**BUSINESS 565/1**

**2021**

**MARKING SCHEME**

1. Outline **four** ways in which a good business structure is of benefit to a business organization(4mks)

1. Facilitates easy control of workers
2. Facilitates easy evaluation of workers
3. Reduces confusion among workers
4. Enhances teamwork (4x1=4mks)

2. Outline **four** difficulties that would be faced by an individual in the satisfaction of human

Wants (4mks)

1. Needs are unlimited
2. Different tastes and preferences
3. Government restrictions
4. Different prices of goods
5. Limited resources/income (4x1=4mks

3 (i) Form

(ii) Possession

(iii) Place

(iv) Place (4mks)

(4x1=4mks)

4. Using a diagram, illustrate how a decrease in demand occurs while holding all factors constant

apart from price (4mks)

Price √1

D

√1

√1

Pe1

Pe

D

4x1

Quantity √1

Qe

Qe1

5. State **four** circumstances under which it may be appropriate to use personal selling as a form of product promotion (4mks)

1. Its not easy to ignore like other methods
2. Its more persuasive
3. Immediate feed back about the product is got
4. Seller is able to direct effort to a specific group
5. Consumers are shown how to use a product
6. Demonstration can be done
7. Suitable for both the literate and illiterate (4x1=4mks)

6. K Ltd a manufacturing firm has been performimg poorly in the recent past. Highlight four measures that they can take to improve their profitabilility (4mks)

1. Improve on personnel management
2. Locate the business where customers are many
3. Manage finances properly
4. Improve on public relations
5. Being more creative and innovative
6. Managing debts carefully
7. Getting more capital to finance operations
8. Should invest in more research to find out better production method

7. State **four** functions of commercial attaches (4mks)

1. Look for market for Kenyan goods abroad
2. Organize trade tours for Kenyan traders
3. Inform local producers of standards required and procedures in foreign countries
4. Help in identifying agents in foreign countries for local producers
5. Organize training for local businessmen abroad
6. Avail information about selling opportunities in foreign countries (4x1=4mks)

8. Give **four** reasons why some traders prefer to operate supermarket business (4mks)

1. Increase sales
2. Lower operational costs
3. Enjoy economies of sale
4. Time is saved

9. State **four** reasons why short message service (SMS) is replacing letters as a way of communication (4mks)

1. Cheap to use SMS services
2. Faster than letters
3. Can be sent to many at once
4. Realiable-delivery reports are given (4x1=4mks)

10. Describe **four** channels used when importing commodities (4mks)

1. Foreign exporter wholesaler retailer consumer
2. Foreign exporter import trader consumer
3. Foreign exporter import agent consumer
4. Foreign exporter import agent consumer
5. Foreign exporter import agent wholesaler retailer consumer
6. Foreign exporter exporters representative wholesaler retailer consumer
7. Exporter exporters representative consumer

11. Outline four emerging trends in office management (4mks)

1. Use of computers
2. Using open plan office
3. Merging duties of staff members
4. Adapting customer care centers
5. Use of modern communication methods
6. Opening up offices away from town centers (4x1=4mks)

12. Give **four** benefits that are likely to result form a modern railway network in the country (4mks)

1. Effective in transporting heavy and bulky goods
2. Reduce damage of roads by vehicles
3. Commodities will be transported cheaply over long distance
4. Road and port congestion will reduce
5. Pollution along the roads will reduce

13. Outline **four** features of monopolistic competition (4mks)

1. Many sellers and buyers
2. Products are differentiated
3. No barriers to entry
4. No firm has to control over factors of production
5. Products are not perfect substitutes
6. No interdependence in pricing between the firms (4x1=4)

14. State **four** merits of storing goods in a public warehouse (4mks)

1. Goods can be sold without physical movement
2. Traders do not incur costs of constructing their own warehouses
3. Goods can be used as collateral to get short term loans
4. Goods are insured
5. Enables large scale buyers to accommodate bulk from small scale sellers
6. Additional services e.g. repairs are provided

15. The following account balances were extracted from the migingo traders on 30th April 2002

Machinery 460,000 Stock 20,000

Debtors 50,400 Cash in hand 35,000

Creditors 38,200 Bank overdraft 65,900

Determine capital as at 30th April 2012

**Total Assets Total Liabilities**

Machinery 460,000

Debtors 50,400

Stock 20,000

Cash in hand 35000

565,400 565,400

Less liabilities

Creditors 38200

Bank overdraft 65900

104,100 104,100

Capital 461,300

16. The table below shows descriptions of different types of partners. Identify type of partners that match the description

|  |  |
| --- | --- |
| Description | Type of partner |
| 1. Do not contribute capitals 2. Those whose private properties can be used to pay business costs 3. Do not participate actively in management 4. Are above 18 years of age | Nominal  Ordinary/general  Dormant  Major |

