

NAME.....SCHOOL.....

DATE.....SET CODE.....

THURDIBUORO BUSINESS STUDIES CONTEST.

SECOND EDITION-JUNE 2023

SENIOR CATEGORY

MARKING SCHEME

1. Give four reasons why an invoice received is important in accounting. (4 marks)
- a) Used to make entries in purchases day book / journal
 - b) Used to make entries in purchases account
 - c) It gives evidence of money the business owes others
 - d) It gives a record of all credit purchases
 - e) It is also used to give record of all discount received.

2. For each of the transactions given in the table below, state in appropriate columns, the accounts in which entries should be made and the corresponding amounts to ensure proper complete double entry in each case. (4 marks)

Transactions		Debit		Credit	
		Account	Amount	Account	Amount
(a)	The proprietor took stock worth Sh. 20,000 for personal use.	Drawings	20,000	Purchases	20,000
(b)	Bought an office desk from Furniture Mart for Sh. 82,000 paying Sh.42,000 by cheque on account	Furniture	82,000	Cash at bank / bank Furniture mart	42,000 40,000

3. Give two differences between joint demand and competitive demand. (4 marks)

Joint demand	Competitive demand
Is the demand for goods used together	Is the demand for goods used interchangeably / used in place of the other
Use of one item creates demand for the other	Use of one item reduces demand for the other

4. Explain the meaning of the following terms as used in inflation: (4 marks)

i. Demand -pull inflation

Progressive increase in level of prices due to increased demand in comparison to supply

ii. Cost-push inflation.

Progressive increase in price levels due increase in cost of factors of production.

iii. Imported inflation.

General increase in prices of goods occasioned by importation of goods / services / factors inputs at higher prices from countries already suffering from inflation.

iv. Structural inflation.

Persistent rise in prices resulting from increase in demand caused by government policies that makes supply not respond to demand.

5. Give two ways through which prices may be determined in an oligopolistic market. (2 marks)

- i. Price collusions
- ii. Non – price competition
- iii. Cartels
- iv. Price wars
- v. Price leadership

6. State the meaning of the following terms as used in accounting. (4 marks)

(i) Double-entry

Refers to an entry that requires a debit and a credit entry in the ledger accounts with the total sum of the entries equal for debit and credit entry for a given transaction.

(ii) Contra-entry

This is a transaction affecting both sides of a 2 or 3 column cash book simultaneously

7. The following information was extracted from the books of Chui traders.

Capital	400,000
Sales	300,000
Stock (1/12/2005)	45,000
Stock (31/12/2005)	35,000
Expense	25,000
Margin	15%
Calculate:	

i. Rate of return on capital.

(2 marks)

$$\text{Return on capital} = \frac{\text{Net profit}}{\text{Capital invested}} \times 100$$

Net profit = Gross profit – expenses

Where Gross profit

$$\text{Margin} = \frac{\text{Gross profit}}{\text{Sales}} \times 100$$

Gross profit = 45,0000

Net profit = 45,000 – 25,000
= 20,000

$$\text{Return on capital} = \frac{20,000}{400,000} \times 100$$

= 5%

ii. Rate of stock turnover.

(2 marks)

$$\text{Rate of stock turn over} = \frac{\text{cost of sales / cost of goods sold}}{\text{avarage stock}}$$

COGS = sales -Gross profit

= 300,000 – 45,000

= 255,000

= $ROSTO = \frac{20,000}{40,000}$

= x 0.5 / 0.5 TIMES

8. State four ways in which Kenya may benefit from its natural resources.

(4 marks)

- i. It's a source of raw materials
- ii. It's a habitat for wild animals hence promote tourism
- iii. Serves as sources of energy
- iv. Helps maintain the ecosystems
- v. They are a source of food.
- vi. Provide water necessary for survival and industrial use

9. State two characteristics of each of the balance sheet elements.

(4 marks)

(i) Assets

- a) Resources owned and controlled by the business
- b) Must have been acquired in the past
- c) An item of value that can be measured reliably in monetary terms
- d) They are fixed or current

(ii) Liabilities

- i. A present obligation for a business to settle as a result of past commitments
- ii. Settlement reduces business assets
- iii. Amount involved can be measured in monetary terms
- iv. Owed to outsiders
- v. They are long term or short term

10. Outline the procedure an insured must take when making an insurance claim. (5 marks)

- i. Notifying / reporting to the insurer of the loss suffered / occurrence of risk.
- ii. Filling a claim form from the insurer
- iii. Carrying out investigations to determine the cause of loss
- iv. Insurance company making a report / finding / assessment/ cause of loss
- v. Payment of the claim / compensation

11. The statement described in the table below relates to types of unemployment. Identify the type of unemployment with matching description. (3 marks)

	Description	Type of unemployment
(a)	Arises when one leaves an old job but has not found a new one.	Frictional
(b)	Arises where workers have more skills and higher qualifications than the job requirement.	Disguised / hidden
(c)	Arises due changes in demand that reduces levels of production.	Structural

12. In the spaces provided in the table below, name the document Chui traders would issue under the circumstances described. (4 marks)

	Ccircumstance	Document to issue
(a)	Jambo limited sold goods worth Sh.54,000 on credit to Jamia Traders	Invoice
(b)	Wananchi Retailers which had bought goods worth Sh.27,000 was erroneously charged only Sh. 25,000	Debit note
(c)	Wadala Traders paid Sh.33,900 by cheque to Jambo limited for goods which had been supplied	Cash sale receipt
(d)	Goods sold to Jamia Traders had been overpriced by Sh.4,000	Credit note

13. Elephant traders started a business on 1st January 2021 with a capital of Sh.350,000. During the year, the following transactions took place.

- (i) Converted a personal chair worth sh.80,000 into a business chair.
- (ii) Made a monthly drawing of sh. 3000
- (iii) Made a profit of Sh.310,000

Calculate the capital as 31st December,2021.

(4 marks)

- $CC = IC + AI + P - D$
- $WHERE \text{ DRAWINGS} = 3000 \times 12$
 $= 36,000$

$$\begin{aligned}
 &= 350,000 + 310,000 + 80,000 - 36,000 \\
 &= 660,000 + 80,000 - 36,000 \\
 &= 740,000 - 36,000 \\
 &= 704,000
 \end{aligned}$$