

BUSINESS FORM 4 PAPER ONE MARKING SCHEME

1.

- Easy supervision
- Construction cost is low
- Easy location of workers
- Staff movement is minimised
- Promotes team work
- Floor space is saved
- Cheap to decorate
- Discourages absenteeism by employees

2.

- Highly flexible for the consumers/Lack fixed routes
- Offer door to door services
- Convenient to the consumer, no time schedule
- Relatively fast/saves on time/no delay
- Readily available/reliable
- Can negotiate fares

3.

- Value of property is high.
- High risk of loss
- Number of risk covered ,if many
- Need to spread risks
- If it's the government policy
- To create clients confidence.

4.

- Increase in consumers level of income
- Postive taste and preference
- Consumers expectations in price increase and shortages
- Large population size
- Reduced taxes on the commodities

5.

- Barriers to entry
- Control source of raw material by a few firms
- A few firms may hold patent rights
- Large capital outlay that hinders other firms to enter
- Some firms may be aggressive which may make firms to withdraw
- Large economies of scale enabling them to produce at low costs

6.

- Additional investment
- Profits made
- Losses made
- Drawings made

7.

Transaction	Increase	Decrease	No effect
A	√		
B			√
C			√
D		√	

8.

- a. Opening balance of ksh100,000(cr) in bank. The business had bank overdraft of Kshs. 100,000
- b. Business transferred ksh 20,000 from cash to bank
- c. Debtors settled their debt of ksh 20,000 in cash
- d. Balancing figure in cash column [diff bwn the dr side and the cr. Side/ the business remained with Kshs.19000 cash in hand

9.

- Produce goods and services.
- Promote both local and international trade
- Promote development of infrastructure
- Create wealth
- Create employment opportunities
- Promote use of technology
- Satisfaction of human wants
- Resource mobilization

10.

- a. Incoming invoice
- b. Credit note
- c. Outgoing invoice
- d. Receipt

11.

- Consumers will not be assured a steady flow of goods
- Quality of goods may be compromised
- Prices of goods are likely to be unstable
- Consumers may not get goods in convenient quantities
- Consumers may not enjoy lower prices from economies of scale as a result of warehousing

12.

- Create regional economic imbalances
- Increased crime rate/congestion
- Concentration of pollution in one area
- Can create unemployment if such firms collapse
- Risky for a country in case of external war
- Creates overdependence among the firms
- Creation of slums due to overpopulation
- Social evils like prostitution.

13.

- Nature of goods
- Uncertainties in the market
- Nature of competition
- Government of policy
- Cost of the channel.

14. State **four** ways in which Kenya as a country can conserve her economic resources.

- *Government appropriate policies governing exploitation of natural resources should be put in place.*
- *Harmonized licencing of resource exploitation to prevent imbalanced and overexploitation of particular resources.*
- *Putting in place severe penalties on those found carrying out illegal exploitation of resources e.g. pourchers, lumbers.*
- *Intensifying soil, forest e.t.c. conservation campaigns.*
- *Encouraging use of alternative source of fuel to prevent deforestation.*
- *Educating people on the proper disposal of waste to prevent pollution i.e. solid, air, water.*
- *Demarcating forests and wildlife reserves to prevent human settlement.*

15. Outline **four** ways in which the legal political environment can influence the activities of a business.

- *To start a business one must obtain a trading license.*
- *Taxes are imposed by government on the activities of a business.*
- *Government offers subsidies to producers.*
- *The law requires that goods sold must meet certain specified standards.*
- *Political stability creates a conducive environment for business to thrive.*

16. For each of the following descriptions, identify the corresponding method of product promotion.

DESCRIPTION	METHOD OF PROMOTION
Free promotion of a product	<i>Free publicity</i>
Strategies to increase sales at the point of promotion.	<i>Personal selling</i>
Impersonal presentation of a product through the mass media	<i>Advertising</i>
Meant to improve the reputation of a firm	<i>Public relations</i>

