

MARKING SCHEME

BUSINESS STUDIES

565/1

**1. Unit of carriage**

- Human beings
- Carts
- Ships
- Airplanes

**2. Elements of demographic environment that may influence operation of business**

- Population size
- Geographic distribution of population
- The population density
- Distribution of population by sex/gender
- Distribution of population by age
- Population growth rate. 4x1=4

**3.Reasons why consumers have to make choices between competing wants**

- Wants are unlimited in number
- Commodities differ in quality and others have salient features
- There may be varieties of products that satisfy the same wants
- Some wants are more urgent and intense than others
- Due to limited/scarce resources
- Some commodities sell at different prices
- Consumers financial position vary with time
- Some wants are recurrent
- Human wants are competitive.

4 x 1 = 4mks

**4. utility created by each of the following business activities**

- Possession
  - Place
  - Time
  - Form
- 4x1=mks

**5.Circumstances under which differed payment may be appropriate**

- When the seller wants to attract or retain customers

- When the seller wants to increase sales
- When the seller wants to use credit facilities as a competing tool
- When the seller want to dispose off slow moving stock
- When credit worthiness of a customer is unquestionable 4x1=4

## **6. Advantages of transacting business through the internet**

- Facilitates access to a worldwide market
- It's a faster way of doing business
- Large and small businesses can transact internationally without discrimination.
- Reduces paper work and number of transactions
- Saves money in terms of sending, receiving and storing business information.
- One can access other business information from the internet that can improve running of business. 4 x 1 = 4 mk

### **7. Gross profit**

i) Margin =  $\frac{\text{Gp}}{\text{Sales}} \times 100$

$$\text{Gp} = \frac{25 \times 100}{920,000}$$

$$\frac{100\text{Gp}}{100} = \frac{920000 \times 25}{100}$$

$$\text{Gp} = 230,000$$

1 mk

### ii) cost of sales

$$\begin{aligned} \text{sales} - \text{Gp} &= 920,000 - 230,000 \\ &= 690,000 \end{aligned}$$

1mk

### iii) Purchase for the year

$$\begin{aligned} \text{COGS} &= \text{OS} + \text{P} + \text{CI} - \text{RO} - \text{CS} \\ 690,000 &= 150,000 + \text{P} - 230,000 \\ &= 770,000 \end{aligned}$$

1mk

### iv) Net profit

$$\begin{aligned} \text{Gp} - \text{expenses} \\ 230,000 - \left( \frac{15}{100} \times 920000 \right) &= 230,000 - 138,000 \\ &= 92,000 \end{aligned}$$

$$= 92,000$$

1mk

8.

<b>Transaction</b>	<b>A/c debited</b>	<b>A/c credited</b>
a) Received discount from Top Suppliers	Disc. Received	Top Suppliers
b) Allowed discount to Shujaa Traders	Disc. Allowed	Shujaa Traders
c) Sold furniture to Owuor in cash	Cash	Furniture
d) Took stock worth Sh. 200 for personal use	Drawings	Stock

8 x ½ = 4mks

**9. Benefits of international trade to a country**

- Enable a country to sell (dispose of its surplus)
- Enable a country to acquire goods and services which its unable to produce locally
- A source of government revenue when import taxes are received
- Creates employment to people when they engage in various trading activities
- Enable a country to get variety of goods

4x1=4 marks

<b>10.</b> Opening capital	160,000
Profit	130,000
Drawing 1500 x 12	18,000
Closing capital	?

$$Cc = OC + P - D$$

$$160,000 + 130,000 - 18,000 = 272,000$$

3 marks

**11. Reasons that would make an organization use cell phones for communication within and outside the organization**

- One gets immediate feedback
- It is fast and can be used to send urgent messages
- The sender has a good opportunity to convince and persuade the recipient
- There is personal appeal
- It is not very expensive particularly for making calls for a short duration of time
- It can be used even when both the sender and recipient are far apart

