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565/1 FORMS FOUR

PAPER 1

MARKING SCHEME

END OF TERM 1

BUSINESS STUDIES

1. Characteristics of services
 - are intangible/invisible
 - are inseparable from the provider
 - highly perishable.
 - quality cannot be standardized
 - price paid is for experience nor ownership
 - cannot be stored

Any 4 x 1 = 4mks

2. Disadvantages of division of labour
 - social problems
 - creates monotony and boredom
 - create unemployment
 - difficult to know who to identify with the final product
 - converts man into a machine like creature
 - makes man dependent on only one trade

Any 4 x 1 = 4mks

3. Advantages of Automatic Vending Machines
 - give 24 hour service
 - saves on labour cost.
 - quick customer service
 - accurate service
 - save rent expenses

Any 4 x 1 = 4mks

4. Advantages of self-employment
 - independence
 - enjoys all the profits
 - job security
 - personal satisfaction
 - enjoys status and pride

Any 4 x 1 = 4mks

5. Factors to consider when intending to buy office furniture
 - compatibility with the intended use and place
 - affordability –economical to acquire and maintain
 - size of the firm

- durability
- adaptability to future needs
- availability of spare parts
- possibility of hiring rather than buying
- effect on staff morale

Any 4 x 1 = 4mks

6. i. cash sale receipt
- ii. payment voucher
- iii. invoice
- iv. debit note

Any 4 x 1 = 4mks

7. principles of co-operatives
 - open an voluntary membership
 - limited interest on share capital
 - democratic administration
 - dividend repayment
 - education to members
 - co-operation with other co-operatives
 - have a common bond

Any 4 x 1 = 4mks

8. providing an enabling environment
 - provide security
 - political stability
 - favourable legislation
 - provide basic infrastructure
 - provide credit finance
 - giving subsidies/reducing taxes

Any 4 x 1 = 4 mks

9. pipeline transport
 - transport cost is reduced
 - reduced environmental pollution
 - loss through accidents on the road is reduced.
 - cases of theft of oil are reduced.
 - fast transportation

- loss damage on roads
- reduced accidents
- regular /reliable supply

Any 4 x 1 = 4mks

10. advantages of Audio-visual communication

- reach a large audience at the same time.
- have entertainment value.
- enhances the impact made by oral and written communication
- draws quick attention
- suitable for illiterate receivers
- increases the audience's concentration span

Any 4 x 1 = 4mks

11. effects of production on the environment

- depletion of productive resources
- degradation of environment leading to climate change
- pollution of air and water which is detrimental to human and animal life.
- problem of solid and plastic waste disposal which may result in spread of diseases.
- noise pollution which may cause hearing problems to human beings.

Any 4 x 1 = 4mks

12. disadvantages of a private warehouse

- expensive to put up.
- holding too much stock exposes a business to problems such as a fall in prices, expiry of goods, fire, fall in demand e.t.c
- discourages specialization
- poor arrangement can lead to contamination and inaccessibility of goods.
- could be operating in excess capacity during low seasons which can lead to laying off some workers.
- adds administrative costs.

Any 4 x 1 = 4mks

13. Ragati interest $\frac{3}{5}$ of 350,000= 210,000

He insured $\frac{3}{4}$ of 350,000=262,500

(over-insurance)

Ragatis loss after fire $\frac{3}{5}$ of 250,000 =150,000

Compensation =150,000

Any 4 x 1 = 4mks

14. Sources of monopoly power.

- control of an important factor of production
- legal protection through patent rights and copy rights
- merger/amalgamation
- govt control to eliminate wasteful competition
- where the production requires heavy capital it's not affordable to many firms

Any 4 x 1 = 4mks

15. Sources of public finance

- taxes
- licenses
- count fines
- fees for government services
- rent and rates for use of government property
- escheats
- interest earned on loans
- government borrowing
- proceeds from the sale of government property
- surplus from public corporations

Any 4 x 1 = 4mks

16. Benefits of borrowing a loan from NBFI

- get long-term loan
- get finance for capital development
- low interest rates on loans
- management advice on the project
- lower collateral value
- longer grace period

Any 4 x 1 = 4mks

17. a . owner's equity

- b. working capital

- c. borrowed capital
- d. capital employed

4 x 1 = 4mks

18. sales = cost of sales + gross profit

-cost of sales = opening stock + purchases + carriage inwards – return outwards – closing stock

-average stock = $\frac{\text{opening stock} + \text{closing stock}}{2}$

Opening stock = (30,000 x 2) – 40,000 = 20,000

Cost of sales = 20,000 + (336000 + 2000 – 18000) – 40000 = 300,000

Margin = $\frac{1}{6} - 1 = \frac{1}{5}$

Gross profit = $\frac{1}{5} \times 300000 = 60,000$

Sales = 300,000 + 60,000 = 360,000

5 x 1 = 5

19. characteristics of a general journal

- A book of original entry – initial stage of recording
- It's a day book – day to day records are made
- Chronological record – record kept in order of occurrence
- each entry is accompanied by a narration
- amounts are recorded in debit and credit columns side by side

Any 4 x 1 = 4mks

20. ROSTO = $\frac{\text{cost of sales}}{\text{Av. Stock}} = \frac{15000}{\frac{(2000 + 1000)}{2}} = \frac{15000}{1500} = 10 \text{ times}$

b. purchases = cost of sales = opening stock + purchases – closing stock
 = COS – O.P stock + CL stock
 = 15000 – 2000 + 1000 = 14000

c. return on capital sales = GP + COS

mark up = $\frac{1}{4} - 1 = \frac{1}{3} = \frac{5000 + 15000}{20,000}$

capital = 20,000 x 4 = 80,000

gross profit = $\frac{1}{3} \times 15000 = 5000$ expenses = $\frac{2}{100} \times 80000 = 1600$

$$\begin{aligned} \text{net profit} &= \text{gross profit} - \text{expenses} \\ &= 5000 - 16000 \\ &= 3400 \end{aligned}$$

$$\text{ROC} = \frac{\text{net profit} \times 100}{\text{Capital}} = \frac{3400 \times 100}{80,000} = 4.25\%$$

½ x 8 = 4mks

21. A. general ledger
b. cash book
c. general ledger
d. sales ledger
e. nominal ledger
f. purchases ledger

½ x 6 = 3mks

22. Types of advertising
-primary demand
-institutional advertising
-informative
-persuasive
-celebrity
-corrective

Any 4 x 1 = 4mks

23. Sources of energy
-solar
-firewood
-geothermal
-biogas
-hydro-electric power

4 x 1 = 4mks

24. Type of goods
a. Public goods
b. Consumer goods

- c. Producer/ capital goods
- d. Non-durable goods

Any 4 x 1 = 4mks

25. The business

- requires low starting capital
- low overhead costs
- is flexible
- easy to manage
- few legal formalities

Any 4 x 1 = 4mks