**GATUNDU SOUTH BUSINESS STUDIES PAPER 1**

**Marking scheme 2019**

1. **Challenges of satisfying human wants**. **4 marks**

a)-Problem of making choices

b)-problem of scarce resources

C-Problem of competing wants

d)-Problem of recurring wants

e)-Problem of satisfying complementary wants.

2. **Ways in which government influence price of a commodity 4 marks**

a)-Taxation may increase the price

b)-Subsides may reduce the price.

C-Legislation may increase / decrease the price

d)-Price control /price ceiling

e)-Price decontrol /price liberalization

**3.Types of environment 4 marks**

(a) external environment

 (b) external environment

 (c )internal environment

 (d) External environment

**4. (i) Working capital**

 Current Assets-Current liabilities

 (145,220-95,200)√

 =50,020√ **2x1mk=(2mks**)

**(ii) Capital employed**

 Fixed Assets +Working capital

 (480,000+50,020)√

 =530,020√ **2x1=(2mks)**

**5. (a) For each of the following indicate in the spaces provided the account to be debited, the account to be credited and relevant ledger in which account would be maintained. 16 x ¼ marks**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| TRANSACTION | **A/C Dr** | **ledger** | **A/C cr** | **ledger** |
| a. Mr koech a proprietor converted a private car into a business asset | **car** | **general** | **capital** | **private** |
| b. Withdrew cash from the business to pay for sons school fees. | **drawing** | **private** | **cash** | **cashbook** |
| c. Sold delivery van on credit to Fanfan motors | **Fanfan motors** | **debtors** | **van** | **general** |
| d. bought furniture and paid by cheque | **furniture** | **general** | **bank** | **cashbook** |

**6.Measures that government may undertake to provide an enabling business environment 4 marks**

a)- Provision of adequate security

b)-Provision of good transport / communication system / infrastructure

C-Offering subsidies

d)-Instituting legal measures / regulations to shield local industries

e)-Tax concession / relief to motivate new investors

7. **Circumstances under which downward communication would be appropriate: 4 marks**

a)-When training junior staff

b)-When delegating duties to the junior staff

c)-When dealing with those involved in misconduct

d)-When giving rewards to staff

e)-When solving problems facing employees

f)-When evaluating the performance of employees

8. **drawbacks of subsistence production to society** **4 marks**

(a) poor quality goods and services

(b) low quantity of goods

© Low standards of living

(d) lack of creativity and innovation

(e) Unemployment and low investment

9. **Merits of using indirect tax to raise revenue 4 marks**

(a) Convenient to pay

(b) Not easy to evade

(c)Has wide coverage / reaches the pocket of all income groups

(d) Economical to collect

(e)It is elastic / flexible hence adaptable to economic changes.

10**. Components of a business plan**. **4 marks**

a)-The product to sell

b)-The target market

c)-The management structure

d)-The capital structure

e)-The extent of competition

f)-The executive summary

11. **Demerits of pipeline to transport petroleum 4 marks**

a)-Installation cost is very high

b)-It is prone sabotage hence loss of product

c)-Where leakage is not detected immediately, heavy losses occur

d)-It has no return journey

e)-It can be used to transport gas / liquid products only

f)-Leakage may cause environmental pollution.

12**. Personal selling may be appropriate**; **4 marks**

a)-Where the firm has adequate resources

b)-Where the market is concentrated in one locality

c)-Where the product is of high unit value

d)-When there is need for demonstration

e)-When introducing a new product in the market

f)-Where there is need to address individual need/ requirement / consumer specification

13. **Raymond Traders**

 **Trial balance**

**as at 6th January 2012**

|  |  |  |
| --- | --- | --- |
| PARTICULARS |  DR |  CR |
| Land and BuildingCash in hand PurchasesReturn inwardsCreditors Bank overdraftSalesCapital |  150,000√ 25,500√ 18,000√ 5,000√ |  15,000√ 30,000√ 30,000√ 123,500√ |
|  |  198,500 |  198,500 |

