FORM IV

PP1

MARKING SCHEME

1.a) Utility-ability of a good or service to satisfy human wants.

b) Producer goods-Goods used in producing other goods eg machinery

c) Scarcity and choice-resources are few but wants are many so or consumers must choose the most important

d) Scale of preferences-a list of wants in order of their importance.

2. Factors that account for predominant direct production.

- Reliance on poor technology
- Low income due to poverty which limits production activities
- Negative attitude towards commercialization of most productive activities
- Poor resource endorcement
- Lack of market for some goods.
- Lack of skills.

3.

Shares	**Debentures**
i.Ashare is a unit of capita in a company	i. A debenture is a unit of a loan advanced to public limited company.
ii. Shareholders are owners of the company	ii.Debenture holders are creditors to the company.
iii. Shares earn dividends from the profits made	iii. Debentures earn interest which is an experience to the company
iv.Dividends on shares are payable only when the company makes profit and declares dividend	iv.Interest on debentures accurse every year and is payable whether the company makes a profit or a loss.

i	V.Debentures are loans and security must be given by the company.
vi. Shares represent capital investment and hence does not need security.	Vi.Debentures golders have no say in the right of the company they have no Voting rights.
vii. Share capital in a business cannot be withdrawn under the company is dissolving.	Vii.Debentures can be withdrawn any time and the debenture refunded by the company.

4. Pd (price elasticity for product A)

= <u>Proportunities change in quality demand</u>

Proportunities change in price.

=<u>Change in quantity</u> = <u>change in price</u>

Quantity before change Price before change]

=<u>12-10</u> 2-3

10

6. Four Functions of Kenya Bureau of standards (KEBS)

- Setting up to required standards are maintained through regular inspection
- Prosecuting those who produce inferior goods
- Putting up a stamp of approval to show that establishment standards have been met,
- Carrying out testing on measuring apparatus to establish accuracy and standards

7. Factors limiting number of entrepreneurship in an area.

1. Lack of capital
2. Lack of entrepreneurial skills/technology
3. Lack of interest in a personal business

4. Lack of ability to borrow
5. Poor infrastructure of roads/communication/health/water system etc.
6. Insecurity
7. Lack of materials
8. Lack of Labour
9. Lack of land

Any 4x1=4mks

8.

Output	**Total cost**	**Average cost**	**Marginal COST**
0	55	-	-
1	70	70	15
2	82	41	12
3	87	29	5
4	92	23	5

9. Reasons why inland water transport is not popular as a means of transportation in Kenya.

1. Inland water transport is not flexible because boats can only travel on water and load and offload at quays.
2. Many rivers in Africa are not navigable because of the changing seasons and many have rapids and falls.
3. Inland water transport is slow and therefore nor suitable for urgently needed perishable goods.
4. These Rivers are usually affected by strong winds and storms.
5. Many rivers are narrow and shallow hence do not allow use of large verses.

6. The rivers are usually affected by strong winds and storms
7. They are affected by water weeds e.g hyacinth.

Any 4x1=4mks.

10. Benefits or Organizing

i. It provides a framework within which work ids done
ii. It facilitates division of labour/work/activities
iii. It promotes the best use or resources
iv. It avoids duplication of work activities
v. It helps to assign duties/activities to individuals
vi. It promotes coordination of Industrial efforts to archive common objectives

1 x 4 = (4mrks)

11. Sources of oligopoly POWER

a. High initial cost of production beyond ability of other firms.
b. Patent rights or trade marks
c. Exclusive control of crucial raw materials by a few firms.
d. Use of unique technology by a few firms.
e. Merger of several related firms into a few larger firms.
f. Small size of the markets –best served by few firms
g. Government protectionist policy-allow a few firms to operate.

1x any 4 correct answers = 4 mks.

12. Benefits of national income

- It provides information of the economy over a given period.

- It helps to measure the standards of a living.
- It helps to compare standards in different countries.

