

# **BUSINESS KCSE PP1 REVISION**

## **1995-2018 QUESTIONS & ANSWERS**

*(FOR MORE SIMPLIFIED E-RESOURCES)*

**(CALL/TEXT/WHATSAPP 0705525657)**

**565/1**

**BUSINESS STUDIES**

**PAPER 1**

**OCT/ NOV 2006**

**2 HOURS**

State four advantages of operating a partnership form of business. (4mks)

Outline four risks against which a shopkeeper may insure. (4mks)

Give four ways in which a government may participate in the operations  
of a state corporation. (4mks)

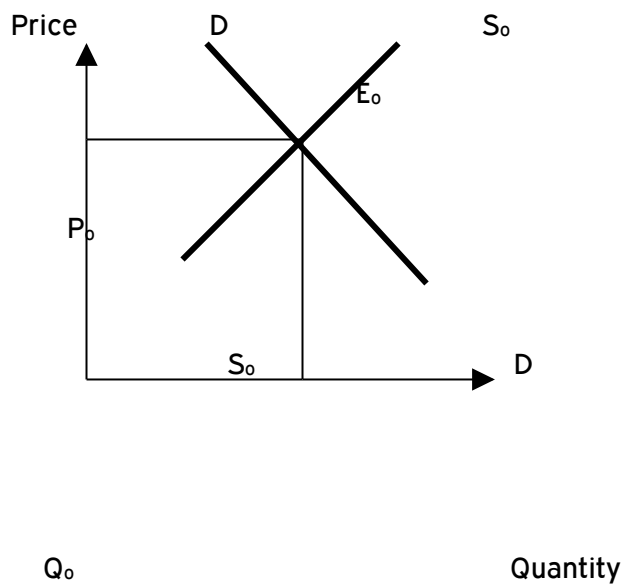
Outline four considerations that a seller should take into account before  
giving credit to a new customer. (4mks)

The table below shows some of the occupations in production. Indicate the level of production associated with each of the occupations. (4mks)

Occupation	Level of production
a) Mining	_____
b) Oil refining	_____
c) Insurance	_____
d) Teaching	_____

6. What are the advantages of personal selling as a method of sales promotion? (4mks)

7. The diagram below shows the demand and supply curves of a certain commodity and the corresponding equilibrium price ( $P_0$ ) and quantity ( $Q_0$ ). On the diagram, show the new equilibrium quantity and price as a result of an increase in the supply of the commodity. (4mks)



8. Give four assumptions that are associated with perfect competitor. (4mks)
9. List four types of unemployment in an economy and give the cause for each. (4mks)
10. What benefits may accrue to manufacturing firm that uses modern technology? (4mks)
11. Highlight four benefits of using electronic filing system. (4mks)
12. State four social responsibilities that a manufacturing firm should have on the community. (4mks)
13. What factors may encourage entrepreneurship in Kenya (4mks)
14. Highlight four characteristics of economic resources. (4mks)
15. Give four reasons why one would prefer a letter to a telephone to send a message. (4mks)
16. State the effect of each of the following transactions on the balance sheet by writing increase, or decrease or no effect in each case.

Transaction	Effect
a) Bought machinery on credit	_____

- b) Withdrew cash from the business for person use \_\_\_\_\_
- c) Purchased stock in cash \_\_\_\_\_
- d) Paid outstanding loan by cheque. \_\_\_\_\_

17. The following balances were extracted from the books of Chebi Traders for the month ended 31 March 2005.

	Sh.
Sales	420,000
Purchases	240,000
Motor Van	300,000
Equipment	120,000
Debtors	80,000
Creditors	40,000
Expenses	160,000
Capital	440,000

Prepare trial balance of Chebi Traders for the month ended 31 March 2005. (4mks)

18. The following balances were extracted from the books of Chombo Wholesalers for the year ended 31 Dec 2005.

	Shs.
Sales	500,000
Purchases	320,000
Opening stock(1.1.2005)	80,000
Closing 31.12.2005	40,000
Debtors	140,000

Creditors

90,000

Calculate

margin

Current ratio

Rate of stock turnover

(4mks)

19. Outline four benefits of direct taxation to the government.

(4mks)

State four factors that may cause inflation in an economy.

(4mks).

Outline four ways that the World Bank may use to assist developing countries to improve their economy.

(4mks)

22. State four problems that a planner may encounter in development planning.

(4mks)

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**BUSINESS STUDIES**

**PAPER 1**

**OCT. /.2007**

**2 HOURS**

1. State four types of complaints that a consumer organization may receive from consumers.

(4 mks)

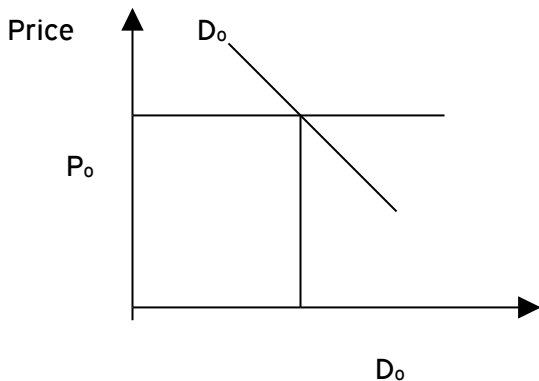
2. The following terms relate to Communication: vertical, horizontal, formal and informal.

Write the appropriate term of communication associated with each of

the following statements.

	Statement	Terms
(a)	A manager gives instructions to a supervisor in her division	
(b)	Rumours going around that the most disciplined workers will be rewarded.	
(c)	A manager issues a general circular to the employees	
(d)	Prefects discussing discipline in their school	

3. Outline three features of a Re – insurance company
4. A firm wishes to introduce a new product into the market. Outline four factors that should be considered in choosing an appropriate medium for promotion.
5. The diagram below shows the current demand for petrol.





(c)	Banks pay interest on the deposit at comparatively higher rates.	
(d)	Money may be deposited at any time and interest is earned if a specified balance is maintained	

9. The following are some of the documents used in home trade: Cash sale receipt, catalogue, invoice and statement of account. Match each document with the appropriate description provided in the table below.

	Description	Document
(a)	Shows details of goods offered for sale.	
(b)	Give quantity, unit price and total amount to be paid.	
(c)	Shows transactions since the date of last statement.	
(d)	Shows description of goods bought prices and total amount paid.	

10. The following diagram represents equilibrium position of a firm under perfect competition.



Label the parts represented by the letters a,b,c, and d

11. State four circumstances under which air transport may be used to ferry goods (4mks)

12. On 1 January 2006, Mzalendo Traders sh.180000 in cash and sh.170000 at bank.

During the month, the following transactions took place:

2006

January 10 paid ABM Traders sh.25, 000 by cheque less sh.1000 Cash discount.

