

Name.....Index No.....

Candidate's Signature.....Date.....

MOKASA II PRE-MOCKS 2019

565/1
BUSINESS STUDIES
PAPER II
FORM IV
2 HOURS

Instructions to candidates

Answer all the questions in this paper.

FOR OFFICIAL USE ONLY

QUESTIONS	1	2	3	4	5	6	7	8	9	10	11	12	
MARKS													
	13	14	15	16	17	18	19	20	21	22	23	24	25

INSTRUCTIONS TO CANDIDATES

- Write your name, signature, index number and the examination date in the spaces provided above.
- Answer all the questions.
- All the answers should be written in the spaces provided in this booklet.

This paper consist of 8 printed pages. candidates should check the questions paper to ascertain that all the pages are printed as indicated and that no questions are missing

1. State **four** characteristics of services. (4mks)
 - a).....
 - b).....
 - c).....
 - d).....
2. Outline **four** disadvantages of division of labour. (4mks)
 - a).....
 - b).....
 - c).....
 - d).....
3. Mention **four** advantages of using Automatic Vending Machines. (4mks)
 - a).....
 - b).....
 - c).....
 - d).....
4. Give **four** benefits one gets from self-employment. (4mks)
 - a).....
 - b).....
 - c).....
 - d).....
5. Outline **four** factors to consider when intending to buy office furniture. (4mks)
 - a).....
 - b).....
 - c).....
 - d).....

6. Name the source document to which each of the following description relate. (4mks)

Description

source document

(i) Issued by the seller to a buyer for cash paid

(ii)

Used for processing and authorizing payments

(iii) Sent to a credit buyer to demand payment

(iv) Used to correct undercharge

7. Outline **four** principles of co-operatives. (4mks)

a).....

b).....

c).....

d).....

8. Highlight **four** measures that the government puts in place to create conditions that will be favorable for business development. (4mks)

a).....

b).....

c).....

d).....

9. State **four** advantages of transporting oil by pipeline rather than by road. (4mks)

a).....

b).....

c).....

d).....

10. Outline **four** advantages of audio-visual communication. (4mks)

- a).....
- b).....
- c).....
- d).....

11. Highlight **four** ways in which the production activities of firms in your country affect the environment. (4mks)

- a).....
- b).....
- c).....
- d).....

12. Highlight **four** disadvantages of a private warehouse. (4mks)

- a).....
- b).....
- c).....
- d).....

13. Ragati and Nzonge operates a business with a stock valued at ksh.350,000 and have interests of $\frac{3}{5}$ and $\frac{2}{5}$ respectively. Ragati decided to insure $\frac{2}{4}$ of the stock against fire. Sometimes later fire occurred at their business premises and destroyed stock worth ksh. 250,000. Calculate the amount of compensation Ragati would get from the insurance company. (4mks)

.....

.....

.....

.....

.....

14. Outline **four** sources of monopoly power. (4mks)

- a).....
- b).....
- c).....
- d).....

15. Name **four** sources of public finance. (4mks)

- a).....
- b).....
- c).....
- d).....

16. State **four** benefits that would accrue to a customer who borrows a loan from a non-bank financial institution. (4mks)

- a).....
- b).....
- c).....
- d).....

17. Match **each** of the statements given below with the relevant type of capital. (4mks)

Statement

Type of capital

- a. Resource invested into a business by the owner _____
- b. Excess of current assets over current liabilities _____
- c. Amount invested into the business by outsiders _____

d. Represents total finance in a firm

18. The following information was extracted from the books of farmers choice supermarket on 31st Dec 2009

	shs
Average stock	30,000
Closing stock	40,000
Purchases	336,000
Carriage inwards	2,000
Return outwards	18,000
Margin	1/6

Required. Calculate sales for the year .

4mks

.....

.....

.....

.....

.....

.....

19. Outline **four** important characteristics of a general journal. (4mks)

- a).....
- b).....
- c).....
- d).....

20. Apex traders provided you with the following

Margin	25%
Cost of sales	15,000
Opening stock	2,000
Closing stock	1,000

Operating expenses 2% of capital
Sales and capital are in the ratio of 1:4

Calculate :

- a. Rate of stock turnover
- b. Purchases
- c. Return on capital

.....

