

**2020 FORM 4 TERM 1 ENRTY EXAMS**

**2019**

**B/St**

**Paper One Marking Scheme**

1. State four external factors that may adversely affect the efficient operations of a business enterprise.4 mks

- Political instability
- Corruption in the country
- Lengthy licensing procedures
- Insecurity in the country
- High cost of finance
- High taxation rates
- Inadequate factor inputs
- Poor weather conditions/climate
- Unstable exchange rates
- Poor technology.
- Poor infrastructure
- Low population
- Unfavourable lawa/government policy
- Stiff/unhealthy competition

2. Likoni traders a newly established firm has constructed an office block. Outline four factors that will be considered when deciding on the type of office layout.4mks

- The number of office staff to be accommodated
- Staff movement within the office
- Cost of setting up
- Physical appearance / prestige
- Ability to co-ordinate / supervise
- Maintenance cost.
- Type of equipment used
- Nature of work done in the office

**Note: The procedure must follow otherwise award up to the correct process**

3. State the document used for the following function.

To inform a buyer that his or her account has reduced by a certain amount.....credit note

To request a supplier to provide a particular service to a customer.....local service order

To determine the credit worthiness of a customer.....credit status inquiry

To show that transport has been hired to deliver specified goods to a particular buyer.....consignment note

4. Classify each of the following accounts in the table below as either real, nominal, or personal

nt	ication
ses	
income	nal
otieno	nal
nt allowed	nal

5. The demand for oranges doubled even if the price of the oranges remained the same over the same period. State four factors that may account for this.

- Increase in consumer income
- Increase in population
- Favorable change in taste fashion and preferences for oranges
- Increase in the price of substitutes
- Favorable government policy
- Better terms of sale
- Favorable weather.

6. Joshua insured his vehicle against theft, later the vehicle was stolen in a packing bay.

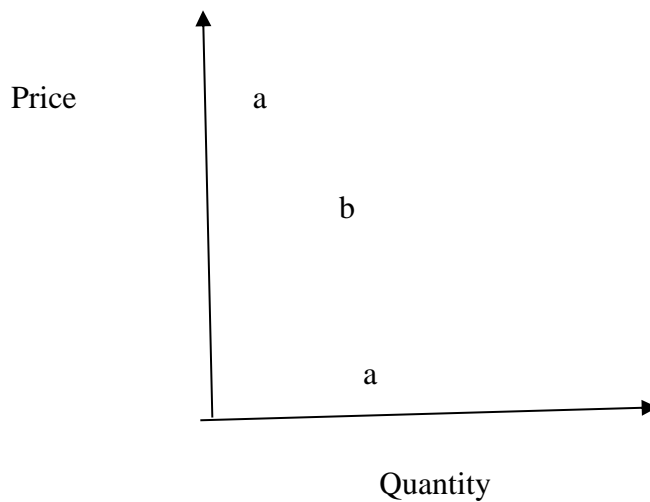
Outline the procedure he would follow when making insurance claim for his vehicle.

- Notify the insurer
- Filling a claim form
- Investigation/assessment of the claim

- Assessment report
  - Compensation/payment
7. Highlight four benefits of transporting oil from turkana to Mombasa by pipeline.
- Reduced road accidents
  - Low operation cost/low labour cost
  - Less environmental pollution
  - Minimal road congestion and damage
  - Reduced shortage
  - Continuous supply 24/7 hours
  - Easy supervision and monitoring
8. List four drawbacks of verbal communication in an organization.
- No record for future reference
  - Affected by language barrier
  - Time consuming
  - Prone to prejudice
  - Added transport cost when the sender and receiver are far apart
  - May not be used as evidence in case of dispute
9. Identify four ways through which the government encourages establishment of industries throughout the country.
- Improvement of transport
  - Tax exemption for industries set up in some areas
  - Access to cheap credit
  - Providing social amenities in most parts of the country
  - Enhancing security in the country
10. List four factors that adversely affect the functioning of a warehouse.
- Inappropriate location
  - Inadequate handling equipment
  - Lack of properly trained personnel

- Lack of clear operating procedure
- Insufficient security
- Lack of proper storage equipment

11. Use the diagram below to answer the questions that follow.



- a) Identify the market structure to which the diagram above belongs...oligopoly.....
- b) Name the parts labelled a...demand curve..... and  
b.....kink.....