16 Sold goods for sh. 14,000 cash, less 5% discount

31 Banked all the cash except sh.5200

Enter the above transactions in cash book extract given below and balance it off. (5mks)

DR

**CASH BOOK EXTRACT**

CR

Date	particular	Discoun allowed	cash	Bank	Date	Particulars	Discount r	Cash	Bank

		Sh.	Sh.	Sh.			Sh.	Sh.	

13. Outline four benefits to a business that uses its own warehouse. (4mks)

14. Identify the book of original entry used in recording each of the following transactions of Soya Traders. (4mks)

	Transaction	Book of original entry
(a)	Sold goods on credit to Wanjau for sh.20,000	
(b)	Bought goods on credit from Saipei Traders for sh. 1000.	
(c)	A chieng returned goods worth sh.600	

(d)	Soya returned goods worth sh.11000 to Nzome Traders.	
-----	--	--

15. The following information related to Kerubo Traders for the year ended 31 December,2006.

	Sh.
Opening stock	24,000
Carriage on sales	12,000
Purchases	370,000
Sales	442,500
Closing stock	40,000

Other expenses 10% on Gross profit.

Prepare Trading profit and Loss Account for the year ended 31 December, 2006. (5mks)

16. The average consumer price for a500g container of cooking fat for various years is shown in the table below.

year	Consumer price Kshs.	Consumer price Index
2000	47	100
2001	53	-
2002	62	-
2003	74	-

- Calculate the consumer price index using year 2000 as the base year (3mks)
17. State four ways that may be used to control the amount of money in circulation by the central Bank of Kenya.
18. Outline four differences between a good and a service. (4mks)
19. Highlight four factors that could influence mobility of capital as a factor of production. (4mks)
20. State four advantages of an open office layout to an organization. (4mks)
21. Highlight four ways in which the running of public corporations may be improved. (4mks)
22. State four reasons why countries may decide to trade with each other. (4mks)
23. Outline four benefits that accrue to a customer who uses automated teller machine (ATM) banking service. (4mks)
24. State four factors that could hasten the economic development of a country. (4mks)
25. Outline four elements that may comprise the external environment of a business. (4mks)

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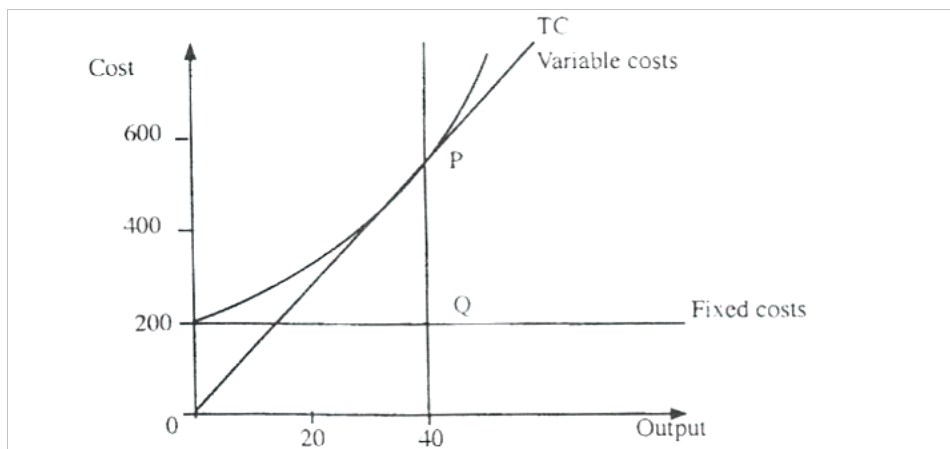
BUSINESS STUDIES

PAPER 1

OCT/ NOV 2008

2 HOURS

1. State **four** advantages of division of labour.
2. Outline **four** features of a Private Limited Company
3. State **four** ways in which a warehouse is of importance to a manufacturer.
4. The diagram below shows total cost curve of a firm in the short-run.



Calculate the average variable cost of the firm.

5. Outline **four** benefits that may accrue to a business person who uses e-mail to communicate.
6. Outline the meaning of the following terms as used in accounting:
  - (a) Contra entry.....
  - (b) Cash discount.....
7. For each of the following transactions in the table below, indicate in the spaces provided, the source document from which the transaction would be recorded.

No.	Transaction	Source document
(a)	Sales of goods on credit	
(b)	Correction of an under charge	
(c)	Goods returned	
(d)	.Purchases on credit	

8. State the type of ledger account to which each of the following accounts relates;

Account	Type of Ledger account
Commission Income	
Pre-paid Insurance	
Supplier	
Motor Vehicle	

9. The following balances were extracted from the books of Solai Traders as at 31 May 2006.

	Sh
Current assets	220,000
Capital	425,000
Net profit	85,000
Creditors	98,200
Accrued expenses	11,800

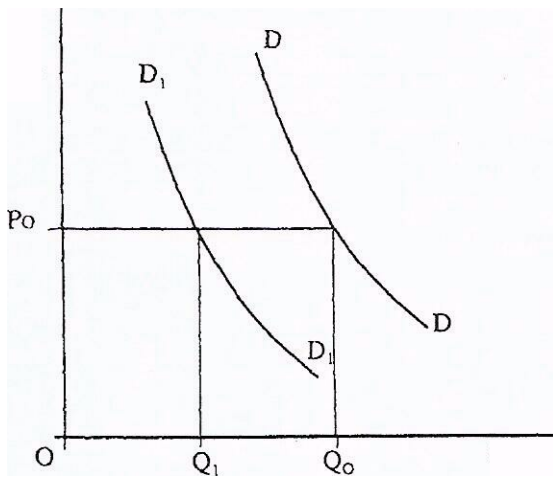
Determine:

- (a) Working capital
- (b) Return on capital

10. On 31 December 2005, Kiwa had accrued expenses of Sh.24, 000. On 31<sup>st</sup> December, 2006, the accrued expenses were Sh, 30,000. In 2006 expenses Paid for amounted to Sh.85, 000.  
Determine the expenses for the year 2006.
11. Outline the circumstances under which each of the following characteristics of human wants may be observed:
12. Outline four factors that an entrepreneur should consider before setting up a manufacturing business.
13. Outline four requirements for opening a current account with a commercial bank.
14. Outline four factors that a trader would consider in choosing a mode of transport.
15. State **four** reasons why ethical practice is necessary in Product Promotion.
16. The economy of a country X has grown at the rate of 10% per annum for the last two years. However, the standard of living among the citizens has

not changed. Outline **four** reasons that may have contributed to this trend.