.....

.....

.....

.....

.....

.....

.....

.....

21. Indicate the subsidiary ledger in which each of the following should be recorded. 4mks

<u>Account</u>	<u>Subsidiary ledger</u>
a. Return inwards	_____
b. Bank	_____
c. Drawings	_____
d. Juma traders (a debtor)	_____
e. Discount received	_____
f. Uchumi wholesalers (a supplier)

22. Highlight **four** types of advertising. (4mks)

- a).....
- b).....
- c).....
- d).....

23. State **four** natural sources of energy in Kenya. (4mks)

- a).....
- b).....
- c).....
- d).....

24. The statement below described various types of goods. Identify the type of goods best described by each statement. (4mks)

- a. Owned by the government on behalf of its citizens. _____
- b. Goods that are capable of directly satisfying human want. _____
- c. Goods that are used to make other goods. _____
- d. Goods that get spoilt within a very short time. _____

25. Identify **four** reasons why many youths in urban centre are starting hawking businesses. (4mks)

- a).....
- b).....
- c).....
- d).....

MOKASA II PRE-MOCKS 2019

BUSINESS STUDIES PAPER I

MARKING SCHEME

FORM 4 TERM II, 2019

565/1

PAPER 1

MARKING SCHEME

1. Characteristics of services

- are intangible/invisible
- are inseparable from the provider
- highly perishable.
- quality cannot be standardized
- price paid is for experience nor ownership
- cannot be stored

Any 4 x 1 = 4mks

2. Disadvantages of division of labour

- social problems
- creates monotony and boredom
- create unemployment
- difficult to know who to identify with the final product
- converts man into a machine like creature
- makes man dependent on only one trade

Any 4 x 1 = 4mks

3. Advantages of Automatic Vending Machines

- give 24 hour service
- saves on labour cost.
- quick customer service
- accurate service
- save rent expenses

Any 4 x 1 = 4mks

4. Advantages of self-employment

- independence
- enjoys all the profits

- job security
- personal satisfaction
- enjoys status and pride

Any 4 x 1 = 4mks

5. Factors to consider when intending to buy office furniture

- compatibility with the intended use and place
- affordability –economical to acquire and maintain
- size of the firm
- durability
- adaptability to future needs
- availability of spare parts
- possibility of hiring rather than buying
- effect on staff morale

Any 4 x 1 = 4mks

6. i. cash sale receipt
 ii. payment voucher
 iii. invoice
 iv. debit note

Any 4 x 1 = 4mks

7. principles of co-operatives

- open an voluntary membership
- limited interest on share capital
- democratic administration
- dividend repayment
- education to members
- co-operation with other co-operatives
- have a common bond

Any 4 x 1 = 4mks

8. providing an enabling environment

- provide security
- political stability
- favourable legislation
- provide basic infrastructure
- provide credit finance
- giving subsidies/reducing taxes

Any 4 x 1 = 4 mks

9. pipeline transport

- transport cost is reduced
- reduced environmental pollution
- loss through accidents on the road is reduced.
- cases of theft of oil are reduced.
- fast transportation
- loss damage on roads
- reduced accidents
- regular /reliable supply

Any 4 x 1 = 4mks

10. advantages of Audio-visual communication

- reach a large audience at the same time.
- have entertainment value.
- enhances the impact made by oral and written communication
- draws quick attention
- suitable for illiterate receivers
- increases the audience's concentration span

Any 4 x 1 = 4mks

11. effects of production on the environment

- depletion of productive resources
- degradation of environment leading to climate change
- pollution of air and water which is detrimental to human and animal life.
- problem of solid and plastic waste disposal which may result in spread of diseases.
- noise pollution which may cause hearing problems to human beings.

Any 4 x 1 = 4mks

12. disadvantages of a private warehouse

- expensive to put up.
- holding too much stock exposes a business to problems such as a fall in prices, expiry of goods, fire, fall in demand e.t.c
- discourages specialization
- poor arrangement can lead to contamination and inaccessibility of goods.
- could be operating in excess capacity during low seasons which can lead to laying off some workers.
- adds administrative costs.