13. –Availability of funds for construction
- Number of employees
-Availability/adequate office equipment
- Office space available

14. How consumers may benefit when producers compete
a) Reduction in prices of products
b) Improvement in quality of products
c) Providing information on prices and where to buy
d) Providing education on how to use the products
e) Providing entertainment to consumers
f) Providing a variety of goods
g) Competition and demonstration where consumers can win prizes

15. Net profit=closing capital+Drawings
Additional capital – opening capital
=135000+6000-105000-15000
=210000

16. –Increase
- No effect
- Decrease
- No effect

17. i) Open and voluntary membership
ii) Democratic administration
iii) Dividend payment – is bared on members contribution to the surplus in the co-operative
iv) Limited interest on share capital
v) Promotion of co-operative education
vi) Co-operation with other co operations

18. i) An order
ii) Bought note
iii) Solid note
iv) Acknowledgement note
v) Credit status inquiry
vi) Proforma invoice

19.- He could be old as far as age is concerned
- He could be in a risky occupation
- He could be of poor health
- He could be engaged in risky hobbies e.g. Mountain climbing
- His place of residence could be risky

20. Disadvantages of an ageing population
i. Decline in labor supply
ii. Fall in quality of labor
iii. Decline in demand for goods for the young population
iv. Increase on welfare benefits
v. High dependency ratio

21. Benefits of effective communicating
a. It provides and obtains information in good time
b. It clarifies issues and instructions
c. It enhances decision making
d. It enhances co ordination among various departments
e. It enhances public relations
f. It improves customers services

22i) Increase in income of an individual
ii) Drop in the price of the product
iii) Increase in price of substitute goods
iv) Subsidies by the government
v) Increase in population
vi) Future expectation in price
vii) Increase of the product

23.(i) The government gets revenue
ii) The government controls entry of harmful goods into the country
iii) The government is able to verify documents for the goods in transit
iv) The government can check the quality of goods imported
v) The government is able to inspect the nature of goods imported
vi) The government is able to check on illegal goods entering the country

24. Some documents

a) Cash sale slip
b) Invoice issued
c) Credit note issued
d) Credit note received

25. The services that the Central bank of Kenya may offer as a banker to commercial banks

- Issue of currency – It is the only institution authorized to issue currency in the country
- Banker to commercial banks – As commercial banks are required by law to deposit a certain percentage of their customers deposits in the central bank
- Acts as a link bank to external financial institutions

THE ELDORET EAST INTER SCHOOLS EXAMINATION

BUSINESS STUDIES

Form IV

Paper 2

Marking scheme

1.(a) Benefits of exhibition

i. He will be able to display his products for consumers to see
ii. He will be able to explain and demonstrate the use of the products correctly
iii. He will be able to learn new ideas to help him improve the quality of his products
iv. He will be able to give details information about his products
v. He will be able to respond to questions from the prospective customers and the general public
vi. He will be able to make new conducts with customers
vii. He may be able to receive new orders to supply the products during the gatherings
viii. He will be able to get information about his competitors
ix. He will be able to show and launch new products in the market

(Any 5 well explained x 2 = 10 mks)

(b) Circumstances under which both the retails and wholesale may be eliminated from the distribution chain.

- Sale or purchase by tenders-this dictates the seller to deal with consumers directly
- Technical goods- They require demonstration or after sale service
- Retail outlet- where manufacturers have their own retail outlets
- Perishable goods- to avoid spoilage
- Low distribution cost- where the producer can under take the distribution function himself without extra cost
- Small market/localized markets- can continently serve well when producers
- Specialized orders/ classified goods and services- goods that are special orders by consumers are supplied directly to them

2. (a) Roles trade plays in economy of Kenya

1. Linkage- Between producers and consumers thus goods are available where they are not produced
2. Market- producers are able to sell their products
3. Foreign exchange- profit earn is an important source of income/ foreign exchange nd the country.
4. Government revenue- trading activities are sources of revenue to the government in form of taxes
5. Employment opportunities- provide employment source in general and self employment
6. Promoting peace and understanding- trade encourages trading partner live harmoniously
7. Provision of goods- consumers are provided with variety of good for optimum satisfaction of their wants.

