

NAME.....ADM.NO.....CLASS.....

565/1

FORM 3 -2021

BUSINESS STUDIES

PAPER 1

NOVEMBER 2021 EXAMINATION

Marking scheme.

BUSINESS STUDIES

PAPER ONE

TIME: 2 HOURS

1. Outline four differences between goods and services. 4 marks

Goods	Services
a) Are tangible	Intangible
Quality can be standardized.	Quality cannot be standardized/varies
Goods can be stored	Cannot be stored
Can be separated from the owner.	Cannot be separated from the owner.
Investment is made for ownership.	Investment is made for experience.
Always perishable	Not perishable

2. State four advantages of an open office layout to an organization. 4 marks

- Supervision is enhanced.
- Resources are shared.
- Saving on space.
- Cheap to construct.
- Enhances inter-personal relationships
- Easy workflow.
- Cheap to maintain.
- Optimum use of resources.
- Reorganization is easier.

3. State four types of complaints that a consumer organization may receive from consumers.

4 marks

- Poor quality/damaged goods/services.
- Incorrect weights and measurements.
- Unfair pricing.
- Poor hygienic conditions.
- Expired goods.
- Contra-band goods.
- Harmful goods.
- Hoarding goods.
- Misleading advertisement.

- Environmental pollution.
- Breach of contract.
- Technological side effects.

4. The following terms relate to communication. Vertical, horizontal, formal, informal. Write the appropriate term of communication associated with each of the following statement.

4 marks

Statement	Term
a) A manager gives instructions to a junior in her department.	Vertical
b) Rumors going around that the most disciplined worker will be rewarded.	Informal
c) A circular issued to give instructions in an organization.	Formal
d) Prefects discussing discipline in their school.	Horizontal

5. Outline four features of a Re-insurance company. 4marks

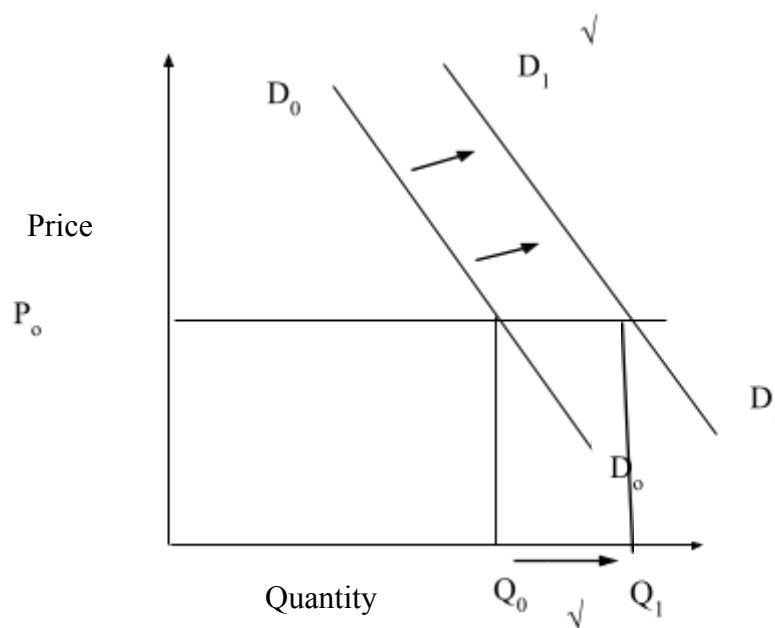
- Empowered by the law.
- Partially owned by the government.
- Commands a large financial resource.
- Insures other insurance companies.
- Guarantees compensation.

6. A firm wishes to introduce a new product into the market. Outline four factors that should be considered in choosing an appropriate medium for promotion. 4 marks

- The intended target group.
- Flexibility of the medium.
- Cost of the medium.
- Area of geographical coverage.
- Medium used by the competitor.

- Legal requirement.
- Physical characteristics of the medium.
- Nature of the product.
- Duration of the advertisement.
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7. The diagram below shows the current demand for petrol.