17 The figure below shows a decrease in demand for a commodity from  $D$  to  $D_1$ ,



Price

Quantity

State four possible causes that have led to this situation.

18 The following information relates to Ole Traders as at 30<sup>th</sup> June 2007:

Shs.

200,000 100,000 400,000 160,000

10,000 100,000

40,000

Machinery

Furniture

Premises

Debtors

Cash in hand

Bank overdraft

Creditors

Calculate capital for Ole Traders as at 30 June 2007:

- 19 Outline the purpose of a trial balance as used in bookkeeping.
- 20 State two characteristics of each of the following balance sheet elements:
- (a) Assets
  - (b) Liabilities
- 21 Outline four measures that a government may put in place to reduce high inflation in a country.
- 22 Elephant Enterprises acquired a building valued at sh 1 000 000 on 1 January 2007. The building was insured with two insurance companies, Zebra and Simba for sh 600 000 and sh 400 000 respectively. In May 2007, fire damaged the building, causing Elephant Enterprises to suffer a loss of 20% of the building value. Determine contribution made by Simba and Zebra to cover the loss.
- 23 Outline **four** benefits that accrue to a business person who uses the latest Technology in record keeping.

- 24 Visitors to the offices of Triple B Enterprises have been complaining of lack of etiquette from the secretaries. Highlight **four** measures that the secretaries can take to improve the office etiquette.
- 25 Outline **four** reasons why the government may use regulatory measures to protect

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**BUSINESS STUDIES**

**PAPER 1**

**OCT/ NOV 2009**

**2 HOURS**

- 1 State four factors that may affect the geographical mobility of labour
- 2 Outline four ways in which Commercial Attaches may promote, trade between their country and others  
(4mks)
- 3 Amboseli Enterprises has been spending heavily on promotion of its products though its sales have consistently declined. Outline four measures **that** the company may take **to** reverse the trend. (4mks)
- 4 Write the type of demand represented by each of the following statements  
(i) **Demand** for a commodity causes an increase **in** demand **for** another commodity  
(ii) Demand **for** one commodity calls for demand of another commodity (2 mks)
- 5 The following balances **were extracted from** the books of Saku Traders on **31 March 2008**
- |                |         |
|----------------|---------|
| Fixed assets   | 300,000 |
| Current assets | 123,700 |
| Creditors      | 84,500  |
| 5 year loan    | 125,000 |

Determine the net worth of the business as at **31<sup>st</sup> March 2008**

(4 mks)

6. Indicate the type of journal in which each of the following transactions would be recorded

	Transactions	Type of journal
(i)	Goods previously sold on credit were returned	
(ii)	Goods bought on credit	
(iii)	Goods sold on cash	
(iv)	Motor vehicle sold credit	

(4 mks)

7 A trader take a loan to manufacturing

has decided to expand a business.

Give two reasons why it is beneficial to borrow from a non-bank

financial institution

(4

mks)

8 state four items that usually appear on the credit side of the current account

of a country

(4mks)

9 Outline four benefits that may occur- to a business from another country's

politic stability

(4

mks)

10. A lucrative manufacturing firm has been consistently releasing toxic wastes

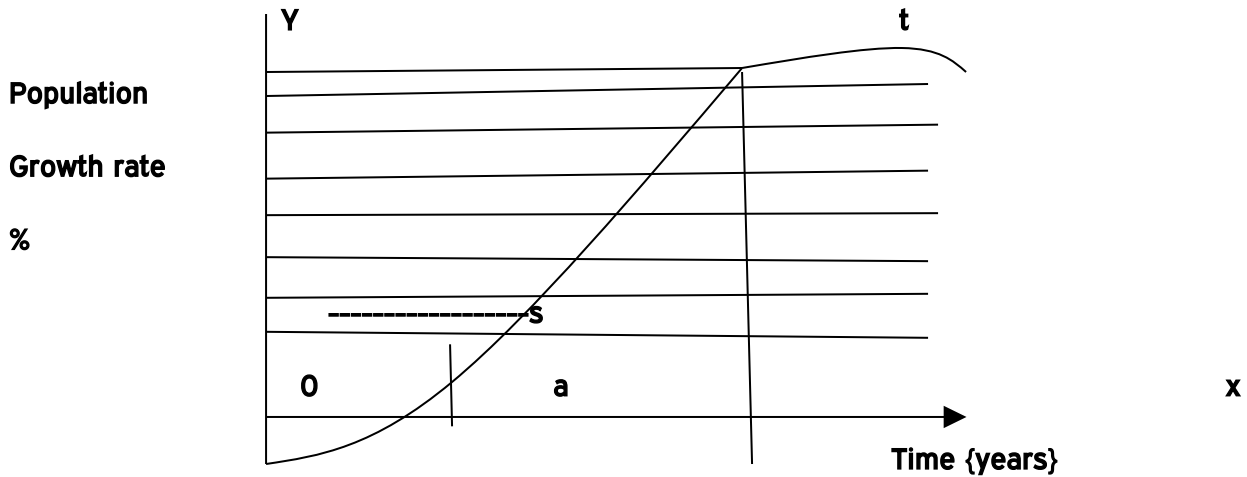
- into the neighborhood. Outline four measures you can take to stop the firm from such malpractice (4 mks)
- 11 Outline four factors that should be considered in the choice of a means for transporting perishable goods (4mks)
- 12 Outline four circumstances under which face to face communication may be ineffective.
- 13 Highlight four benefits that would occur at a firm located near other existing firms (4 mks)
- 14 Country x has been experiencing an upward trend **in the price** of petrol as a result of a rise in inflation. State four steps that can be taken to minimize expenditure **on** this product (4mks)
- 15 Outline four reasons why an increase in per capita income may not necessarily lead to a rise in the standard of living of the citizens. (4mks)
- 16 The bookkeeper of Tande Traders extracted the following information from the accounting records.
- |                   | <b>1.1.2007</b> | <b>31.12.2007</b> |
|-------------------|-----------------|-------------------|
|                   | <b>Sh</b>       | <b>Sh</b>         |
| Suppliers         | 465,000         | 640,000           |
| Discount received |                 | 12,000            |
| Purchases returns |                 | 25,000            |
- During **the** year ended **31.12.2007**, suppliers were paid **Sh** 1,500,000 while cash purchases amounted to Sh 800,000

Determine the purchases **for the year** (5 mks)

17 Outline four circumstances that would make an office manager to replace an existing machine with a modern one (4mks)

18 Outline four reasons why hypermarkets are becoming increasingly popular in Kenya (4mks)

19 The graph below shows the rate of population growth of given country



Outline four factors that may have contributed to the trend between s and t (4mks)