Any 4 x 1 = 4mks

13. Ragati interest $3/5$ of 350,000= 210,000

He insured $\frac{3}{4}$ of 350,000=262,500
(over-insurance)
Ragatis loss after fire $\frac{3}{5}$ of 250,000 =150,000
Compensation =150,000

Any 4 x 1 = 4mks

14. Sources of monopoly power.

- control of an important factor of production
- legal protection through patent rights and copy rights
- merger/amalgamation
- govt control to eliminate wasteful competition
- where the production requires heavy capital it's not affordable to many firms

Any 4 x 1 = 4mks

15. Sources of public finance

- taxes
- licenses
- count fines
- fees for government services
- rent and rates for use of government property
- escheats
- interest earned on loans
- government borrowing
- proceeds from the sale of government property
- surplus from public corporations

Any 4 x 1 = 4mks

16. Benefits of borrowing a loan from NBF

- get long-term loan
- get finance for capital development
- low interest rates on loans
- management advice on the project
- lower collateral value
- longer grace period

Any 4 x 1 = 4mks

17. a . owner's equity
b. working capital
c. borrowed capital

d. capital employed

$$4 \times 1 = 4\text{mks}$$

18. sales = cost of sales + gross profit

-cost of sales = opening stock + purchases + carriage inwards – return outwards – closing stock

-average stock = $\frac{\text{opening stock} + \text{closing stock}}{2}$

$$\text{Opening stock} = (30,000 \times 2) - 40,000 = 20,000$$

$$\text{Cost of sales} = 20,000 + (336,000 + 2,000 - 18,000) - 40,000 = 300,000$$

$$\text{Margin} = \frac{1}{6} - 1 = \frac{1}{5}$$

$$\text{Gross profit} = \frac{1}{5} \times 300,000 = 60,000$$

$$\text{Sales} = 300,000 + 60,000 = 360,000$$

$$5 \times 1 = 5$$

19. characteristics of a general journal

-A book of original entry – initial stage of recording

-It's a day book – day to day records are made

-Chronological record – record kept in order of occurrence

-each entry is accompanied by a narration

-amounts are recorded in debit and credit columns side by side

$$\text{Any } 4 \times 1 = 4\text{mks}$$

$$20. \text{ ROSTO} = \frac{\text{cost of sales}}{\text{Av. Stock}} = \frac{15000}{\frac{(2000 + 1000)}{2}} = \frac{15000}{1500} = 10 \text{ times}$$

$$\begin{aligned} \text{b. purchases} &= \text{cost of sales} = \text{opening stock} + \text{purchases} - \text{closing stock} \\ &= \text{COS} - \text{O.P stock} + \text{CL stock} \\ &= 15000 - 2000 + 1000 = 14000 \end{aligned}$$

c. return on capital sales = GP + COS

$$\text{mark up} = \frac{1}{4} - 1 = \frac{1}{3} = \frac{5000 + 15000}{20,000}$$

$$\text{capital} = 20,000 \times 4 = 80,000$$

$$\text{gross profit} = \frac{1}{3} \times 15000 = 5000 \quad \text{expenses} = \frac{2}{100} \times 80000 = 1600$$

$$\begin{aligned} \text{net profit} &= \text{gross profit} - \text{expenses} \\ &= 5000 - 1600 \\ &= 3400 \end{aligned}$$

$$\text{ROC} = \frac{\text{net profit} \times 100}{\text{Capital}} = \frac{3400 \times 100}{80,000} = 4.25\%$$

$$\frac{1}{2} \times 8 = 4\text{mks}$$

21. A. general ledger
b. cash book
c. general ledger
d. sales ledger
e. nominal ledger
f. purchases ledger

$\frac{1}{2} \times 6 = 3\text{mks}$

22. Types of advertising

- primary demand
- institutional advertising
- informative
- persuasive
- celebrity
- corrective

Any 4 x 1 = 4mks

23. Sources of energy

- solar
- firewood
- geothermal
- biogas
- hydro-electric power

4 x 1 = 4mks

24. Type of goods

- a. Public goods
- b. Consumer goods
- c. Producer/ capital goods
- d. Non-durable goods

Any 4 x 1 = 4mks

25. The business

- requires low starting capital
- low overhead costs
- is flexible
- easy to manage
- few legal formalities

Any 4 x 1 = 4mks