4x1=4mks

## **12. Benefits of pooling of risks to insurance company**

- Enables insurance company to compensate those who suffer loss when risks occur.
  - Enables insurance company to create a common pool of funds
  - Enables insurance company to spread risks over a large over a large number of insured.
  - The surplus funds can be invested e.g giving out loans or buying shares in real estates
  - Enables company to meet operating cost by using the pooled funds
  - Enables insurance company to calculate premiums to be paid by each client
- 4x1=4mks

## **13. Circumstances under which a firm may locate near source of raw materials**

- When raw materials are bulky
  - Where constant supply of raw materials is required to ensure continuous production
  - Where raw materials are highly perishable
  - Where the firm would like the raw materials to ensure the production of right quality.
  - Where the government policy gives incentives to industries that set up near source of raw materials
  - Where the market of the product is concentrated near the source of raw materials
- 4x1=4

## **14. Measures that the government can take to reduce mortality rate.**

- Availing better health care
- Ensure food security
- Minimize internal conflicts and wars
- Improve the environment
- Vaccination
- Disaster preparedness
- Alleviating poverty
- Control crime 4x1 = 4

## **15.Characterics of underdeveloped countries**

- Low per capita income
- High population growth rate
- High degree of pervert

- Low literacy levels
- High level of unemployment
- Poor health care
- Low life expectancy
- Over reliance on primary level of production
- Poor infrastructure
- Outdated cultural practices 4x1 = 4.

### **16.Ways of improving service delivery in parastatals and state corporation**

- Regular auditing of books of accounts
- Setting targets to be achieved by all firms
- Retrenching some of the idle workers
- Make them adapt modern technology
- Employing qualified /skilled managers
- Workers signing performance contract 4 x 1 = 4

### **17.Locations in country where bonded warehouses are likely to be found**

- Along the airport
- Along the sea port
- Along the border town
- Along the railway terminals 4x1=4

18.

**AMANI TRADERS  
TRIAL BALANCE  
AS AT 31<sup>ST</sup> DEC 2010**

Item	Dr	Cr
Commission received		22,000
Sales		763,500
Loan interest	52,500	
Purchase	474,000	
General expenses	30,000	
Drawings	96,000	
Rent	120,000	
Salaries owing		72,000
Electricity prepaid	85,000	
	857,500	857,500

**19. Factors that cause a decrease in the quantities of good supplied**

- Increase in the cost of production
- Unfavourable weather conditions
- Unfavourable government policies e.g high taxation
- Low level of technology/use of outdated technology
- In availability of factors of production
- Strikes of workers
- Exit of firms from the industry

4x1=4mks

**20. Contributions of households to the national income of a country**

- Providing a ready market for commodities produced
- Providing labour for firms
- Paying taxes to the government
- Providing savings and investments in the country
- Providing land to firms
- Offering capital to firms to facilitate production.

4 x 1 = 4mks

**21. Circumstances under which a customer would prefer to be paid by a bankers cheque**

- When debtors financial status in a doubt
  - When there is fear of delay in payment
  - When the amount involved is large
  - in case the traders deals in different currencies
- marks

4x1=4

## **22. Benefits of becoming a member of a savings and credit cooperative society (SACCO)**

- Will get advice on area of finances
- Earn interest on investment
- Receive loans at low interest
- Receive credit facilities
- Assisted in times of problems (benevolent)
- Source of savings

## **23. Methods used by a monopolistic firm to differentiate products. 4mks**

- Packaging in different sizes
- Branding
- Blending into different colours
- Trademarks/salient features
- Persuasive advertisement
- Pricing

## **24. Circumstances under which a business firm may use photocopying as a means of reproducing documents**

- When high quality copies are required
- When copies are required fast since it quicker than duplicating or printing
- When coloured copies are required
- When there is no need for comparison with original
- When the business does not want to pollute the environment

## **25. Sources of government revenue**

- Taxes
- Fines and penalties
- Escheats
- Interests and dividends on loans and investments
- Profits form parastatals of public investments
- Fees from government utilities like national parks
- Proceeds from sale of government property
- Rent and rates paid for use of government property.

