

NYAMIRA NORTH CONTEST EXAMINATION

2025

BUSINESS MARKING SCHEME

1. Reasons why cash payment would be preferred to cheque payment. (3 marks)

- i. Cash is a legal tender but cheque is not.
- ii. where the debt to be paid is a small amount
- iii. one need not have a bank account
- iv. personal cheques can easily be dishonored
- v. Bank charges are incurred when cashing a cheque.
- vi. Takes longer to obtain cash on a cheque/process is longer/takes time.

2. Four reasons why a farmer would prefer to transport a herd of cattle by rail rather than by road (4 marks)

- i. economical/cheaper than road
- ii. less prone to accidents/safer
- iii. follow a scheduled timetable/can plan when to transport
- iv. Special loading/off-loading terminals.
- v. Have special wagons for transporting cattles.
- vi. possible to feed the animals while on teansit

3. Four advantages of using internet as a means of communication (4 marks)

- i. worldwide connectivity
- ii. Send/receive e-mail
- iii. faster means of communication
- iv. can advertise/promote goods on internet
- v. e .can buy/sell goods on internet as
- vi. can hold a conference on the internet
- vii. information/data can be downloaded/printed free of charge.

4. four measures which the Kenyan government can take to solve the unemployment problem.(4 marks)

- i. control population growth
- ii. encourage self-employment/educate people on self employment
- iii. provide capital for people to set up businesses
- iv. encourage investment in the country
- v. encourage use of labour intensive methods of production
- vi. encourage people seek jobs outside the country

5. Four roles played by an entrepreneur in the production process.(4 marks)

- a. taking risks/initiating production
- b. combining other factors of production
- c. making decisions
- d. rewarding other factors of production
- e. innovation and creativity

6. The diagram below shows a demand curve for a firm operating in a given type of market structure.(4 marks)

a. kinked demand curve (1 marks)

b) on diagram show P_0, P_1, D_0 and D_1 (2 marks)

c) most sellers tend to sell goods at prices determined at this point because any price above this will lead to a big loss of customers while price below this will lead to an insignificant increase in sale/demand.(1 mark)

7. State four duties of customs officials in a bonded warehouse. (4 Marks)

- i. Receiving goods
- ii. Recording of the received goods
- iii. Verification of documents
- iv. Clearance of goods
- v. Releasing goods whose custom has been paid

- vi. Giving regular reports of goods/ keeping statistical data of goods on transit
- vii. Inspection of goods

8 .The following relate to Onyango Traders for the year 2020

- i) Closing capital (31.12.2020) sh 300,000
- ii) The owner converted his personal computer valued at sh 35,000 into business use.
- iii) The owner had withdrawn goods worth sh 40,000 for personal use.
- iv) incurred losses amounting to sh 65,000

Determine Furaha Traders initial capital on(1.01.2020). (4 marks)

$$\begin{aligned} \text{Initial capital} &= \text{CC} + \text{D} + \text{L} - \text{I} \\ &= 300,000 + 40,000 + 65,000 - 35,000 \\ &= 195,000 - 35,000 = 160,000 \end{aligned}$$

9.For each of the following books of original entry,indicate the source document:(4 marks)

Journal	Source document
Purchase journal	Purchases invoice,invoice received, original invoice
Sales day book	Sales invoice,invoice issued, copy of invoice
Petty cash book	Payment voucher
General journal	Invoice.

10. State four objectives of product promotion.(4 marks)

- i. Give information about a product.
- ii. Persuade to buy.
- iii. Create public interest to buy.
- iv. Sustain public interest to continue buying.
- v. Create sales.

- vi. Launch a new product.
- vii. Retain market.