(b) Availability of close substitutes

- Habit forming commodities
- Time taken by consumers to adjust
- Durability of the commodity
- Degree of necessity of the commodity
- Proportion of income spent on the commodity

3. (a) Internal economies that accrue to single firm

- Marketing economies (buying and selling)
- Managerial economies/ skilled labor /specialization
- Risk bearing economies
- Transport and storage economies
- Research economies
- Technical economies
- Welfare economies

(b) Services that the Central bank of Kenya offers to commercial banks

- Accept deposit for safe keeping
- Licensing the operations of commercial banks
-Supervisions of banking operations
- provide clearing facilities for cheques
- Giving commercial banks loans as a lender of the last resort

- Provide advisory services, banking economic matters
- Source of currency for commercial bank operations
- Buying and selling foreign currency from commercial banks
- Acts as a mediator for commercial banks in case of dispute between them
- Repatriate excess foreign currency on behalf of commercial banks
- Statutory management during financial crisis.

4. (a) Circumstances of using letters for communication

- Cut cost of communication because they are cheap
- When sending information containing adequate details
- Where there will be need of future reference
- Where many copies are required for many recipients
- Where the message being sent is confidential
- Where the information sent is intended for evidence

(b) **MAENDELEO TRADERS**

TRIAL BALANCE

AS AT 31ST DECEMBER 2008

	DR	CR
Purchases	50000	
Premises	1,570,000	
Creditors		420000
Sales		800000
Cash	140000	
Rent received		230000
Drawings	240000	
Capital		1,000.000
	2450000	2450000

5(a) Five trends in management

- Pollution- it must be reduced and prevented
- Prostitution and aids – form of movement of people affects man power

- State of economy- management must respond to economy. see ways of improving employment situation
- Modernization – management using modern technology
- Performance contracts- managers promoted only through good performance

(b) **SINA CHUKI TRADERS**

CASH BOOK

Date	Details	Discount	Cash	Bank	Date	Details	Discount	Cash	Bank
		Allowed	Shs	Shs			Received	Shs	shs
1/1/08	Bal.b/d		12600	25420	3/1/08	Transport		2500	
2/1/08	Sales		3000		7/1/08	Drawing		5500	
5/1/08	Kemboi	171		3420	8/1/08	Mwangi	126		4074
16/1/08	Munene	196		9800	8/1/08	Kosgei	63		2037
16/1/08	Akila	143		7150	8/1/08	Otieno	81		2619
16/1/08	Odhiambo	52		2600	8/1/08	Nasimiyu	156		5044
16/1/08					25/1/08	Salaries			17500
					30/1/08	Expenses		1500	
					31/1/08	Bal C/d		6100	17116
		562	15600	48390			426	15600	48390
1/2/08	Bal b/d	562	6100	17116					

6.(a) circumstances under which an insurance company may find it necessary to reinsure

i. Value of the property- when the value of property is great, such as a ship, the risk is too high to be borne by a single insurer
ii. Number of risks covered- when the insurance company has covered many different risks, it would be too costly to compensate many claims at once hence the need for re-insurance
iii. Need to create more customers confidence- where the insurance company wants to create confidence in its clients by assuring them of compensation
iv. Need to spread risks- where the insurance company wishes to share loss in event of a major loss occurring

v. Government policy- where the government may make it a legal requirement for an insurance company to re-insure

vi. High risk of loss- where chances of loss through insured risks is high it becomes necessary to re-insure

(b) **MAJI MATAMU TRADERS**

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDING 31/1/2009

	Shs.		**Shs**
Discount allowed	142000	Gross profit	520600
Lighting	25200	Rent received	120000
Interest on loan	1200		
Repairs on premises	60000		
Furniture & fittings	72030	Net loss	61930
Motor vehicles	300000		
General expenses	102100		
TOTAL	702530		702530

	Shs.		Shs
Fixed assets	540000	Capital	1400,000
Premises	408170	Add N/Loss	61930
Furniture & fittings	900,000		1,338,070
Motor vehicles	1,848,170		
T.F.A		5Yrs bank loan	472,500
		Sundry creditors	227,000
Current assets			
Sundry debtors	116,900		
Closing stock	72,500		

T.C.A	189400	
TOTAL	2,037,570	2,037,570

-It indicates the distribution of income which helps the government to plan

-It provides breakdown of various sectors in the economy

- It enables to access performance of the country over a given period

-It enables entrepreneur to make investment decisions