20 Kazim maintains a petty cash book on weekly interest, on 1<sup>st</sup> April

2007 the cash balance was sh.2,570

During the week of April, the following transactions took place

2007

April: 2 Received reimbursements from the main cashier

3 Paid sh 3,070 for cleaning materials.

4 paid sh 2,000 bus fare

6 bought stationery worth 2,200

Prepare a petty cashbook to record the above transaction using a cleaning, stationery and bus fare columns (5 mks)

21 Highlight four circumstances under which business enterprises may choose to merge (4mks)

22 The following information relates *to* Maji Mazuri Traders as at 31.2-2008

Fixed assets	400,000
Stock	120,000
Current liabilities	60,000
Net profits for the current year	100,000

**Calculate:**

(i) rate of return on capital employed;  
(ii) Current ratio (4mks)

23 Highlight four factors that must be considered before incurring public Expenditure (4mks)

24 Outline four benefits that accrue to the government as a result of Privatization of public enterprises. (4 mks)

25 KAMAT owned a motor vehicle, valued at sh 1,000,000. He comprehensively insured the car at Sh 800,000. The motor vehicle was involved in an accident and declared a write off. Calculate the amount KAMAT should get from the insurer (4 mks)

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**BUSINESS STUDIES**

**PAPER 1**

**OCT/ NOV 2010**

**2 HOURS**

In the spaces provided below, indicate the type of utility created by each of the

following commercial activities: (4 mks)

<b>Commercial activity</b>	<b>Type of utility</b>
----------------------------	------------------------

- |                                 |  |
|---------------------------------|--|
| (i) Selling goods to customers; |  |
| (ii) Transporting goods;        |  |
| (iii) Storekeeping;             |  |
| (iv) Making a chair.            |  |

(5 mks)

Give **five** reasons why the government may find it necessary to start parastatals.

Name the types of warehouses associated with each of the statements given below: (4 mks)

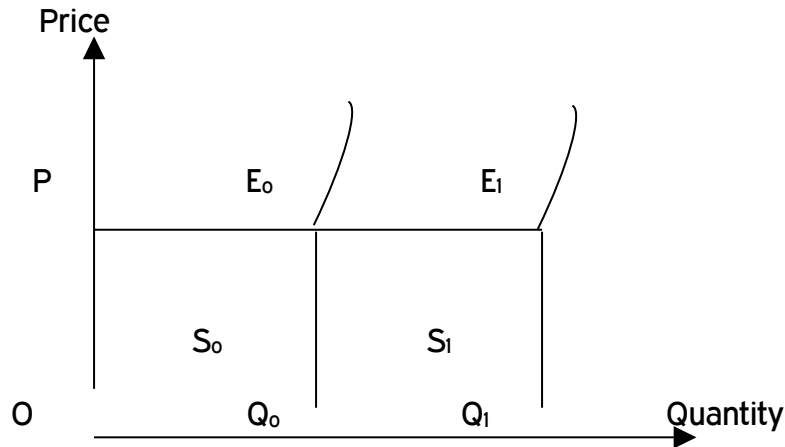
<b>Statement</b>	<b>Type of warehouse</b>
------------------	--------------------------

- |  |  |
|--|--|
| (i) Goods can be stored before<br>payment of customs duty. |  |
| (ii) Individuals can hire storage facilities.              |  |
| (iii) Goods are stored from several                        |  |

manufacturers.

- (iv) Specialised goods are stored

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  $S_1$

The balances given below relate to Enotika Traders for the year e. 31<sup>ST</sup> December 2008.

**Shs**

Capital	?
2 year bank loan	230,020
Creditors	95,200
Fixed assets	480,000
Current assets	145,220

Prepare a balance sheet as at 31st December 2008.

(5 mks)

Give two reasons why a three column cashbook is used both as a journal and

a ledger.

(4 mks)

The management of national debt, credit control and lender of last resort are some of the functions of the Central Bank. Match these functions with the statements given below. (3 mks)

	Statement	Function
i.	Repayment of Government securities as they mature.	
ii.	Receipt of treasury bills to secure loans.	
iii.	Directing commercial banks on the preferred sectors to lend money.	

State the meaning of the following terms of sale as used in international trade: (4 mks)

- (i) LOCO.
- (ii) C.I.R
- (iii) F.A.S
- (iv) F.O.Q

The manager of Tasa Limited constantly walks around various departments.

State **four** merits of this style of management.

(4 mks)

State **four** reasons why the government should create an enabling environment for investors.

(4 mks)

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

State **four** factors that may influence the level of national income. (4 mks)

Outline the difference between cash and credit transactions. (2 mks)

The terms capital employed, working capital, owner's equity and borrowed capital are types of capital found in a business. Match each of the statements given below with the relevant type of capital. (3 mks)

Statement	Type of capital
(i)Resources invested into the business by the owner.	
(ii)Excess of current assets over current liabilities.	
(iii)Amount invested into the business by outsiders.	

Outline **four** ways in which government expenditure may stabilize the economy

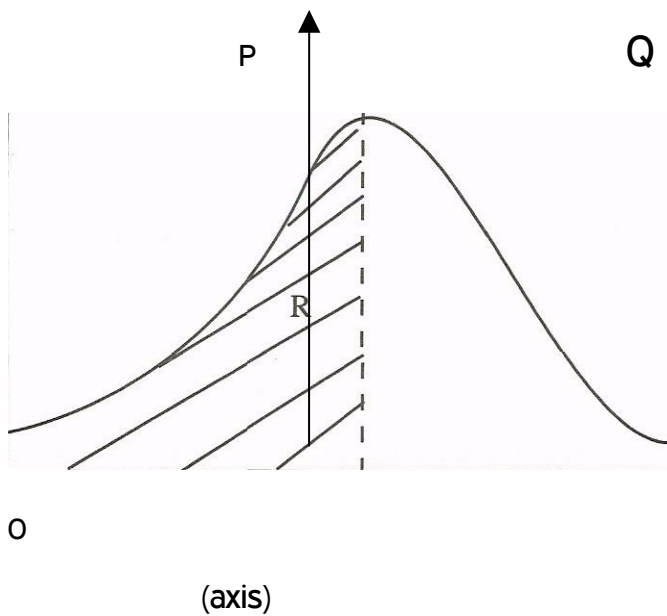
of a country.  
(4 mks)

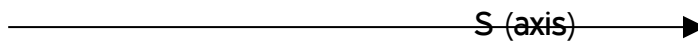
State **four** problems associated with development planning.  
(4 mks)

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

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

The diagram below represents the relationship between population and income per capita.





(4 mks)

State what is represented by P and S axes, and letters R and Q.

