

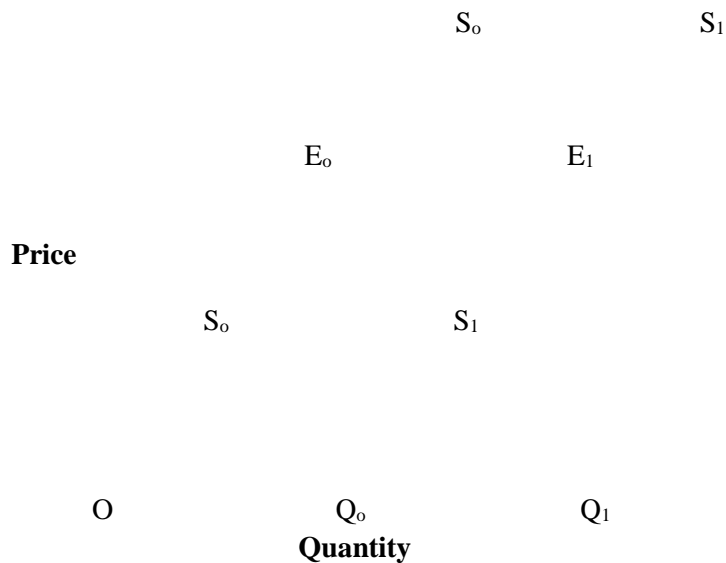
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**BUSINESS STUDIES PAPER 1 MARKING SCHEME  
MARCH/APRIL  
TERM 1 2015  
Time: 2 hrs**

1. In the spaces provided below, indicate the type of utility created by each of the following commercial activities (4mks)

<u>Commercial activity</u>	<u>Type of utility</u>
i) Selling goods to customers	<i>Possession</i>
ii) Transporting goods	<i>Place</i>
iii) Storekeeping	<i>Time</i>
iv) Making a chair	<i>Form</i>

2. The figure below shows a shift in the supply curve of a given commodity



Outline four factors that may have caused the shift in the supply curve from  $S_0$  to  $S_1$  (4mks)

- i) A fall in the cost of production
- ii) Fall in price of produced goods
- iii) Technological progress
- iv) Conducive natural factor e.g. good weather season
- v) Government policies e.g. reduced tax and increased subsidies
- vi) Future expectation of a fall in price
- vii) Entry of new firms in the industry
- viii) Increase in factor of production

ix) Increase in price of jointly supplied goods e.g. beef & hides

**3. Name the types of warehouses associated with each of the statements given below (4mks)**

<u>Stationery</u>	<u>Type of warehouse</u>
i) Goods can be stored before payment of customs duty	<i>Bonded</i>
ii) Individuals can hire storage facilities	<i>Public</i>
iii) Goods are stored from several manufacturers	<i>Wholesalers</i>
iv) Specialized goods are stored	<i>Manufacturers</i>

**4. State four services that a wholesaler may offer to a manufacturer (4mks)**

- Links the manufacturer with the retailers
- Breaks bulk on behalf of manufacturer/preparing for sale
- Provides storage on behalf of a manufacturer
- Provides working capital when they pay for goods
- Assists in distribution of goods/offer transport
- Promote the products on behalf of the manufacturer
- Relieves the manufacturer off some risks e.g. price fluctuations, expiry of goods
- Offers valuable information about goods

**5. State 4 reasons why flower exporters would transport their produce by air rather than by sea (4mks)**

- Air transport is faster
- Flowers are perishable require faster means
- Flowers are expensive
- Security of air transport is relatively high
- Flowers are light in weight
- Flowers are not bulk

**6. State four circumstances under which one may decide to start a personal business (4mks)**

- Where there is need to create employment
- Where additional income is needed
- Where there is need to apply business skills acquired
- Where there is need to invest surplus funds
- Where one has a business idea to implement
- Where one wants to become own boss
- Where there is need to use talent
- Where there is need to use spare time

