**KASSU JOINT EXAMANITION**

**565/1 - BUSINESS STUDIES - PAPER 1**

**JUNE 2024**

**TIME: 2 HOURS**

**MARKING SCHEME**

1. **Classify the following resources as renewable or non-renewable resource (4 Marks)**

(i) Hydro-electric power - **Renewable**

(ii) Building stones - **Non-renewable**

(iii) Gasohol - **Renewable**

(iv) Soda ash - **Renewable**

1. **Highlight four ways in which the economic environment may positively influence the operations of a business (4 Marks)**
2. Lower tax levels enables a business to earn more
3. Low levels of inflation keeps the cost of doing business lo as well
4. Low lending rates enables a business to incur low cost of borrowing
5. Favourable foreign exchange rates keeps the cost of importation low/favourable
6. High employment rates enables expansion of market for products
7. Increasing salaries and wages/income increases consumers purchasing power
8. **The following items relates to Subukia traders as at 30th March 2023.**

Buildings 250,000

Creditors 30,000

Five year loan 180,000

Stock 100,000

Cash in hand 60,000

Cash at bank 45,000

Debtors 15,000

Bank overdraft 24,000

**Determine Subukia Traders capital as at 30th March, 2023. (4 Marks)**

A = C + L

C = A – L

Total assets = sh(250,000 + 100,000 + 60,000 + 45,000 + 15,000) = Sh.470,000

Total liabilities = sh.(30,000 + 180,000 + 24,000)

= Sh.234,000

**= 470,000 – 234,000 = Shs. 236,000**

1. **Outline four circumstances under which air transport may be used by a trader.**

**(4 Marks)**

(a) When goods are perishable

(b) When goods are of high value.

(c) When goods are urgently required

(d) When other means are not available

(e) When the distance to be covered is long.

(f) When the security of goods is of valuable consideration

(g) When the destination is remote.

(h) Where it is the policy of the business

(i) When safety of goods/services is required.

1. **Identify the book of original entry related to the following source documents.(4 Marks)**

|  |  |  |
| --- | --- | --- |
|  | **Source Document** | **Book of original entry** |
| (a) | Invoice issued | **Sales journal** |
| (b) | Credit note received | **Purchases returns journal** |
| (c) | Receipt issued | **Cash receipts journal** |
| (d) | Invoice received | **Purchases journal** |

1. **Outline four roles played by intermediaries in the chain of distribution. (4 Marks)**

(a) Reduce transactions between producers and consumers

(b) Breaking bulk

(c) Accumulating bulk

(d) Risk taking

(e) Provide finance

(f) Passing of information

(g) Product promotion

(h) Transport and storage

(i) Providing a variety

(j) Availing goods to consumers

1. **The Kenyan government has increased taxes on various products. Outline four reasons for this trend. (4 Marks)**

(a) Raising revenue which is used by the government in providing goods and services.

(b) Discouraging importation of certain products

(c) Discouraging consumption of certain product.

(d) Reducing inequality in income distribution

(e) Controlling inflation

(f) Influencing location of businesses

(g) Correcting unfavourable balance of payments

1. **Outline four features of property insurance. (4 Marks)**

(a) It is a contract of indemnity

(b) It is a short term contract

(c) Policy cannot be assigned

(d) It has no surrender value

(e) There must be insurable interest in the policy

(f) There is a minimum limit to the amount of compensation.

(g) The policy cannot be used as security to get loan credit.

(h) Uncertainty of the risk

1. **State four functions of the entrepreneur in production of goods and services**

**(4 Marks)**

1. He starts the business
2. He makes all decisions
3. He acquires and pays for all the factors of production
4. Bears all the risks and enjoys all the profit.
5. He controls the business
6. Incurs the cost of production i.e. he pays for expenses such as water , electricity, stationery and postage
7. He owns the whole project.
8. **Give a brief description of the following trends in forms of business units**.

**(4 Marks)**

1. **Franchising.** This is where one business grants another the rights to manufacture, distribute or provide its branded products using the name of the business that granted the right.
2. **Amalgamation**. This where two or more businesses combine to form a new business.
3. **Check-off systems**. This where money is deducted by the employer and directly submitted to the SACCO on behalf of the employee who is a member of the SACCO.
4. **Privatization.** It is the changing of state owned corporations into public limited companies
5. **Highlight four circumstances under which a Chief Executive Officer may decide to use letters in communicating to his staff.** **(4 Marks)**
6. If there is need for a record for future reference
7. In case the organization want to reduce on the cost
8. Where confidential information is to be conveyed.
9. In case there is need for inclusion of more details
10. If the C.E.O wants to ensure that the information is not distorted
11. Where evidence is required.
12. Where the information is being addressed to many people.
13. **Outline four effects of an increase in demand for a commodity when supply remains constant. (4 Marks)**
14. The equilibrium point shifts to top right
15. There will be an increase in equilibrium price
16. Equilibrium quantity increases.
17. There will be a shortage in the market.
18. **Highlight four limitations of using per capita income to compare standards of living between Kenya and China. (4 Marks)**
19. There is difference in tastes and preferences among citizens from kenya and china.
20. Income distribution might be different in the two countries.
21. Difference in currencies limits the accuracy of information.
22. Differences in natural resources endowment between Kenya and China.
23. Difference in working condition in Kenya and China
24. Difference in inflation rates.
25. Difference in the country’s expenditure plans and economic priorities
26. **State the effect of the following transactions on the balance sheet totals.**