20. The following information was extracted from the books of Helen Traders;

		1/1/2008	31/12/2008
		Shs	Shs
(i)	Salaries pre-paid	24,800	52,400
(ii)	Salaries paid	-	48,200

Prepare a salary expense account using the above information.

(5 mks)

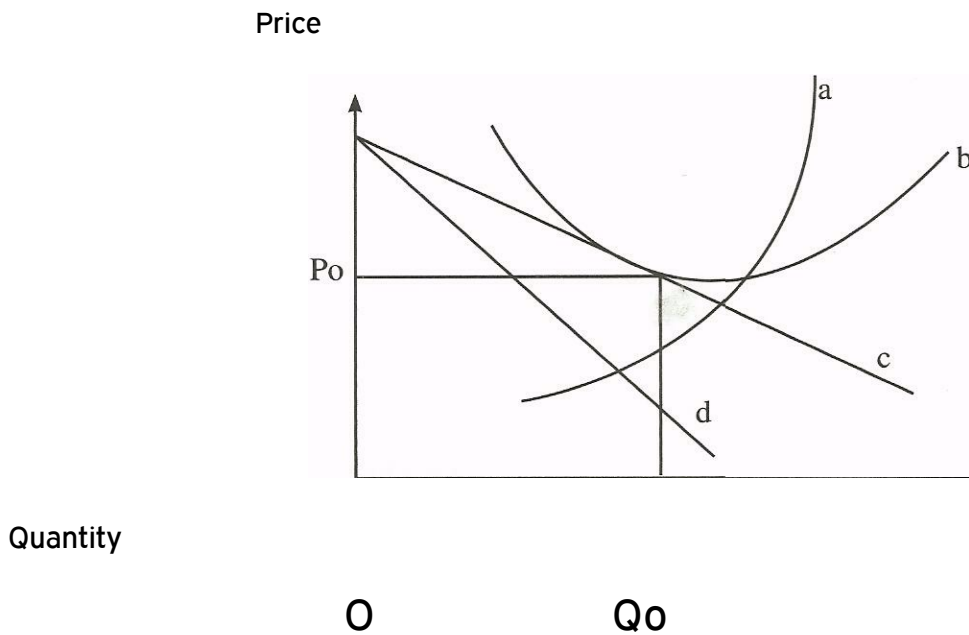
21 State **four** circumstances under which one may decide to start a personal business. (4 mks)

22 Highlight **four** ways in which a business idea can be implemented. (4 mks)

23 Outline **five** measures that a manager can take to improve the working environment in the office. (5 mks)

24. Highlight **four** challenges that a person may encounter when using a cellphone (mobile phone)  
(4 mks)

25. The diagram below represents the long-run equilibrium of a firm under monopolistic competition.



Name the curves represented by the letters a, b, c, and d (4 mks)

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**BUSINESS STUDIES**

**PAPER 1**

**OCT/ NOV 2011**

**2 HOURS**

1 Identify the types of wholesalers described in the statements given below:

(4 mks)

- (a) A wholesaler who trades in maize grain only.
- (b) A wholesaler who supplies goods to most of the traders in Kitui, Mbooni and Machakos districts in the Eastern part of Kenya.

---

(c) A wholesaler who buys tomatoes from farmers in rural areas and sells the same to other wholesalers in urban areas.

(d) A wholesaler who trades in a wide variety of human medicine.

2 Outline **four** factors that should be considered before buying office equipment. (4

mks)

3 Outline **four** malpractices by traders against which consumers may need protection by the government.

(4 mks)

4 State **three** features of an insurable interest.

(3 mks)

5 Outline four ways of reducing the level of unemployment in Kenya.

(4 mks)

6 State four services offered by a commercial bank to its consumers.

(4 mks)

7 List four sources of public finance.  
(4 mks)

8 Outline four reasons why countries may trade with each other.  
(4 mks)

9 State four reasons why economic development is desirable to a country.  
(4 mks)

10. Indicate the reward associated with each of the factors of production in the table below.

	Factor of production	rewards
a	land	
b	labour	
c	capital	
d	entrepreneurship	

11 Outline **four** circumstances under which a co-operative society may be dissolved. (4 mks)

12 Highlight **four** features of a bonded warehouse,  
(4 mks)

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

14 The following transactions were extracted from the books of Sarah Traders for

the month of March 2006.

March 10: Purchased goods on credit worth Ksh 200,000 from Salim Traders

March 25: Sold goods on credit worth Ksh 420,000 to Shah Traders

Record the above transactions in the ledger accounts below:

(4 mks)

(a) Salim traders account


(c) Shah traders account


(b) Purchases account


(d) Sales account


15 On 2<sup>nd</sup> November 2006, Oromo received an invoice for Ksh 12,000. Terms of payment

Were trade discount 5% and cash discount 10%, if payment is made within 30 days.

Determine the amount paid if payment was made on 28th November 2006. (4 mks)

16 The following balances were extracted from the books of Nafula Traders as at

31<sup>st</sup> December 2005.

	Ksh
Current Liabilities	150,000
Net profit	50,000
Total assets	500,000
2 years Bank loan	100,000

(4 mks)

Calculate the rate of return on capital.

17. The information given below was extracted from the books of Amina Traders on 31st December 2006.

Purchases

Opening stock Carriage on purchases Closing stock

Ksh  
260,000  
75,000  
12,500  
27,500

Goods were sold at a mark-up of 25%.

Using the information given above, prepare Amina Traders' Trading Account. (4 mks)

18. State four benefits that a farmer may get by transporting produce to the market by road. (4 mks)

19 The table given below represents the supply schedule of sukuma wiki (kales) for eight weeks in the months of January and February 2009.

WEEK	1	2	3	4	5	6	7	8
QUANTITY (METRIC TONNES)	505	485	430	375	340	290	215	195

Outline **four** causes of the trend in the table.

20 Outline **four** ways in which households contribute to national income of a country. (4 mks)

21 Outline **four** circumstances in which a trader may use oral communication. (4 mks)

22 Outline **four** reasons why a firm may remain small.

(4 mks)

23 On 1 st January 2007, Muthoni Traders Cash Book showed a credit balance of Ksh 150,000 at the bank and a debit balance of Ksh 25,250 in hand. During the month, the following transactions took place:

January 5: Made cash sales for Ksh 21,500

January 16: Received a cheque for Ksh 360,000 from a debtor.

January 28: Paid a creditor Ksh.100,000; partly by a cheque of Ksh 80,000 and the balance in cash.

Prepare a Two-column Cash Book for the month.