**7. Outline four factors that should be considered before buying office equipment (4mks)**

- Space available
- Use of which it may be put
- Technological trends in the industry/observation/outdated
- Cost of buying/prices of equipment/funds available
- Skills available
- Cost maintenance
- Availability of spare parts

- Effect of staff morale
  - Adaptability/multi-tasking
  - Durability/lifespan
  - Availability of power
  - Quality of machine
  - Possibility of hiring rather than buying
- 8. Outline four malpractices by traders against which consumers may need protection by the Government (4mks)**
- Selling of poor quality goods/counterfeit/contraband goods
  - Overcharging/overpricing
  - Selling under weight goods/less quantity
  - Selling expired goods/harmful
  - Giving misleading information/false advertising
  - Hoarding/artificial shortages
  - Breach of contract
  - Unsafe building
  - Unhygiene conditions

**9. Indicate the reward associated with each of the factors of production in the table below (4mks)**

<u>Factor of production</u>	<u>Reward</u>
a) Land	<u>Rent/Rates/Loyalty</u>
b) Labour	<u>Wages/Salaries</u>
c) Capital	<u>Interest</u>
d) Entrepreneurship	<u>Profit</u>

**10. Outline four factors that may be considered when measuring the size of a firm (4mks)**

- Volume of output
  - The number of employees
  - The capital invested
  - The technology used
  - The market served/No. of branches
  - The floor area covered by the firm/premises
  - The sale volume
- 11. State four benefits that a trader may get by advertising products (4mks)**
- Wide coverage- message can reach a lot of people
  - Evidence of the message exists
  - A trader has a chance to compete with other traders
  - Graphical details can be included
  - A trader has a chance of increasing sales
  - A trader can choose a suitable page

- Their cost varies according to size/page/day
- They are daily and hence regular
- Easy to locate an advert

**12. Outline four reasons why a firm may remain small (4mks)**

- Target market is small
- Limited production capacity/capital
- Nature of the product
- Owner's decision to remain small
- Inadequate appropriate technology
- It's flexible
- Has personal touch to customers & employees
- Fast decision making
- Secrecy
- Easier to manage

**13. Zawadi operates a hardware business in her home town. Outline four methods she may use to determine prices for her goods other than the forces of demand and supply (4mks)**

- Bargaining/Haggling
- Tendering
- Government policy – taxation
- Price discrimination
- Sale by auction
- Retail price maintenance – sell goods according to the dictates of the producers

**14. State four benefits that a farmer may derive from being a member of a producer co-operative society (4mks)**

- May receive input e.g. fertilizer at fair prices
- Get better prices for their produce
- May get transport facilities for produce to the market
- May get better storage facilities for the produce
- May grade, package and process the produce for the member
- May receive input on credit from the society
- Get dividends from his produce
- Can get loans from the society
- Can acquire skills on better methods of production
- Can be elected in management positions

**15. Outline four features of indirect production (4mks)**

- Goods are produced for sale
- Goods are produced in large quantities/surplus
- There is specialization in production
- High quality goods are produced
- Modern technology is used/use of machine

**16. Highlight four factors that may lead to the success of a business (4mks)**

- Availability of capital
- Developed infrastructure
- Availability of skilled labour
- Government support
- Access to markets/customers
- Aggressive marketing
- Proper management of debt
- Availability of security
- Proper location
- Fair competition
- Availability of raw materials/stock
- Proper allocation of resources
- Proper record keeping
- Fair pricing of goods

**17. State four ways in which a good filing system may facilitate the operations in an office (4mks)**

- Easy retrieval of information/fast
- Office is kept tidy/documents look neat
- Information is preserved for future reference
- Security of document is ensured/loss is reduced
- Facilitates quicker decision making/compare businesses
- Ensures confidentiality of information by controlling access by unauthorized people
- Protects from damage
- Save on space

