



**BUSINESS STUDIES
MARKING SCHEME
TRIAL 2, 2019
FORM FOUR PAPER 1**

1. - Increase in customers income
 - Increase in population
 - Political stability
 - Favourable climatic conditions
 - Lack of competitionAny other relevant 4 x 1=4mks
2. - Where market is concentrated in e area/localized.
 - Where the product is of technical nature
 - Where the product is of high value
 - Where the product is perishable
 - Where the producer has high own retail outlet
 - If the goods are produced as per customer's specification
 - If the producer requires immediate feed back
 - When the consumer can but in bulk.Any other relevant 4 x 1=4mks
3. - Very high prices for products
 - Hoarding of products
 - False advertisement
 - Harmful products
 - Breach of contract
 - Inferior quality goodsAny other relevant 4 x 1=4mks
4. i) Current ratio = $\frac{\text{Current Assets}}{\text{Current liabilities}} = \frac{650,000}{650,000} = 1:1$

$$\text{ii) Gross profit mark up} = \frac{\text{Gross profit}}{\text{Cost of sales}} \times 100$$

$$\begin{aligned}\text{Gross profits} &= \text{Sales} \times \text{margin} = \frac{20}{100} \times 200,000 \\ &= \text{sh } 400,000\end{aligned}$$

$$\text{Cost of sales} = \text{sales} - \text{Gross profit} = 2,000,000 - 400,000 = 1,600,000$$

$$\text{Mark up} = \frac{400,000}{1,600,000} \times 100 = 25\% \text{ or } \frac{1}{4}$$

$$\text{iii) Rate of stock turn over} = \frac{\text{cost of sales}}{\text{Average stock}}$$

$$\begin{aligned}\text{Average stock} &= \frac{\text{Opening stock} + \text{closing stock}}{2} \\ &= \frac{1,000,000 + 2,000,000}{2} = 1,500,000\end{aligned}$$

$$\text{Rate of stock turnover} = \frac{1,600,000}{1,500,000} = 1.07 \text{ times}$$

$$\text{iv) Capital employed} = \text{Fixed Assets} + \text{Current Asset}$$

$$= 5,000,000 + 650,000$$

$$= 5,650,000$$

5. - Incase of overcharge in invoice

- If goods have been returned
- If one was charged for goods not supplied.
- If cost of empty containers was included in the invoice
- If merited discount has not been deducted for the invoice

Any other relevant 4 x 1 = 4mks

$$6. Q_d = 4P + 50$$

$$Q_s = 8P + 30$$

$$Q_d = Q_s$$

$$4P + 50 = 8P + 30$$

$$50 - 30 = 8P - 4P$$

$$\frac{20}{4} = \frac{4P}{4}$$

$$P = 5$$

$$q = 8P + 30$$

$$Q = 8(5) + 30$$

$$= 40 + 30$$

$$Q = \frac{70}{\sqrt{2}}$$

7. - Poor location of the business

(4mks)

- Stiff competition from other retailers
- Inadequate finances to meet the obligation of the business
- Kendi's lack of commitment to the business
- Insecurity
- Improper management practices
- Poor customer relations
- Inappropriate pricing practices
- Political instability/wars
- Lack of market /low demand
- Any other relevant 4 x 1=4mks

8. a) Bonded warehouse

b) Public warehouse

c) Wholesaler

d) Manufacturer's

9. - Bulky goods (4mks)

- Perishable goods /Durability
- Flammable /inflammable
- Fragile
- Expensive/value of goods
- Heavy

10. - If resources are not scarce

(4mks)

- If wants are not complimentary
- If wants are not habitual
- If wants are not competitive
- If wants are not recurrent
- If wants don't vary in urgency and intensity

NB: A candidate must use circumstantial words such as if, when, where and in case to earn a mark.