- a) What is the effect of a fall in the price of cars on the demand for petrol?
- More will be demanded from Q_0 to Q_1 2 marks
- b) Draw a new demand curve on the diagram above to show the effect of a fall in price of cars. 2 marks

Mark the diagram.

8. State four circumstances under which air transport may be used to ferry goods. 4 marks
- Where the goods are urgently needed.
 - Where goods are perishable.
 - If the goods are of high value/expensive.
 - Goods are to be transported over a long distance.
 - If goods are fragile.
 - Where other means cannot be used.
 - Where safety is crucial.
 - If the firm can afford.

9. Outline four benefits to a business that uses its own warehouse.

4 marks

- The business maintains a continuous supply of goods.
- Customers are retained.
- Goods are safe from theft.
- Saves on the cost of storage.
- Goods can be processed in the warehouse.
- Has control of the warehouse.
- Can be tailor-made to suit the needs of the owner.
- Space is guaranteed.
- Can be conveniently located.
- Owner not tied down by lengthy procedures of receiving and releasing goods

10. State four circumstances under which one may decide to start a personal business. 4 marks

- Where there is need to create employment.
- Where additional income is needed.
- Where there is need to invest surplus funds.
- Where there is a market gap.
- Where there is need to use ones talent/hobby.
- Where one makes use of spare time.
- In case one wants to be own boss.
- Where there is need to apply a business skill acquired.

11. Outline four ways of reducing the level of unemployment in Kenya

4 marks

- Engaging in self-employment.
- Establishment of more labor intensive industries.
- Impart the right skills through education and training.
- Expanding the market for goods/services.
- Exporting surplus manpower.
- Population control.
- Increase in government capital expenditure.
- Encourage political stability.
- Attraction of foreign investors.
- Delocalization of firms.
- Diversification of economic activities.
- Utilizing local resources.
- Encouraging the private/juakali sector.

12. Outline four reasons why a firm may remain small. 4 marks

- Target market is small.
- Limited capital.

- If it is the provision of services.
- Owner's decision to remain small.
- Unavailability of appropriate technology.
- Small firms are flexible.
- Have a personal touch to customers.
- Fast decision making.
- To maintain secrecy.
- Small firms are easy to manage.

13. Highlight four ways in which households contribute to national income of a country. 4 marks

- Consumption of goods.
- Payment of taxes.
- Provision of labor.
- Provision of savings for investment/capital.
- Provision of land.
- Provision of entrepreneurship.

14. Outline four circumstances under which a co-operative society may be dissolved. 4 marks

- i. If the law has changed rendering its activities illegal/unlawful
- ii. When the cooperative persistently makes losses.
- iii. When the members through a unanimous vote by members to decide to dissolve the society.
- iv. When a court order is issued declaring the cooperative dissolved
- v. When the commissioner of cooperatives order for dissolution o protect the interests of the members
- vi. Where the society has achieved its objectives.
- vii. Where there is withdrawal of members to less than 10.
- viii. When it has been declared bankrupt by the court of law.

15. Highlight four external factors that may negatively influence the operations of a business. 4mks

- Unfair competition.
- Inappropriate technology.
- Unstable political environment.
- Unstable economic environment.
- Unfavorable government policies/legal framework.
- Unreliable supply systems
- Strong consumer purchasing power.
- Poor physical facilities.
- Low population level.
- Unfavorable social-cultural environment.
- Insecurity.
- Natural calamities.
- Negative publicity.

16. The following information relates to Karibu traders for the year ended 31st December 2008.

Details	Shs
Fixed assets	1,840,000
Current assets	400,000
6 years bank loan	600,000
Current liabilities	150,000

Determine owner's capital using the information given above 4 marks

CAPITAL=ASSETS – LIABILITIES

$$\begin{aligned}
 \text{CAPITAL} &= (1,840,000 + 400,000) - (600,000 + 150,000) \checkmark \checkmark \checkmark \checkmark \\
 &= 2,240,000 - 750,000 \checkmark \checkmark \\
 &= 1,490,000 \checkmark \checkmark
 \end{aligned}$$

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

17. State four basic features of a market. 4 marks

- Availability of buyers.
- Availability of sellers.
- Interaction between the buyers and sellers.
- Availability of goods/services.
- Availability of a medium of exchange.