**(4 Marks)**

|  |  |
| --- | --- |
| **Business transaction** | **Effect on balance sheet totals** |
| 1. The sole proprietor brought additional capital to the business. | **Increase** |
| 1. Sold goods by cash. | **No effect** |
| 1. Paid outstanding loan by cheque | **Decrease** |
| 1. Disposed an outdated computer at a loss | **Decrease** |

1. The following balances relates to the retail business of Naisula for the month of April 2021

Sales 120,000

Expenses 20% of sales

Cost of goods sold 80,000

***Calculate****:*

**(i) Mark up. (1 mark)**

Gross profit = Sales – Cost of Sales ----- 120,000 – 80,000 = 40,000

Mark-up = Gp/CoS x 100 ----- 40,000/80,000 x 100 = **50 %**

**(ii) Margin. (1 mark)**

Margin = Gp/S x 100 -------- 40,000/120,000 x 100 **= 33.3%**

**(iii) Total expenses. (1 mark)**

= 20/100 x Sales ----- 20/100 x 120,000 = **24,000**

**(iv) Net profit. (1 mark)**

Net profit = Gross profit – total expenses

40,000 – 24,000 = **16,000**

1. **The inflation levels vary from one country to another. State any four levels that can be experienced in different economies of the world. (4 Marks)**
2. Creeping/mild/moderate
3. Galloping/Rapid
4. Hyper inflation
5. Stagflation.
6. **List four forms of open trade credit. (4 Marks)**

(a) Simple credit

(b) Monthly credit

(c) Budget accounts

(d) Trade credit

(e) Credit card facilities

1. **State four reasons why many organizations prefer an open office plan for employees**

**(4 Marks)**

1. Easy supervision of workers.
2. Construction cost is low because partitions are few.
3. Easy location of workers.
4. Staff movement is minimized thus saving time used in passing information.
5. Promotes teamwork among employees.
6. Maintenance cost is low.
7. Floor space is saved.
8. Discourage absenteeism by employees.
9. **Highlight four duties performed by commercial attaches in trade promotion (4 Marks)**
10. They look for new market for our exports.
11. They study and analyze foreign markets where our exports are sold.
12. They inform exporters the standard rules and regulations of exports required abroad.
13. They organize trade fairs and exhibitions for our exports abroad.
14. They organize educational tours for exporters and sale missions.
15. They carry out market research on new markets and products for export.
16. **State four benefits of bonded warehouses to the government (4 Marks)**
17. The government gets revenue by levying duty on the goods
18. The government is able to control the entry of harmful goods
19. The government is able to verify the documents for goods in transit
20. The government is able to check on the quantity, quality and the nature/type of goods imported.
21. The government is able to check on illegal goods entering the country.
22. **Outline four measures that the government of Kenya can implement so as to encourage the establishment of firms in different counties across the country. (4 Marks)**
23. By giving entrepreneurs free of cheap land to construct their factories.
24. By giving tax incentives to those who locate their industries in the delocalized area.
25. By giving cheap loans to entrepreneurs wishing to establish industries in areas with few industries.
26. By providing security in the new industrial areas.
27. By providing subsidies to those industrialists who are willing to delocalize.
28. By providing the appropriate infrastructure in the area.
29. By providing social amenities e.g. schools and hospitals in areas where the delocalized industries are to be established.
30. By offering financial assistance to the delocalized industries.
31. **Study the following diagram**

Output/

Capita

A B

Optimum Population

Population

**Mention four challenges facing a country whose population is in the part marked B**

**(4 Marks)**

1. Strain on the available social amenities
2. Low standard of living
3. Encourages rural to urban migration
4. High dependency level
5. Imbalance in demand and supply
6. Food shortage
7. Increased crime rate
8. Environmental degradation
9. **Give the name of the type of ledger where the accounts given below are kept (4 Marks)**

|  |  |
| --- | --- |
| **Account** | **Type of Ledger** |
| 1. Purchases | **General ledger** |
| 1. Gilanis (Supplier) | **Purchase ledger** |
| 1. Salaries & Wages | **Nominal ledger** |
| 1. Drawings | **Private ledger** |

1. **State four factors that influences the amount of money one can hold for transaction motive (4 Marks)**
2. **Size/level of individual’s income**: The higher the income of and individual, the more the number of transactions thus high demand for transactions.
3. **Interval between pay days/ receipt of money**: if the interval is long, then high amount of money will be held for transaction reasons.
4. **Price of commodities**: if the prices are high, the value of transactions will also increase thus more money balances required.
5. **Individuals spending habits**-people who spend a lot of money on luxuries will hold more money than those who only spend money on basics.
6. **Availability of credit**-people who have easy access to credit facilities hold little amount of money for daily transactions than those who do not have easy access to credit.
7. **Describe the following documents as used in International trade (4 Marks)**
8. **Import license** – A document issued by the country to allow the importer to buy goods from abroad.
9. **Certificate of origin** - Is a document that shows the country from which the goods being imported have originated from. Useful if the imports may require some preferential treatment.
10. **Bill of lading** - A document of title to goods being exported issued by the shipping company to the importer who should use it to have goods released at the port of entry
11. **Letter of credit** - A document issued by the importers bank to the exporter’s bank to assure the exporter of the payment for the goods ordered. The exporter can then be paid by his bank on the basis of this letter.

**OR**

**Allows the importer to obtain goods on credit**