12. Outline four factors that hinder entrepreneurship in Kenya.

- Long licensing procedure
- Poor infrastructure
- Inappropriate education system
- Political instability
- Lack of business culture
- Unfair competition
- Poor technology
- Inadequate resources

13. Outline four benefits that Kamau would get for being a member of Nyenze SACCO.

- Get loan at low interest rates

- Few formalities to follow when getting a loan
- Enjoy dividend from the profits of the sacco
- In case of death the loan is written off
- In case of death the beneficiaries receive double the savings he has
- A variety of loans
- Education through education days organized by the sacco
- Savings are insured
- Easy saving through checkoff system
- Front office banking facilities

14. Kenya is one of the countries experiencing unemployment problems. Identify four causes of the problem.

- Rapid population growth
- Inappropriate education system
- Use of capital intensive technology
- Corruption and mismanagement of resources by the government
- Rural urban migration
- Increased importation
- Inadequate resources
- Low effective demand
- Over specialization
- Laziness where some people generally detest work
- Off peak season

15. Outline four characteristics of direct production

- Goods/services are of low quality
- Encourages individualism
- Use of simple methods of production
- Little/no specialization
- Done in small scale/low output
- Production for own use

- Discourages creativity/innovation
16. Highlight four reasons why a firm may choose to remain small
- Owners decision to retain the small size
  - Limited target market
  - Flexibility of a small firm
  - Personal services requires/ necessitates the firm to remain small
  - Limited production capacity
  - Un-availability of appropriate technology
  - Belief that small firms are easy to manage
17. Outline four reasons why ethical practices are necessary in product promotion.
- Improves business image
  - Maintains morality in the society
  - Ensures fair competition among businesses
  - Protects the environment from degradation
  - Ensures businesses comply with the law
  - Ensures that the consumers rights are protected
18. Highlight four factors that may lead to low level of national income.
- Reduced labour supply
  - Poor natural resource endowment
  - Low level of technology
  - Political instability
  - Negative attitude towards work
  - Presence of large subsistence sector
  - Reduced foreign investment
  - Poor entrepreneurial skills
  - Low level of capital
19. Outline four reasons that make it difficult to satisfy all our wants.
- Wants are unlimited/endless
  - Resources are scarce/limited

- Some human wants are recurrent.
- Wants keep changing according to age, season, gender, social status etc.

20. The following information has been extracted from the books of Akili as at 30<sup>th</sup> june 2001

Land and building	235,000
Machinery	142,000
Motor vehicle	198,000
Debtors	25,000
Capital	330,000
Creditors	50,000
Bank overdraft	200,000
Net profit for the year	62,000

From the information above, calculate Akili's drawings for the year.

Assets = capital + liabilities

$$A = 235,000\sqrt{+142,000\sqrt{+198,000\sqrt{+25,000\sqrt{=600,000}}$$

$$L = 50,000\sqrt{+200,000\sqrt{=250,000}}$$

$$C = 600,000\sqrt{-250,000\sqrt{=350,000}}$$

C = opening capital + net profit - drawings

$$350,000 = 330,000 + 62,000 - \text{drawings}\sqrt{}$$

$$\text{Drawings} = 330,000 + 62,000 - 350,000 = 42,000\sqrt{\sqrt{}} \quad \mathbf{1/3 \times 12 = 4mks}$$

21. Nyundo had the following assets and liabilities on 1<sup>st</sup> march 2016.

Capital	120,000
Machinery	80,000
Creditors	10,000
Debtors	20,000
Stock in trade	25,000

Cash at bank 5,000

On 2<sup>nd</sup> March he had the following transactions;

Purchased goods for 15,000 on credit.

Received a cheque of 10,000 from a debtor.

Sold machinery for 90,000 in cash.

Prepare his balance sheet on 2<sup>nd</sup> March, 2006.

Nyundo's✓

Balance sheet

As at 2<sup>nd</sup> march, 2016

Stock in trade 40,000✓	capital 130,000✓
Debtors 10,000 ✓	creditors 25,000✓
Cash at bank 15,000✓	
Cash in hand <u>90,000</u> ✓	
<b>155,000</b>	<b>155,000</b> ✓

8 X ½= 4MKS

22. Mention four purposes of preparing a trial balance.

- To check arithmetical accuracy of the accounts
- The check whether the rule of double entry has been followed
- To disclose errors that may have been made in the ledger
- Used as a basis of preparing the final accounts.

23. Outline four factors that may cause the capital of an ongoing business to increase

- Additional investment
- Increase in net profit
- Net loss



- Drawings.

24. Yogen had the following transactions with a creditor, Sulem.2017

June 1 Balance from May 14,000

2 Bought stock from Sulem on credit Kshs. 80,000

4 Returned faulty goods to Sulem Kshs. 2,000

7 Paid Sulem the debt by cash less 2% discount.

Prepare Sulem's account as it would appear in the books of Yogen. 4mks

**Sulem's Account/**

Dr			Cr		
2017	details	amount	2017	details	amount
June 4	Return out. ✓	2,000 ✓	June 1	Bal b/d ✓	14,000 ✓
7	Disc. Recvd ✓	1,840 ✓	2	Purchases ✓	80,000 ✓
7	Cash ✓	<u>90,160 ✓</u>			
	<b>94,000</b>			<b>94,000 ✓</b>	

12 x 1/3 = 4mks

25. In the two column cash book given below, enter the missing figures.4mks

**Waria Traders  
Two Column Cash Book  
For The Month of July, 2008**

s				s			
May 1	ce b/d			May 1	ce b/d		
					ases		
	rs			0	ors		
	c'	<u>200</u>		8	c'		
	ment			1	d	<u>,400</u>	<u>,000</u>

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