(5

mks)

DR

CR

Date	Details	Cash (Kshs)	Bank (Kshs)	Date	Details	Cash (Kshs)	Bank (Kshs)

24 State **four** benefits that a trader may get by advertising products in a newspaper. (4 mks)

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**BUSINESS STUDIES**

**PAPER 1**

**OCT/ NOV 2012**

**2 HOURS**

Outline **four** circumstances under which cash with order may be used.

State **four** benefits that a farmer may derive from being a member of a Producer

Co-operative Society  
(4 mks)

Highlight **three** benefits of globalization to a business enterprise.  
(3mks)

Highlight **four** ways in which consumers may protect themselves against  
exploitation by traders.  
(4 mks)

Outline **one** circumstance under which each of the following telecommunication  
services may be used:  
(3 mks)

- (i) Paging
- (ii) Facsimile (fax)
- (iii) Radio call

Item	Shs.
------	------

The following books of Marigi

Purchases	720,000
Opening stock	165,000
Closing stock	?
Sales	980,600
Margin	20%

information was extracted from the Traders on 30<sup>th</sup> June 2009.

Prepare the Trading Account of Marigi Traders for the year ended 30<sup>th</sup> June 2009.

(5 mks)

Outline **four** tools of monetary policy that a government may use to reduce excess money in circulation.  
(4 mks)

Outline **one** circumstance under which each of the following types of inflation may occur:  
(4 mks)

- (i) Creepinginflation
- (ii) Hyperinflation

State **four** forms of economic integration that may exist between countries. (4 mks)

10. Highlight **four** problems of development planning that a country may experience. (4 mks)

Nyaboke operates a shop in a farming area. State **four** ways in which the farming community can benefit from the business activity. (4 mks)

Outline **four** features of indirect production.

(4 mks)

State **four** factors that may lead to the success of a business.

State **four** ways in which a good filing system may facilitate the operations in an

office.

(4 mks)

Highlight **four** benefits that a country gets by encouraging trade among her citizens.

(4 mks)

Outline **four** challenges that may be encountered when measuring national income using the output approach.

(4 mks)

Highlight **four** measures that a government may take to reduce the mortality rate in a country.

(4 mks)

The following balances were extracted from the books of Highlife General Stores on 31<sup>st</sup> December 2008:

Item	Shs.
Land and buildings	650,000
Stock	470,000
Bank overdraft	80,000
Debtors	350,000
10 year Bank Loan	500,000
Creditors	220,000
Cash	50,000
Motor Van	150,000

Capital	?
---------	---

(5 mks)

Prepare the balance sheet of Highlife General Stores as at 31<sup>st</sup> December, 2008.

Given the statements in the table below, indicate the type of entry to be made in

the relevant ledger accounts:

(4 mks)

Statement	Type of Entry
(i) An increase in revenue	
(ii) A decrease in an asset	
(iii) An increase in an expense	
(iv) A decrease in liability	

In the spaces provided in the table below, name the document **Jambi** Ltd. would issue under the circumstances described:

(4 mks)

---

**Circumstance**

**Document to issue**

- (i) Jambii Ltd sold goods worth Sh. 54,000 on credit to Jamilar Traders.
- (ii) Osuri **Enterprises** which had bought goods worth Sh 27,000 was erroneously charged for only Shs 25,000.
- (iii) Guru Traders paid Shs 33,900 by cheque to Jambi Ltd. for goods which had been

supplied

- (iv) Goods sold to Jamilar Traders had been overpriced by Shs 4,000.

Outline **four** conditions **under** which a warehouse may be considered to be operating efficiently. (4 mks)

Highlight **four** advantages of promoting sales through the internet. (4mks)

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 (4 mks)

Highlight **four** factors that a firm may consider when deciding on the goods to produce (4 mks)

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

**565/1**

**BUSINESS STUDIES**

**PAPER 1**

**OCT/ NOV 2013**

**2 HOURS**

Outline **four** ways in which business studies may be of benefit to an individual.

(4mks)

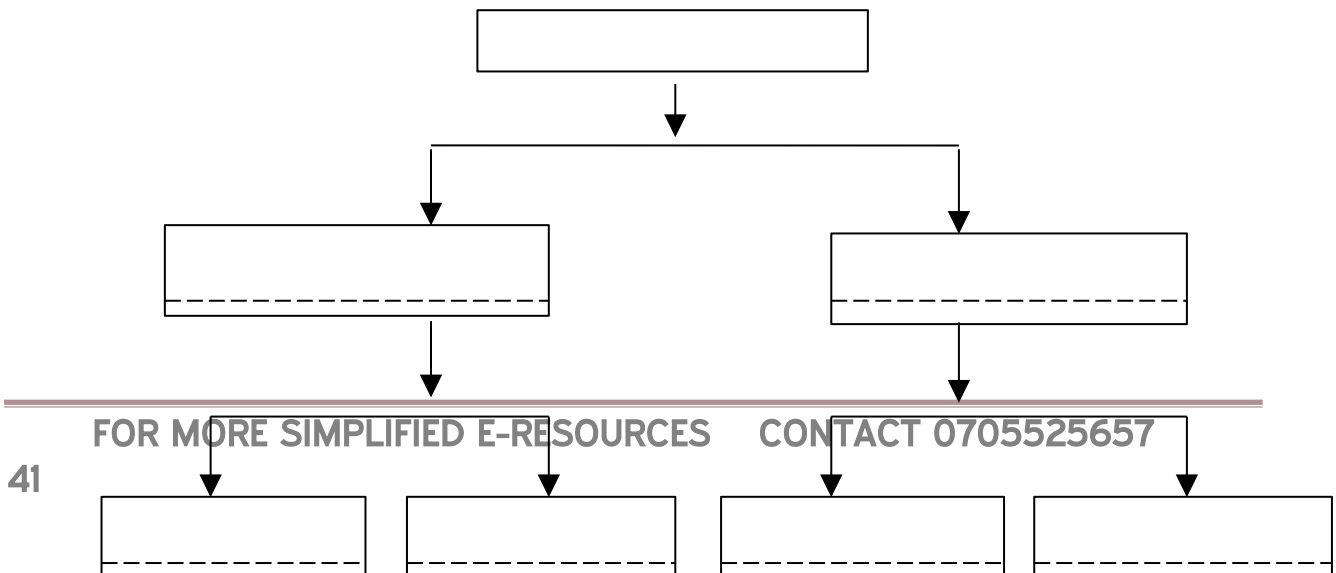
Highlight **four** external factors that may negatively influence the operations of a business.

(4mks)

State **four** characteristics of a successful entrepreneur. (4mks)

State **four** functions of an office. (4mks)

Fill the relevant branches of trade in the diagram given below; (3mks)



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

Statement	Participant
a. Payment for goods and services	a.
b. sale of factors of production	b.
c. payment for factors of production	c.
d. sale of goods and services	d.