17. Outline *four* factors that influence the amount of money held by an individual for precautionary motive.

- *The level of income*
- *The family status*
- *The age of the individual*
- *The number of dependant one has.*
- *The individual temperament*
- *The duration between incomes of an individual/intervals between incomes.*

18. The following balances relates to the business of Manji Traders during the period ended 30th June 2013.

	Shs.
Rent received	12,000
Salaries and wages	48,000
Gross profit	120,000
Discounts received	7,500
Insurance	12,500
Carriage on sales	15,000
Discounts allowed	6,000

Prepare the business's Profit & loss a/c for the period ended 30th June 2021.

Super Loaf Traders
Profit & Loss account
For the period ended 30th June 2021.

Kshs.		Kshs.
Discounts allowed		Gross profit b/d
6,000		120,000
Insurance		Discounts received
12,500		7,500
Salaries and wages		Rent received
48,000		12,000
Carriage on sales		
15,000		<u>139,500</u>
Net profit		
<u>58,000</u>		
<u>139,500</u>		

19. The following transaction was extracted from books of Kemboi business on 31st March 2004.

Stock (01/04/05)	8,000
Stock (31/03/06)	9,000

Purchases	4,500
Sales	21,000

Calculate:

(i) Margin

$$\text{Margin} = \frac{\text{Gross profit}}{\text{Net sales}} \times 100$$

$$\text{Gross profit} = \text{Sales} - \text{cost of sales}$$

$$= \text{Shs. } 21,000 - \text{shs.}(8,000 + 4,500 - 9,000)$$

$$= \text{Shs.} 21,000 - 3,500$$

$$= \text{Shs.} 17,500$$

$$\text{Margin} = \frac{\text{Shs.} 17,500}{\text{shs.} 21,000} \times 100$$

$$= 83.3\%$$

(ii) Rate of stock turn over.

$$\therefore = \frac{\text{Cost of goods sold}}{\text{Average stock}}$$

$$\text{ROSTO} = \frac{\text{shs.} 3,500}{\text{shs.} 8,500}$$

$$= 0.41 \text{ times}$$

$$\text{but average stock} = \frac{\text{Opening stock} + \text{Closing stock}}{2}$$

$$= \frac{8,000 + 9,000}{2}$$

$$= \text{shs.} 8,500$$

20. Highlight four factors that must be considered before spending public funds.

- *Sanctions*
- *Maximum social benefit*
- *Flexibility*
- *Economy*
- *Proper financial management*
- *Equity*
- *Productivity.*

21. Outline **four** circumstances under which a firm may be located near the source of its raw materials.

- *Where the raw materials are too bulky compared to the final product.*
- *Where the raw materials are perishable.*
- *Where the raw materials are located near the market for the final product.*
- *Where the government policy requires such firms to be located at the raw material's source to reduce pollution.*

- *Where the raw materials are fragile*

22. Circumstances under which face to face would be preferred to written.

- When the information is confidential.
- When giving instructions
- When no evidence is required
- When there is need to promote informal atmosphere.
- When there's need for immediate feedback
- When introducing an employee
- When there's need to discuss issues.

23. Ways how consumer can protect themselves against malpractices by private traders.

- By forming consumer association
- By boycotting to buy from such trader
- By voicing the complaints through the mass-media
- By reporting such trader to the relevant authority
- By going to the court.

24. Problems associated with the measurement of national income using the output approach.

- The problem of valuing output approach sector
- The problem of deciding on the goods and services to include
- The problem of valuation due to in availability or in accuracy of output figure especially in the subsistence sector.
- Problem of valuing governments output as many of its services are not sold in the market
- Valuing illegal activities e.g drug trafficking.

25.

- Reduced pressure on land
- Shrinking market for goods and service/ low market
- Reduced levels of unemployment
- Reducing government expenditure on the provision of social amenities.
- Reduced dependency burden
- Low labour supply.
- Reduced social problems like crime, lack of housing, traffic jams.