**18. State four features of a perfectly competitive market (4mks)**

- Large no. of buyers and seller
- Buyer & sellers have perfect knowledge of the market conditions
- No government interference in the market
- No transport cost are incurred
- Free entry & exit of firms
- Homogeneity of products/similar
- Perfect mobility of factors of production
- No excess or shortage on demand & supply
- Uniformity of buyers & sellers
- Buyers and sellers are price takers

**19. State 4 types of information that a manager may communicate to the juniors (4mks)**

- Instructing/giving directions
- Explaining policies of the organization
- Giving procedures to be followed in carrying out duties
- Evaluation/information on performance of juniors

- Invitation to meeting
- Allocation/delegation of duties
- Motivating/inspiring juniors
- Giving solution to change in the organization
- Community appointment
- Induction, orientation & retraining juniors

**20. Name four documents that may be required by the registrar of companies in order to register a public limited company (4mks)**

- Prospectus
- Declaration
- List of directors
- Memorandum of association
- Articles of association
- Statement signed by directors

**21. The participants in a two sector economy are households and firms. Identify the relevant participant in each of the statements given below. (4mks)**

<u>Statement</u>	<u>Participant</u>
a) Payment for goods & services	<u>Household</u>
b) Sale of factors of production	<u>Household</u>
c) Payment for factors of production	<u>Firm</u>
d) Sale of goods and services	<u>Firm</u>

**22. Outline four qualities of a successful salesperson (4mks)**

- Has adequate product knowledge
- Is a good communicator
- Is sensitive to customer needs
- Has a high sense of integrity/honesty
- Is presentable (neat & well groomed)
- Is persuasive
- Has a high level of commitment
- Good listener
- Have good command of language
- Polite and courteous
- Persistent and patient

**23. Outline four circumstances under which cash with order may be used (4mks)**

- When the business is being conducted post/mail order business/on line
- When the buyer is new to the seller/not regular
- When the buyer's credit worthiness is in doubt
- When it is the seller's policy not to advance credit
- When the seller wants to avoid the high cost of debt collection
- When the seller needs working capital

- When the seller doesn't want to incur bad debts
- When the seller wants to avoid debtors record maintenance

**24. The following are descriptions of features of human wants. Identify the features that relate to the descriptions in the spaces provided (4mks)**

Description	Feature
a) A person is unable to fully satisfy all wants	Insatiable-endless, too many, unlimited
b) Once satisfied, they have a tendency of being felt again	Recurrent/repetitive
c) Some wants are satisfied together	Complementary
d) The same want can be satisfied using different resources	Competitive/require resources

**25. Outline four differences between insurance and assurance (4mks)**

Insurance	Assurance
<ul style="list-style-type: none"> <li>- Protection is offered to property</li> <li>- Risk insured against may or may not happen</li> <li>- The insurance contract is renewable after every year (short term)</li> <li>- Compensation is given to owner of property incase of loss/uncertain</li> <li>- It's a contract of indemnity</li> <li>- Has no surrender value</li> <li>- Policy cannot be used to secure loan</li> <li>- Has no maturity date</li> <li>- Principle of subrogation applies</li> <li>- Cannot be used as a saving scheme</li> <li>- Sum insured depends on the property value</li> <li>- Proof of insurable interest</li> </ul>	<ul style="list-style-type: none"> <li>- Protection is offered to life</li> <li>- Risks insured against must happen</li> <li>- Insurance contract is for life and does not require renewal(long term)</li> <li>- Compensation is given to beneficiaries incase of death</li> <li>- Not a contract of indemnity</li> <li>- Has a surrender value</li> <li>- Policy can be used as collateral to loans</li> <li>- Has a maturity date</li> <li>- Principle of subrogation does not apply</li> <li>- Can be used as a saving scheme</li> <li>- Sum insured depends on the ability to pay the premium</li> <li>- No need of proof of insurable interest at the time of death</li> </ul>