11. Highlight four difficulties faced in satisfaction of human wants.(4 marks)

- i. Unlimited in number/too many
- ii. They are insatiable
- iii. They are complimentary
- iv. Vary in urgency and intensity
- v. Lack of resources

12. Outline any four measures that a firm should take to improve the performance of its labour force. (4 marks)

- i. Training
- ii. Encouraging specialization and division of labour
- iii. Employing qualified staff
- iv. Supervision
- v. Motivation
- vi. Setting goals
- vii. Employing modern technology/investing in capital goods

13. Highlight four benefits of globalisation to business enterprise.(4 marks)

- i. Provide wide market.
- ii. Encourage collaboration among businesses from different countries
- iii. Share technology
- iv. Access to resources like raw materials from other countries
- v. Facilitate sharing of research findings by businesses globally/sharing of information

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- a. insured
- b. risk

c. premium

d. insurer

15. Show the effect of each of the following transaction to capital, assets and liabilities indicating if its increasing(+),decreasing(-) or nil(0). (4 marks)

Transaction	Capital	Asset	Liability
a)Converted private house into business premises	+	+	0
b)Paid creditors in cash	0	-	-
c)Sold a business car valued at sh 400,000 for sh 300,000 on credit	-	-	0
d)Sold goods on credit	0	+	0

16 (a) Explain five advantages of government involvement in business activities (10marks)

- i** Provision of essential goods / services-at fair prices /reasonable prices /affordable prices
- ii** Provision of large capital investment /undertake ventures –that require large sums which private sector may not be able to raise/ without which development will be minimal
- iii** Protection of citizens to protect citizens –from exploitation by businesses/traders/malpractices by businesses/ accept examples of malpractices as qualification
- iv** Stimulation of economic development –by developing social amenities/ infrastructure/roads/water/energy/injecting funds into the economy through developments projects
- v** Creation of employment /to create jobs for the citizens –To earn a living / improve standards of living.

- vi Generation of income /to generate government revenue –through taxation /licensing for financing government expenditure/ by engaging in commercial activities (accept examples of government revenue as a mention).
- vii Standardization of the economy –through regulation / market intervention
- viii Promote equity / fairness- in the distribution /use of resources
- ix Controlled use of resources –through conservation /legislative measures/ ensure their sustainability
- x Maintenance of law and order –which allows for smooth operations for country affairs
- xi Promotion of best practices – through encouraging adoption of ICT/good governance / social programmers/inclusivity
- xii Promoting a country ‘s identity / image –through cultural programs /branding initiatives / participation of international competitions
- xiii Reduce foreign dominance /promote a country’s sovereignty – by regulating foreign participation in the economy / accept correct aspects of the regulation as qualification
- xiv Promotion of entrepreneurial culture- by encouraging business ownership / training / funding business.
- xv Promotes investment in the country- by creating an enabling environment.

(b)

Date	Details	Discount Allowed	Cash	Bank	Date	Details	Discount Received	Cash	Bank
1/6/18	Bal b/d		15,000		1/6/18	Bal b/d			40,000
4/6/18	Omenga	2,000		8,000	7/6/18	Bank		4,000	
7/6/18	Cash			4,000	8/6/18	Rent		4,000	
14/6/18	Sales		14,000		17/6/18	Furniture			3,000
20/6/18	Nyori		6,000		18/6/18	Maina	500	9500	
22/6/18	Kemboi	80		3920	30/6/18	Bank		17,500	
25/6/18	Capital			17,000	30/6/18	Bal cld		-	7420

		2080	35,000	50,420			500	35,000	50,420
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40 ticks $\times 1/4 = 10$

17 (a) Explain five circumstances that would influence a producer to sell their products directly to the consumers. (10 marks)

- i. When the producer has his own outlet hence eliminates middlemen
- ii. When goods are produced according to customers specification to meet their needs
- iii. When the market is concentrated in one area hence need to reduce distribution cost
- iv. When the goods are perishable thereby reaching the consumer while still fresh / before getting stale / bad
- v. When the product is new in the market hence may require producer to be involved in marketing / advertising
- vi. When the product is of high value hence need to ensure safety / security against loss.
- vii. When goods are of technical nature that requires demonstration / guide on its use
- viii. When the goods are produced in small scale thus reduce cost of distribution and increase profit
- ix. When goods are required urgently to ensure consumers gets the good in the shortest time possible / within the required time.
- x. Proximity to the market hence deliver the goods directly to keep the prices of the goods low
- xi. Where the producer requires immediate feedback from the consumers in terms of taste/ performance / quality etc

(b)

