**CONFIDENTIAL**

**565/1 BUSINESS STUDIES (2022)**

**MARKING SCHEME**

1. **Books of original entry and source documents**

**Transactions Source document: books of original entry**

i) Goods sold on credit sales/invoice/outgoing sales journal

Invoice/return invoice

Ii ) Goods sold on cash cash receipt/outgoing cash receipt Journal

Cash sales receipt

iii) Goods sold on credit credit note issued sales returns Journal /inward

are returned journal

iv) Return goods previously credit not received Return outward Journal/

Bought on credit by purchase returns Journal

Supplier.

**2. Increase in per capital income doesn’t lead to increase in standards of living.**

i) Differences in expenditure patterns between government and individuals

ii) It’s difficult to measure the welfare.

iii) May be obtained at the expenditure of leisure.

iv) High taxes rates may erode the real value of per capital income.

v) Increase of per capital income can be obtained through the strain of people’s health.

vi) Per capital income is the average hence they are mere statistics.

vii) Those not involved in generation of National income are also included in calculation in per capital income.

viii) Inflation affects the purchasing power of citizens

(**Any four 1x4=mks)**

**3. Benefits of S.G.R.**

i) Enable a transporter to plan ahead as they follow a fixed timetable

ii) The tickets can be acquired online (online booking)

iii) Economical for transportation of heavy and bulky goods.

iv) Trains that use the S.G.R are fast compared to vehicles/matatus.

v) Relatively secure as cases of theft and accidents are very rare.

vi) Can facilitate carrying of special type of goods e.g. vehicles, containers.

vii) No delays because they follow a fixed route on their own thus reducing congestions.

(**Any 4 1x4=4mks)**

4. **Benefits that are likely to be enjoyed by a firm as a result of expansion of the entire industry**

i) Easier access to labour force

ii) Enjoys improved/efficient infrastructure

iii) Firms may be able to dispose off their waste product easily

Iv) Ready market may be available from the surrounding firms

v) Readily available services such as banking, insurance and medical care

vi) Adequate supply of power due to large volume of consumption e.t.c

**5. Transaction A/c to debit A/c to credit**

i) Starting a business by cash at bank capital

Depositing cash into the

Business bank A/c

ii) Purchase of goods on purchase creditors

Credit

iii) Sold goods on credit Debtors sales

iv) Bought new motor Motor vehicle cash at bank

by cheque

**6. KARIBU TRADERS**

**Balance sheet**

**as at 31st Dec. 2017**.

|  |  |
| --- | --- |
| **Assets shs.**  Current assets 400,000  Fixed assets 1,840,000  2240,000  2240,000 | **shs shs**  Capital 1490,000  Long-term liabilities  6yr bank loan 600,000  Current liabilities 150,000  750,000  2240,000 |

**N.B** must have a well-balanced balance sheet

Trading account

Average = Opening stock + closing stock

Stock

40,000 + 600,000

2 = 320,000

**(R.O. ST)** (Cogs)

Rate of stock turnover cost of goods sold

Average stock

320,000 X 5times = Cogs x

Cogs = 1600,000

1600,000 = 40,000 + P – 600,000

Purchase = 2160,000.

Mark up 25 = GP

100 1600,000

**GP = 400,000**

**7. Source docum*e*nts**

**i) Invoice** – when demand payment for goods/requesting for payment of goods supplied.

**ii) Debit note**- correcting an undercharge

**iii) Quotation** – when replying to a specific letter of inquiry.

**iv) Credit note** – when correcting an overcharge for goods supplied.

8. **Measures that have been put in place by the government to bring order and sanity in the public transport sub-sector.**

**i)** Removal of Unroadworthy vehicles which may cause accidents.

ii) Installation of bumps to reduce speed which may cause accidents.

iii) Heavy penalties on motorists who disobey traffic rules.

iv) Making sure that passenger vehicles have safety belts to minimize casualties.

v) Ensuring that public service vehicles have speed governors to limits the speed

vi) Construction of dual carriage roads and by-pass to ease congestion.

vii) Restrictions on travelling hours to ensure drivers have ample time to rest.

viii) Use of alcoblow to curb drunken driving

ix) All the PSVs are operating under a registered SACCO

x) All drivers and conductors must have uniforms

xi ) Drivers and drivers required to have certificate of good conduct

**9. State four reasons for privatizing public corporations. (4 mks)**

(i)To improve efficiency/service delivery

(ii) To generate revenue for the government

(iii) To reduce government expenditure

(iv) To attract foreign/private inventors

(v) To reduce government control

(vi) To get rid of loss making enterprises

**Any 4 x 1 = 4 mks**

**10. The following information relates to Kiboko Traders as at 31st December 2010.**

Details Shs.

Total drawings 400,000

Added investments 800,000

Capital on 31st Dec. 2010 7,000,000

Profit 3,100,000

**Calculate Kiboko’s initial capital (3 mks)**

Initial capital = closing capital – Additional – profit + Drawings

Investment

= 7,000,000 – 800,000 – 3,100,000 + 400,000

= shs. 3,500,000

**(6x ½ = 3 mks)**

11. **Outline four ways in which a firm may be affected negatively by inflation. (4 mks**)

(i) May lead to reduced sales volume.

(ii) May lead to wastage of time as firms shop around.

