

BUSINESS STUDIES PAPER 1 MARKING SCHEME

1.
 - a) Store non durable goods
 - b) Less expensive to store the goods
 - c) Easy to clear the goods
 - d) Little government control and monitoring
 - e) Located in areas convenient to the users.

2.
 - a) Stock may expire
 - b) Stock theft is common
 - c) Breakage of some delicate stock items
 - d) Dead stock i.e. not selling
 - c) Slow moving stock i.e. low sales

3.
 - a) **Endorsement** - Transfer of the right to get payment against a cheque to another payee.
 - b) **Standing Order** - Instruction to an account holder to a bank for the bank to make payment for a period
 - c) **Plastic money** - Credit card allow holder to obtain goods / services on credit
 - d) **Bank rates:** Interest charged by central bank on any short term loans given to commercial banks.

4. Distinguish

Ordinary shares	Debentures
<ul style="list-style-type: none"> - Are owners. - Get vary rate of div. - Have a voting right - Div is paid last - Incase of winding up they are paid last - Not refundable 	<ul style="list-style-type: none"> - Are creditors - Get fixed rate of interest - Have no voting right - Interest is paid first - Incase of wind up they are paid before ordinary shares - Can be refundable back

5. General Journal



DATE	DETAIL	DEBIT	CREDIT
March 1 st	Van	658,000	
	Loss tractor	42,000	
	Exchange of van for tractor at a loss		700,000
Mar 2 nd	Derrick	20,000	
	Furniture		15,000
	Gain on disposal		5,000
	Sales of furniture at a gain		
Mar 3 rd	Lorry	800,000	
	General motors		800,000
	Bought a lorry on credit form GM		

6.
 - a) If recipient are literate
 - b) When it is cheaper
 - c) If the possible client are few
 - d) If the products
 - e) When one wants to minimise on time wastage
 - d) When one wants a flexible means to cut different clients.

7.
 - Issued in hard denominations
 - Can be crossed or open
 - Are means of payment offered by the post office
 - Can be encashed in any post office
 - Can be used to pay any amount not
 - A fine is paid for their use

8.
 - It is man made
 - Wears out / depreciate / loose value
 - Earn interest
 - Can be improved through technology
 - It is a basic factor

9. Mark up $\frac{1}{5}$ Margin $\frac{1}{6}$

$$\begin{aligned} \text{Gross profit} &= \frac{1}{6} \times 400,000 \\ &= 66,666.7 \\ &= 66,667 \\ \text{Cos} &= 400,000 - 66,667 \\ &= 333,333 \end{aligned}$$

WACO TRADERS
TRADING ACCOUNT
FOR THE YEAR ENDED 30TH JUNE 2015

OPENING STOCK		75,000	400,000
PURCHASES	316,333		
Add carriage in	<u>10,000</u>		
Net purchases		326,333	
Goods available		401,330	
Less closing stock		68,000	
Cost of goods sold		333,333	
Gross profit		<u>66,667</u>	
		400,000	400,000

¹²/₃ = 4mks

10. Average prices of export.

Year	Average Price	Index	Year	Average price	index
2013	958	1000	2013	2140	100
2014	1100	114.8	2014	2000	93.5
2015	1240	129.4	2015	2600	121.5
2016	1300	135.7	2016	2200	102.8

Calculate the terms of trade for

Year 2014

Price index export

Price index import

= 114.8

93.5

= 1.227

Year 2015 = 129.4

121.5

= 1.065

Year 2016 = 135.7

102.8

= 1.33

Which year was the best 2016 with TOT of 1.33

11. **Distinguish between the following.**

a) **Reproductive Debt and Dead Weight debt**

Reproductive debt – money borrowed to finance development

Dead weight debt – finance borrowed to fund day to day running of the government / recurrent / salaries

b) **Direct tax and indirect tax**

Direct tax impact and incidence of tax is on the same person, indirect tax then impact and incidence falls on different people. It can be shifted burden of payment can go to another party.

12 - Mis-allocation of resources

- Poor infrastructure, poor road net work
- Inadequate factors of production
- Poor entrepreneurial
- Lack oftrained personnel
- Poor government policies that hamper / hinder production

13. Transaction

Effect

- | | | |
|---|---|---|
| a) Paid a creditor by cheque | - | |
| b) Deposited money into bank | O | |
| c) Received rent by cash | | + |
| d) Bought furniture on credit from Tobina | + | |

14. - Through production / processing

- Through storage
- Through transport
- Through selling.

15.

Date	Details	Recpt no	F	Discount received	Cash	Bank
Sept 2 nd	Omolo			290		5510
Sept 2 nd	Ken			125		2375
Sept 2 nd	Samuel			200		3800
Sept 3 rd	Water				5000	
Sept 4 th	Bank		(c)		18,000	
Sept 5 th	Maina			1200	5,000	

Sept 6 th	Kuria			250		4750
Sept 7 th	Cash		(c)			40900
				2065	28800	57335

Total posted to discount received a/c cash ac and bank ac cre

16 ¼ = 4mks

- 16 - Ensures no discrimination on recruitment
 - For fair competition
 - Protect the environment
 - Guarantee rights of employees are observed
 - Avoid consumer exploitation
 - Remove unfair means of achieving business objectives

17. - The cost
 - The number of copies
 - The colours required.
 - The durability / quality / of the copy
 - The skills available
 - Effects i.e. requirements for electricity, special papers
 - Effect on the environment
 - If it is adaptable for future changes.

18. - If failure to pay premiums
 - When compensation in case of a loss
 - If insured lies on a particular issue
 - If time lapse for endorsement policy
 - When for life assurance in case of death
 - If the assured surrenders the policy.

NB circumstantial term, if, when, incase, when etc

19. - When the goods are bulky
 - When it is expensive by road
 - When it is risky to transport by road
 - When goods are not urgently required
 - Incase it is the only means available.

20. - Poste restante for those without postal boxes or are travelling
 - Registered mail – for items, letters that need additional security
 - Speed post - for moving goods / parcel letters, starts at the senders post office
 - Express – move parcel, letters, fast start at the receivers post office

21. a) $= W + R + P + I = \text{factor income from abroad}$
 $= 500,000 + 500,000 + 38,000 + 95,000$
 $= 1133,000 + 40,000$
 $= 1,113,000$

b) $W + R + P + L$
 $= 500,000 + 500,000 + 38,000 + 95,000$
 $= 1133000$

c) $= \text{GNP Factor cost} + \text{indirect tax}$
 $= 1,173,000 + 62,000 - 100,000$
 $= 1135,000$

d) $\text{GNPE} = \text{Depreciation}$
 $= 1173000 - 68000 = 1105000$

22. a) Lack of skills / inappropriate induction
- Lack of resources / factors of production
 - Rapid population
 - People being too selective
 - Seasonal changes
 - Mis-management, corruption, poor planning
 - In appropriate technology.

23. Many buyers and sellers
- Both buyers and sellers have perfect knowledge about the market
 - Terms are price givers
 - Sellers and buyers act independently
 - Products sold are similar but differentiated
 - No barrier to entry

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- a) Joint demand when goods are used together are complimenting
- b) Competitive demand when goods are close substitute's eg
- c) Derived demand – goods bought to help / in production of other goods eg
- d) Composite demand – goods can be used for various purposes eg wool

25. SGR - Standard Gauge Railway
 F.O.Q - Free on Quay

I.C.D - Inland Container Depot
I.R.A - Insurance Regulatory Authority