11. - It enables one to acquire knowledge and skills to start and run a business. (4mks)
- It equips on with basic economic concepts
 - It enables one to understand and appreciate the importance of business activities in the society
 - Makes the members of society to appreciate the need for business management practices.
 - Assist individuals to acquire self discipline and positive attitude towards work.
 - Equips individuals with abilities to promote co-operation in society than trade.
- Any other relevant 4 x 1=4mks
12. a) Purchases journal (4mks)
- b) Cash payment journal
- c) Return inwards/sales returns journal
- d) Sales journal
13. a) Private/general ledger (4mks)
- b) Sales/debtors ledger
- c) Purchases/creditors/bought ledger
- d) Cash book
14. - Easy supervision of workers (4mks)
- Construction cost is low because partitions are few
 - Easy location of workers
 - Staff movement is minimized thus saving time used in passing information
 - Office equipment and machinery are not misused due to close supervision of workers.
 - Promotes teamwork among employees
 - Maintenance cost low
 - Floor space is saved
 - It is cheap to decorate
- Any other relevant 4 x 1=4mks

15. Compensation = $\frac{\text{value of the policy} \times \text{loss}}{\text{value of property}}$ ✓

(4mks)

$$\frac{2,000,000 \times 600,000}{2,400,000} \checkmark$$

= sh 500,000 ✓

Reason: He had under insured ✓

16. - Divisibility

(4mks)

- Scarcity
- Malleability
- Acceptability
- Durability
- Portability
- Recognisability

Any other relevant 4 x 1 = 4mks

17. - Salary

(4mks)

- Interest
- Rents/rates /loyalties
- Profit

18. - Increased dependency ratio on the young who may not yet fit in the job market.

(4mks)

- The labour supply in the market will be low as many young people may not have attained working age.
- More resources are used to feed the young and less is available for savings and investment.
- Most expenditure is diverted to providing goods and services for the young and other vital sectors are neglected
- Many young people being released on the job market may create unemployment.
- Young people particularly if they are idle tend to engage in social evils such as crime.

Any other relevant 4 x 1 = 4mks

19. - Perfect knowledge of the market by both the buyer and the seller.
(4mks)
- Homogeneous product
 - No government intervention
 - Factors of production have perfect mobility
 - Free entry and exit of the players in the market.
- Any other relevant 4 x 1=4mks
20. - Horizontal communication
(4mks)
- Upward vertical communication
 - Downward diagonal communication
 - Upward diagonal communicateon
21. a) Increase
b) Decrease
c) No effect
d) Decrease
22. - Household spend all their income in buying the goods and services from the firm and none is saved.
(4mks)
- The firms sell all their goods to the households.
 - There is no government intervention in the circular flow.
 - There is no leakage or withdrawals from the closed economy.
 - The firms spend all income renewed on production of goods and services.
 - The firms spend all income on production of goods and services.

23. WANJI TRADERS
BALANCE SHEET

AS AT 31ST DECEMBER 2008

Sh	Sh
Machinery 450,000✓	Capital 550,000✓
Stock 60,000✓	5 year loan 270,000✓
Debtor 120,000✓	Creditor <u>60,000✓</u>
Bank 180,000✓	
Cash <u>70,000✓</u>	
<u>880,000</u>	<u>880,000</u>

8x½=4mks

24. - To reduce the number of entries made into the general ledger (4mks)

- To easily oral cash balances/show cash balances at a glance.
- To enhance specialization in book keeping by allocating different ledgers to different workers.
- To easily monitor cash inflow (receipts)
- To show the sources of funds into the business
- To show the expenditure in the business
- To easily monitor the cash outflow (payment)
- To show discount allowed to the debtor
- To show discount received from creditors

25. - Cost of the method (4mks)

- Geographical area to be covered /extent of the market/distance to be covered.
- Target group/type of consumers/nature of the market segrement
- Speed of the medium /urgency of the message/time
- Nature /type of the product
- Intended impression/impact
- Methods used by competitors

Any other relevant 4 x 1=4mks