(iii) May scare away potential investors

(iv) May lead to increased wages & salaries which reduce profitability

**12. Given below are transactions of Khan Enterprises. Enter them into the appropriate “T” accounts. (Balancing not required.)**

**20 – 9**

August 1: Started business with cash at bank sh.50, 000

“ 3: Paid salaries sh. 2,000 by cheque

“ 5: Bought goods on credit sh. 13,000

“ 8: Withdrew sh. 5,000 from bank for office use. (4 mks)

Dr Bank A/c Cr

|  |  |
| --- | --- |
| 20 – 9 sh  Aug 1: Capital 50,000 | 20 9 sh  Aug 3: salaries 2,000  Aug 8: Cash 5,000 |

Dr Capital A/C Cr

|  |  |
| --- | --- |
|  | 20 – 9  Aug 1: Bank 50,000 |

Dr Salaries A/c Cr

|  |  |
| --- | --- |
| 20 - 9 sh  Aug 3: Bank 2,000 |  |

Dr Creditor A/c Cr

|  |  |
| --- | --- |
|  | 20 – 9 sh  Aug 5 Purchases 13,000 |

Dr Cash A/c Cr

|  |  |
| --- | --- |
| 20 – 9 sh  Aug 8: Bank 5,000 |  |

Dr Purchases A/c Cr

|  |  |
| --- | --- |
| 20 – 9 sh.  Aug 5: Creditor 13,000 |  |

**13 .Outline four features of a bonded warehouse. (4 mks**)

i) Most located at the point of entry. Eg. Ports

ii) Stores goods that are under bond

(iii) Guarantees payment of customs duty.

(iv) Very spacious to accommodate bulky goods e.g motor vehicles

v) Must issue release warrant to owners of goods for custom clearance.

vi) Works hand in hand with custom officials for inspection of goods.

**(Any 4 x 1 = 4 mks**

**14. Factors that determine fertility rates**

1. Cultural factors concerning family size
2. (ii) Cost of bringing up children
3. Literacy level in women
4. Peace and security in the country
5. Improved health and education services
6. Government policy on family life
7. Age and sex structure of the population

**15. Outline ways in which the government supports development of entrepreneurs (4mks)**

1. Funds institution that support entrepreneurs
2. Providing market for new products both locally and internationally
3. Provides relevant information to entrepreneurs
4. Offers incentives to those who want to start businesses e.g. tax relief
5. Passing favourable laws and policies

**16. Outline four reasons why firms with popular products find it necessary to continually advertise the same products (4mks)**

1. To bring notice to new customers on the existence of the product
2. To increase demand so as to justify mass production that leads to economies of scale
3. To educate consumers on the proper use of the product
4. To retain market / consumer loyalty
5. To cope with competition
6. To announce the changes / improvements of the product
7. To create /maintain company image/ reputation
8. To correct any misleading information about the product

**17. Outline circumstances under which manufacturers may sell directly to retailers (4mks)**

1. If manufactures have their own retail outlets
2. If manufactures can brand, blend, pack and advertise their products
3. If manufactures have their own channeling depts.
4. If manufactures deals with perishable goods, like bread
5. If retailers have enough capital to buy goods in bulk e.g. supermarkets

**18. Identify factors that determine the level incomes generated through taxation. (4mks)**

1. Distribution of incomes
2. Honesty and efficiency of tax authorities
3. Citizens level of real income
4. Economic structure of the country i.e. relative size of the county’s commercial and subsistence sectors
5. Political factors

**19. Identify four merits of import substitution (4mks)**

1. Saves on foreign exchange
2. Creates employment locally
3. Promotes utilization of local resources
4. Makes a country self- reliant

**20. Marumi Traders**

**Trading Account**

**For the period ended 30th’June 2016.**

|  |  |
| --- | --- |
| sh.  Opening stock 40000  Add purchases 200000  Goods available for sale 240000  Less closing stock 55000  Cost of sales 185000  Gross profit c/d 61667  246667 | sh.  Sales 246667  246667  Gross profit b/d 61667 |

**21 services rendered by wholesalers to retailers**

1. Variety of goods
2. Availing goods at convenient places
3. Breaking of bulk
4. Credit facilities

**22. Highlight four advantages of division of labour and specialization in an organization.**

i) Employees become specialists I their jobs as a result of performing tasks repeatedly.

ii) It saves on time in performing tasks in work place.

iii) It produces high quality products.

iv) There is standardization of products due to use of machines.

v) Better organization work increases efficiency in the work place.

vi) Mass production/output per worker is increased/Increased quantity

**23. Ways in which it computerization contributes to the success of an organization.**

i) It has enable globalization

ii) It has made communication faster.

iii) It has reduced paper work.

iv) Has assisted in data storage and inventory control.

v) It facilitates market research activities

vi) Makes it easy the performance of any complex mathematic procedure

vii)Aid in security controls

**24. Ways in which Kenya Bureau of standards (KEBS) regulates businesses.**

**i)** Conducting regular inspections to ensure that standards are meet by business people

**ii)** They stamp on products to prove that the established standards have been adhered to.

iii) Take legal actions against those who violet set standards.

**iv)**  Set standards for all local and imported manufactured goods by conducting research and tests on these goods.

1. Ensures businesses have valid licenses

**25. Features of perfect competition market structure.**

i)They are large number of buyers and sellers.

ii) Products are uniform that is homogeneous.

iii) There is freedom of entry and exit.

iv) There is uniformity of buyers and sellers

v) There is no government intervention.

vi) There is perfect knowledge of the market among buyers and sellers

vii) No excess supply or demand

viii) Perfect mobility of factors of production

ix) No transport costs