The following balances were extracted from the books of Wekesa Traders on

31<sup>st</sup> December, 2009.

Items	Shs
Capital	500,000
Cash in hand	20,000
Buildings	200,000
Furniture	25,000

Motor vehicle	400,000
Creditors	18,000
Debtors	36,000
Bank	100,000
Bank loan	263,000

Using the above information, prepare Wekesa Trader's Trial Balance  
on 31<sup>st</sup> December, 2009.

(5mks)

The following information relates to Karibu traders for the year ended  
31<sup>st</sup> December 2008.

<b>Details</b>	<b>Shs</b>
Fixed assets	1,840,000
Current assets	400,000
6 year bank loan	600,000
Current liabilities	150,000

Determine owner's capital using the information given above. (4mks)

State the type of unemployment relating to each of the following descriptions: (4mks)

- (a) Caused by alternating trading patterns occurring at similar times.
- (b) Arises where workers have more skills and higher qualifications than the job requirements.
- (c) Arises out of a mismatch between the skills possessed by potential employees and the location of the jobs available.
- (d) Arises when people are unwilling to take up jobs due to low pay.

Highlight four circumstances under which the capital of a business may change.(4mks)

Below are some entries in the cash book of Romano Traders for the month of July 2010.

Dr		CASHBOOK				Cr	
Date (2010)	Details	Cash (Shs)	Bank (Shs)	Date	Details	Cash (Shs)	Bank (Shs)
July 1	Bal b/d	15,000		July 1	Bal b/d		100,000
July 6	Cash		20,000	July 6	Bank	20,000	
July 20	Sales		15,000	July 15	Wages	5,000	
July 28	Debtors	20,000		July 29	Stock		10,000
				July 31	Bal c/d	10,000	

State the meaning of the following entries: (4mks)

- (a) July 1, 2010 Balance b/d, bank column, shs 100,000
- (b) July 6, 2010 cash shs 20,000 and bank shs 20,000
  
- (c) July 28, 2010 debtors shs 20,000
- (d) July 31, 2010 Balance c/d shs 10,000

Outline **one** circumstance under which each of the following source

documents may be issued by a trader: (4mks)

- (a) Debit note
- (b) Invoice
- (c) Credit note
- (d) Quotation

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

Outline **four** measures that a country can take to reduce the level of inflation. (4mks)

Outline **four** factors that may make a producer to by-pass the wholesaler  
when distributing goods. (4mks)

Highlight **four** benefits that a country would get by developing her  
infrastructure.  
(4mks)

State **four** benefits of a bonded warehouse to the government. (4mks)

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

Highlight **four** factors that may cause the supply curve to shift to the right. (4mks)

Outline **four** positive effects that production activities may have on

community health.  
(4mks)

State **four** basic features of a market. (4mks)

Outline **four** features of a parastatals. (4mks)

Outline **four** circumstances in which the government may be involved  
in business.  
(4mks)

Highlight **four** factors that a trader may consider when choosing a means  
of transport.  
(4mks)

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

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**BUSINESS STUDIES**

**PAPER 1**

**OCT/ NOV 2014**

**2 HOURS**

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

	Description	Feature
(a)	A person is unable to fully satisfy all wants.	
(b)	Once satisfied, they have a tendency of being felt again.	
(c)	Some wants are satisfied together	
(d)	The same want can be satisfied using different resources.	

Name two occupations that relate to each of the production activities

given below:  
marks)

(3

(a)	Extraction	(i)	
		(ii)	
(b)	Construction	(i)	
		(ii)	
		(i)	

(c)	Direct service	(ii)	
-----	----------------	------	--

Outline four tasks that may be carried out by a receptionist in an office. (4 marks)

Highlight four circumstances in which a cheque may be used as a means of payment. (4 marks)

Highlight four activities that may be carried out in a stock exchange market. (4 marks)

Outline four features of liners in sea transport. (4 marks)

State five types of information that a manager may communicate to the juniors. (5 marks)

Explain the meaning of the following terms: (4 marks)

Insured.....

Insurance .....

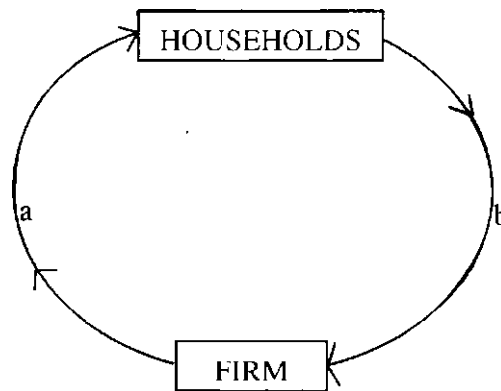
In the spaces provided below, indicate whether the following factors cause

movement along the demand curve or a shift of the demand curve. (3 marks)

	Factor	Movement along or shift of
(a)	Change in income.	..... the demand curve.
(b)	Change in price.	..... the demand curve.
(c)	Change in weather.	..... the demand curve.

Highlight four roles played by the broker in the chain of distribution. (4 marks)

The following diagram represents the circular flow of income in a two sector closed economy.



Identify two factors represented by each of the arrows labelled a and b. (4 marks)

Fill in the missing figures in the table below:

(4 marks)

	FA	CA	C	L
(a)	275,500		315,000	115,500
(b)	182,000	108,700		217,100
(c)		76,400	123,100	91,900
(d)	313.450	211,340	189,170	

Mheshimiwa Ltd. had the following ledger account balances as at 31<sup>st</sup> May 2010:

Details	Shs.
Purchases	3.880
Sales	3.350
Returns outwards	150
Returns inwards	160
D. Simola (Debtor)	2,550
P. Mwende (Creditor)	3,100
Wages	800
Cash	960

Capital	1,750
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Following is a format of the debit side of a three-column cash-book:

following is a format of the debit side of a three-column cash-book:

DATE		V	W	X	Y

Name the columns labelled V, W, X and Y. (4 marks)

Outline four functions of the International Bank for Reconstruction and Development. (4 marks)

State four disadvantages of barter trade. (4 marks)

The following transactions relate to Jelimo Stores:

10<sup>th</sup> October 2010, sold unused stationery for Sh 3,000 on credit to K. Likia.

23<sup>rd</sup> October 2010, bought a motor vehicle on credit from Onjwaria Motors for Sh 700,000.

Required: Record the above transactions in the general Journal given below: (4 marks)

Date	Particulars	Folio	Dr.	Cr.