The following trial balance relates to Kongo traders as at 30th June 2018

Particular	Dr	Cr
Stock 1 st July 2017	450,000	
Purchases	800,000	
Sales		1,200,000

	Carriage Outwards	10,000	
	Carriage Inwards	5,000	
	Returns	30,000	
20,000			
	Sundry Expenses	100,000	
	Transport	20,000	
	Stock 30 th June 2018	550,000	
	Capital		745,000
		<hr/>	<hr/>
		<u>1,965,000</u>	<u>1,965,000</u>

Required:

Calculate;

- (i) Rate of stock turnover (3 marks)

$$\text{Turnover} = \text{Sales} - \text{Sales Returns} = 1,170,000$$

- (ii) Rate of return on capital (2 marks)

$$\frac{\text{Cost of goods sold}}{\text{Average stock}} = \frac{705,000}{500,000} = 1.41$$

Average stock 500,000

- (iii) Markup (2 marks)

$$\frac{\text{GP}}{\text{COGS}} \times 100 = \frac{\text{Sales} - \text{COGs}}{\text{COGS}} \times 100$$

$$= \frac{1,170,000 - 705,000}{705,000} \times 100 = 65.957\%$$

- (iv) Margin (1 mark)

$$\frac{\text{GP}}{\text{Sales}} \times 100 = \frac{45,000}{1,170,000} \times 100 = 39.74\%$$

- (v) Net Profit = GP – Expenses (2 marks)

$$= 465,000 - (100,000 + 20,000) = 345,000$$

$$\begin{aligned} \text{(vi) Rate of return on Capital} &= \frac{\text{Net profit}}{\text{Capital invested}} = \frac{345,000}{745,000} \times 100 \\ &= 46.3\% \end{aligned}$$

18 (a) Discuss five problems of using national income statistics to compare the living standards of the citizens (10 marks)

- i. Different currencies – The countries have got different currencies hence have different standards of measure.
- ii. One country could be having a large subsistence sector whose income may not have been included in measure of N. 1.
- iii. The two countries could be different in terms of resources endowment hence different abilities to generate income.
- iv. Production activities may affect the health of citizens in the two countries differently.
- v. The two countries may have different levels of inflation which distort the true value of goods.
- vi. The levels of income distribution in one country may be skewed compared to the other which may have a fair income distribution.
- vii. The degree of accuracy of the national income statistics is different in countries due to inaccurate data.

(b) Factors that could lead to an increase in supply of potatoes in the market include:

- i. Increase/high prices of potatoes leading to increase profit / production
- ii. Decrease/low cost of production making it cheaper to produce/encourage production

- iii. Decrease / low prices of substitute which encourage production of potatoes /makes potatoes more attractive / profitable to produce
- iv. Favourable climatic/weather conditions/natural factors this will lead to increased production of potatoes in the (market) / accept examples of favourable natural factors as a mention
- v. Modern / better technology increases the production of potatoes (which results in the increase in supply) /accept examples of improved technology as a mention example use of fertilizer/quality seeds
- vi. Favourable government policy which makes it cheaper/profitable to produce /accept examples of favourable government policy as a mention
- vii. Better transport condition/facilities that makes potatoes to be available / supply on time / cheaply / in large quantities
- viii. Entry of new Firms into the industry/many firms which increase production / due to expanded market / more profit /accept any relevant entry as expansion
- ix. Increased availability of /access to factor of production availability of land and other inputs will increase supply of potatoes leading to more production /reduce cost of production / continuous production /accept examples of increased factors of production as a mention
- x. Expectation of future decrease in / low prices of potatoes leading to increased supply now to (avoid future loses)
- xi. Expectation of future increase in / high prices of potatoes leading to increased production(increase supply in future)
- xii. Expectation of future increase in future demand of potatoes leading to increase in production
- xiii. Decision by potatoes producers /farmers to produce more for whatever reason /accept any relevant reason as expansion
- xiv. Favourable / harvesting season where farmers dispose off surplus /accept reason of disposal as expansion
- xv. Increase in /high prices of jointly produced that leads to more production of potatoes
- xvi. Improved / better skills /training of farmers leading to more production

- xvii. (Better) security/political stability which encourage production of potatoes Any 5 ×2
=10 Marks)