17. On 31st December 2013 Kiu Traders had made a turnover of Sh.80,000 for the fear and had a closing stock of SH.10,000. If the business was working at a margin of 20%, draw its trading account for the period ending 31st, December 2013 (4mks)

KIU Traders Trading a/c

For the period ending 31/12/2014

|  |  |
| --- | --- |
| Cost of goods available for sale 74,000√√  Less closing stock 10,000√  Cost of sales 64,000  Gross profit 16,000√  80,000 | Sales 80,000√    80,000 |

18. Outline four source documents used in recording transaction.

(a)Invoice

(b) Debit note

(c) Credit note

(d) Receipts

(e) Payment voucher

(d) Cash sale slip

19. On 1st March 2006 the cash book of Kericho traders whowed cash and bank balances of sh. 15000 and sh 147,000 respectively. The following transactions took place during the month

May 3 cash sales sh. 120,000

May 11 paid sh. 7,500 cash in respect to wages

May 16 received a cheque of sh. 250,000 from a debtor

May 26 withdrew sh. 25,000 from bank for office use.

May 29 paid sh. 97,000 cash to creditor

Prepare a two column cash book

Two column cash book

Dr Cash book Er

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Particulars | BF | cash | bank | Date | particulars | cash | Bank |
| 2006  May 1 | Bal. b/d |  | 15000 | 147,000 | 2006  May 11 | wages | 7500 |  |
| May 3 | Sales |  | 120,000 |  | May 26 | Cash |  | 25,000 |
| May 16 | Debtors |  |  | 25,000 | May 29 | Creditors | 97000 |  |
| May 26 | Bank |  | 25,000 |  | May 31 | Bal.c /d | 55,500 | 372,000 |
|  |  |  | 160,000 | 397,000 |  |  | 160,000 | 397,000 |
| June 1 | Bal. b/d |  | 55,500 | 372,2000 |  |  |  |  |
|  |  |  |  |  |  |  |  |  |

20.Meaning of insurance terms

(a) Surrender value – Amount of money that is refundable to the insured by insurer incase the insured has terminated the contract before maturity.

(b) Beneficiaries- People named named in a life assurance policy to be paid in event of death of the assured.

(c) Re – insurance – An insurance company insuring the same property it has covered with another insurance company called the re – insurer.

d) Cover note – a document issued by an insurance company to insured when the insured has paid the first premium while awaiting the policy to be processed.

21. Match the following description of errors with the type of errors made when keeping books of accounts (4mks)

|  |  |
| --- | --- |
| Description | Error type |
| 1. Occurs where errors is both the debit and credit balances are of equal amounts | Compensating errors |
| 1. Occurs where a transaction is not recorded at all in the books | Error of omission |
| 1. Occurs when entries are made in the wrong class of accounts | Error of principle |
| 1. Occurs where both the debit and credit entries are made using similar but erroneous figures | Error of original entry |

22. Give **three** reasons why the per capita income of a country may not change (3mks)

1. When total output and total population increase at the same rate
2. When total output and total population decrease at the same rate
3. When total output and total population remain constant

23. The diagram below shows a population pyramid for a certain country

**0**

**10**

**20**

**30**

**40**

**90**

**1**

**2**

**3**

**4**

**6**

**7**

**Population in Millions**

**Age in years**

Give **four** challenges facing this country (4mks)

1. High dependency ratio
2. Low labour supply in the country
3. Reduced savings and investments
4. Diversion of government expenditure
5. Likelihood of high unemployment rates
6. Increase in social evils by the idle young population

24. Show the accounts to be debited or credited for the following transactions (4mks)

|  |  |
| --- | --- |
| a/c to debit | a/c to credit |
| 1. Wages | Cash |
| 1. Drawings | Cash |
| 1. Office equipment | Sao ltd |
| 1. Telephone bill | Cash at bank |

25. Give four reasons for the increased use of mobile phones in banking. (4mks)

(a) Fast in transacting business

(b) Reduce s paper work

(c) May be used to pay utility bills

(d) One can access account balance

(e) Safe to use (use of secret pin) i.e. reduce risk of carrying cash

(f) May be used to buy airtime

(g) Easy transfer of funds from one account to another

(h) Easy to monitor ones financial transactors details

(i) Easy transfer of money from account to phone for other transactions.