18. The following information relates to businesses Kweyu, Omariba, Juma and Mbithi. Determine the figures represented by x, y, z and w. 4 mark

Business	Assets	Liabilities	Capital
Kweyu	500,000	<u>x200,000</u> ✓	300,000
Omariba	<u>y 2,000,000</u> ✓	800,000	1,200,000
Juma	300,000	120,000	<u>z 180,000</u> ✓

Mbithi	700,000	W 200,000	500,000
		✓	

19. Outline four positive effects that production activities may have on community health. 4mks

- Provision of safe products/high quality products.
- Provision of clean water.
- Provision of employment which reduces stress.
- Provision of health facilities /education as a social responsibility.
- Provision of sewage disposal plants which boost community sanitation/eliminate any form of pollution.
- Joint research to improve community health.
- Planting of trees to modify the environment.

20. Give the document issued by the trader under the following circumstances. 4 marks

Circumstance	Document
Give a customer a summary of transactions in a given period.	Statement of Account
In replying a specific letter of inquiry.	Quotation
On hand payment for goods supplied.	Cash Receipt
When a customer buys and pays at the same time. (Award for a receipt only it must be cash sale receipt)	Cash Sale Receipt

21. Give four reasons why the government requires that businesses acquire licenses before starting trading. 4 marks

- To avoid cut-throat competition especially where a lot of similar firms are located in the same area.
- In order to control the number of businesses doing similar businesses.
- To make sure that traders stick to the business which they have been licensed to do.
- To ensure standards are maintained.
- To curb illegal businesses.
- To ensure safety in the public facilities.

- To collect government revenue.
- To ensure professionals meet professional requirements.

22. For each of the following transactions, indicate with a tick (✓) in the space provided, whether it will increase, decrease or have no effect on the balance sheet totals. 4 marks

Transaction	Effect on the balance sheet		
	increase	decrease	effect
bringing more cash into the business	✓		
paying creditors in cash		✓	
buying a piece of furniture in cash			✓
paying creditors using money from private sources			✓

23. List four ways in which an investor may benefit from the stock exchange. 4 marks

- Gets information on share prices that guide investors on when to buy /sell shares.
- Is provided with market/mechanisms for buying / selling securities
- The investor's interest is protected by requiring quoted companies to maintain certain standards of management.
- The investor is Provided with information on company performance that help investors to make investment decisions.
- Listing of share prices enables investors to monitor their wealth.
- The investor is encouraged to save in form of shares.
- Enables investors to spread risks by buying different types of shares.
- Investor has access to a variety of securities to choose from.

24. Outline four differences between hire purchase and credit sales 4 marks

Hire purchase	Credit sales
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Goods can be repossessed in case the buyer is unable to pay.	Goods cannot be repossessed in case the buyer is unable to pay.
Buyer cannot resell the goods before completing payment.	Buyer can resell the goods before completing payment.
A down payment is made.	No down payment is made.
Goods belong to the seller until the last payment is made.	Goods belong to the buyer after payment of the first amount.

25. The following transactions were extracted from the books of Sarah Trader for the month of March 2006.

March 10: purchased goods on credit worth ksh 200,000 from Salim Traders.

March 25: sold goods on credit worth ksh. 420,000 to Shah Traders.

Record the above transactions in the relevant ledger accounts.

4 marks

Dr Salim Traders Account Cr

10/3/2006√ Purchases √ 200,000 √

Dr Shah Traders Account Cr

25/3/2006√ Sales √ 420,000√

Dr Purchases Accounts Cr

10/03/2006√ Salim Traders√ 200,000√

Dr Sales Account Cr

25/03/2006:√ Shah Traders√ 420,000√

