monitor their customers on the use of the borrowed loans.
- They give them fewer conditions during their process of lending.
- Give affordable amount of loan to borrowers, however small, at low interest rates and longer repayments periods.

15. Characteristic of basic human wants. (4 marks)

- One cannot do without
- They are felt needs.
- They cannot be postponed
- They are satisfied before secondary wants
- They are universal

16. Ways in which it computerization contributes to the success of an organization. (4 marks)

- It has enable globalization
- It has made communication faster.
- It has reduced paper work.
- Has assisted in data storage and inventory control.
- It facilitates market research activities
- Makes it easy the performance of any complex mathematic procedure
- Aid in security controls
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17. Ways in which Kenya Bureau of standards (KEBS) regulates businesses. (4 marks)

- Conducting regular inspections to ensure that standards are meet by business people
- They stamp on products to prove that the established standards have been adhered to.
- Take legal actions against those who violet set standards.
- Set standards for all local and imported manufactured goods by conducting research and tests on these goods.
- Ensures businesses have valid licenses
- Test goods to ensure they are safe for consumer use
- Destroy contaminated or poisonous goods
- Check labels and packages to ensure that they have the correct information
- They monitor and control the use of the standardization mark

18. Briefly give the meaning of the following warehouses. (4 marks)

- Private warehouse – They are warehouses that are privately owned by individuals or firms for storing their goods only.
- Public warehouse – They are warehouses owned by individuals or firms purposely constructed for renting to those in need of storage spaces.
- Free ware house – They are warehouses in which tax free goods are kept awaiting sale or collection by owners.
- Bonded warehouse – They are public warehouses especially meant for keeping imported goods as they await payment of customs duty.

19. Features of perfect competition market structure. (4 marks)

- They are large number of buyers and sellers.
- Products are uniform that is homogeneous.
- There is freedom of entry and exit.
- There is uniformity of buyers and sellers
- There is no government intervention.
- There is perfect knowledge of the market among buyers and sellers
- No excess supply or demand
- Perfect mobility of factors of production
- No transport costs

20. Reasons why high per capita income in a country may not be an indicator that its citizens are living a higher standard of live. (4 marks)

- The income may not be distributed equitably among all the citizens.
- Data used may not be accurate.
- A high per capita income may be at the expense of citizen's social welfare.
- Higher income may be as results of increase in level of inflation.
- Increased productivity even when there are rising levels of environmental pollution
- Use of inaccurate population data

21. State the book of original entry used to record information from the following source documents (4 marks)

Source Document	Book of Original entry
Received invoice	Purchase journal
Copy of credit note	Sales returns journal
Payment voucher	Cash payment journal
Issued invoice	Sales journal

22. In the spaces provided indicate with a tick (✓) whether each of the following transaction will increase, decrease or have no effect in the balance sheet totals. (4 marks)

Transaction	increase	Decrease	No effect
Selling a business asset at a loss		✓	
Depositing extra cash in business account			✓
Drawing cash for personal use		✓	
Buying stock on credit	✓		

23.State any four gaps in the Kenyan market with investment opportunities (4 marks)

- Where there are poor quality goods in the market
- Where there is inadequate goods in the market
- Where the price is too high /customers being overcharged
- Where the customers are being offered with poor services
- Where there is unavailability of goods

24.State four circumstances under which advertising may not be beneficial to the customers (4 marks)

- Where advertisement does not disclose side effects of the product.
- Where advertising cost is passed over to consumers hence increasing price of a product.
- Where the advertisement persuades consumer to buy a product he doesn't require.
- Where a consumer buys substandard products as a result of misleading advertising

- Where product does not perform as the advertised.

25. Highlight four circumstances under which the law of demand will not apply

(4 marks)

- Where the goods in question are for ostentation
- Where the goods concerned are of inferior quality
- Where consumers expect the prices of goods to rise in the near future
- Where impulse buying is concerned