 (8x½mk = (4mks)

14. **Monetary policy of controlling inflation 4 marks**

a)-increase bank rate

b)-increasing cash ratio

c)-increase of liquidity ratio

d)-sale of government security through open market operation

e)-Use of selective credit control

f)-Use of or increase special/ compulsory deposits

15. **office machines 4marks**

(a) Composite machine

(b). Facsimile/ fax machine

(c)Duplicating machine

(d) Banking machine

16. **Disadvantagesof producer co-operatives 4 marks**

a)-Most of them cannot attract qualified staff due to inadequate finance

b)-Some cannot be able to raise enough / adequate capitals as majority of their members are low income earners

c)-Majority are poorly managed leading to poor performance

d)-Most of them are affected by political interference

e)-Withdrawal of members affects their operation / capital base

f)-They suffer from embezzlement of funds by the management

**17. Circumstances under which a firm may be located near source of raw material 4 marks**

(a) Where raw materials are too bulky compared to the final product

(b) where raw materials are perishable

( c) where raw materials are fragile

(d) if it’s a government requirement to reduce pollution.

(e) incase the firm want to control production of raw materials

(f) If the market is concentrated near the raw materials.

18. **Advantages of bonded warehouse to the government 4 marks**

a)-Enables the government to collect information on goods imported

b)-Enables the government to raise revenue from customs duty paid

c)-The government is able to control the entry of illegal goods in the country

d)-Verification of the type /nature of goods imported become easier

19**. Features of departmental stores 4 marks**

 (a). Offer variety / wide range of goods

 (b). Sell their goods at relatively lower prices

 (c).They are attractive / convenient to shop in

 (d).Usually situated in town centres

 (e).Each department is managed by a departmental manager

20. **Conditions necessary for a successful development plan 4 marks**

a)-Establishment of a planning body

b)-Availability of adequate statistical data

c)-Fixing realistic targets and priorities

d)-Maintenance of proper balance in the economy

e)-Incorruptible and efficient administration

f)-Proper development policy

g)-Non-interference by politicians/political goodwill.

21. **Purpose of a three column cash book 4 marks**

a)-Recording cash receipts by business

b)-Recording discount allowed by the business

c)-Recording discount received by the business

d)-Recording cash payment by the business

e)-Recording payment made by cheques

f)-Recording receipts made by cheques

g)-Showing the cash balances brought down / forward

h)-Showing bank balances brought forward / down

22. **Features of general insurance 4marks**

a) -The policy cannot be assigned to anybody else

b)-Policy is a contract of indemnity

c)-The policy is usually renewable / short contract /term

d)-Insured must have insurable interest

e)-The policy has no surrender value

f)-Compensation attached to actual value of loss / to the sum insured.

**23. Effects of the population trend 4 marks**

(a) Decline in standard of living

(b) Low saving

(c ) High levels of unemployment

(d) Insufficient food supply

(e) Low rate of industrialization

(f) Environmental degradation.

(g) Increase in social evils

(i) political instability

**24. Name the source document and the day book to which each of the following description relates 8 x 1/2 = 4 marks**

|  |  |  |
| --- | --- | --- |
| DESCRIPTION | **SOURCE DOCUMENT** | **DAY BOOK** |
| a. issued by the seller to buyer for cash paid for goods. | **receipt** | **Cashbook/cash receipt journals** |
| b. issued by the seller to a credit buyer to demand for payment | **invoice** | **Sales journal** |
| c. used to correct an overcharge for goods returned to the business | **Credit note** | **Sales return journal** |
| d. Filled when either cash or cheques are deposited in the bank account. | **Cash/ cheque deposit slip** | **cashbook** |

**25. identifying injections and withdrawals 4marks**

**(a) Injection**

 **(b) withdrawal**

 **(C) withdrawal**

 **(d) injection**