List four levels of inflation (4 marks)

Many countries in Africa, Latin America and Asia are considered to be under-developed. Outline four characteristics they have in common. (4 marks)

Madam Emoro operates a matatu business. State four factors in the internal environment that may influence the business. (4 marks)

Highlight four reasons for which businesses should observe ethical practices. (4 marks)

State four merits of promoting products through personal selling. (4 marks)

The following information relates to Kiboko Traders as at 31<sup>st</sup> December 2010.

Details	Shs
Total drawings	400,000
Added investments	800,000

Capital on 31 <sup>st</sup> Dec 2010	7.000.000
Profit	3,100,000

Calculate Kiboko's initial capital.  
(3 marks)

Outline four positive implications of a youthful population to an economy. (4 marks)

PQ Ltd had the following balances as at 31<sup>st</sup> December 2012.

Sales	23498000
Stock 1/1/2012	57,140
Return inwards	27,200
Purchases	162,900,000
Stock 31/12/2012	86340

Prepare PQ's Trading Account for the year ended 31<sup>st</sup> December 2012.  
(5 marks)

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**BUSINESS STUDIES**

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FOR MORE SIMPLIFIED E-RESOURCES CONTACT 0705525657

**PAPER 1**

**OCT/ NOV 2015**

**2 HOURS**

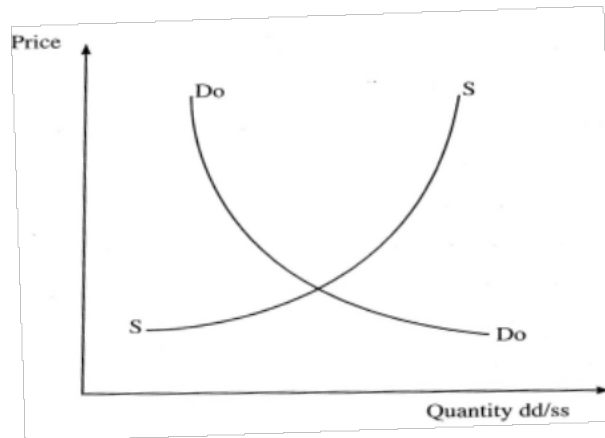
1. What are the reasons that would make an individual engage in business? (4mks)
  
2. List four types of utility and the production activity associated with each of them. (4mks)
  
3. Outline four ways in which the office facilitates effective handling of documents. (4mks)
  
4. Highlight four factors that may influence a consumer to purchase products from a kiosk rather than a supermarket. (4mks)
  
5. State four circumstances under which hire purchase may be used to acquire goods.(4mks)
  
6. Give four reasons for the increased use of mobile phones in banking (4mks)
  
7. Outline four methods that the Government of Kenya uses to regulate business activities. (4mks)
  
8. State four disadvantages of using internet as a means of communication. (4mks)
  
9. State four differences between life assurance and general insurance. (4mks)
  
10. Give four reasons for observing ethical practices in product promotion. (4mks)

<b>Life Assurance</b>	<b>General Assurance</b>
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**FOR MORE SIMPLIFIED E-RESOURCES CONTACT 0705525657**


11. The graph given below represents the demand and supply curves of milk: (4mks)



State four effects of a shift of the demand curve to the right. (4mks)

12. Outline four disadvantages that a manufacturer would suffer if wholesalers were eliminated from the chain of distribution. (4mks)

13. The following balance sheet was incorrectly prepared:

**PEMBE TATU TRADERS**  
**BALANCE SHEET**  
**FOR THE YEAR ENDED 31.12.12**

	KSH		ksh
50,000	Stock	5000	Furniture
7000	Bank overdraft	5000	Debtors
<u>66000</u>	Cash	<u>9,000</u>	Capital
	<u>19,000</u>	<u>          </u>	<u>123, 000</u>

Prepare a corrected balance sheet. (4mks)

14. The following figures relate to jumbo Traders for the year ended 31.12.13

Details	kshs
Capital (31.12.13)	940,000
Net loss	20,000
Additional investment	420,000
Monthly drawings	5,000

Determine the capital as at 1.01.13 (4mks)

15. Identify the ledgers in which the following accounts are maintained. (5mks)

ACCOUNT	LEDGER
Pendo(Debtor)	
machinery	
Rent	
Capital	
Juma(creditor)	

16. List three levels of inflation (3mks)

17. Name the documents described by the statements given below as used in international trade: (4mks)

Requests for payment before goods are delivered

Shows ownership or title of goods imported

Shows the country of manufacture of goods

Shows the transportation charges for goods

18. The following purchases returns journal relates to farasi traders:

PURCHASES RETURNS JOURNAL				
DATE	DETAILS	INVOICE NO.	FOLIO	AMOUNT
2012				
MARCH				KSH
1	junior	R22	PL1	2000
3	Mimi supplies	100	PL2	4000
4	Kilimanjaro	30	PL5	5000
			GL4	11,000

Post the information above to the relevant ledger accounts. (4mks)

19. Outline four goals of development to a country. (4mks)

20. The following information relates to kahawa Traders as at 31<sup>st</sup> December 2012.

Stock 1.1.12 ksh 80,000

Stock 31.1.12 ksh120, 000

Purchases ksh1, 000,000

Margin 20%

Required:

Prepare a trading account.

(5mks)

21. State four reasons that make it necessary for firms to maintain a healthy environment. (4mks)

22. Highlight four benefits of a business plan to an entrepreneur. (4mks)

23. Outline four benefits of sea transport over air transport. (4mks)

24. In which ways can an investor benefit from the stock exchange? (4mks)

25. State three clauses found in the memorandum of Association. (3mks)

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**BUSINESS STUDIES**

**PAPER 1**

**OCT/ NOV 2016**

**2 HOURS**

**565/1**

- 1.State four external factors that may negatively influence the operations of the business  
(4 marks)
- 2.Highlight four benefits of a business plan to an entrepreneur (4 marks)
- 3.State four ways in which a good filing system may facilitate the operations of an office  
(4marks)
- 4.Highlight four activities that may be carried out in a stock exchange market  
(4 marks)
- 5.Outlien four circumstances under which a cooperative society may be dissolved (4 marks)
- 6.Outline four methods that the government of Kenya uses to regulate business activities.  
(4 marks)
- 7.State four ways in which a youthful population may be useful to an economy (4 marks)
- 8.Outline one circumstance under which each of the following telecommunication

services may be used (4 marks)

i)Paging

ii)Facsimile (fax)

iii)Radio call

iv)Telex

9..The following transactions relate to Jelimo Stores:

- (a) 10<sup>th</sup> October 2015 sold unused stationery for Sh 3,000 on credit to K. Likia.
- (b) 23<sup>rd</sup> October 2015, bought a motor vehicle on credit from Onjwaria Motors for Sh 700,000.

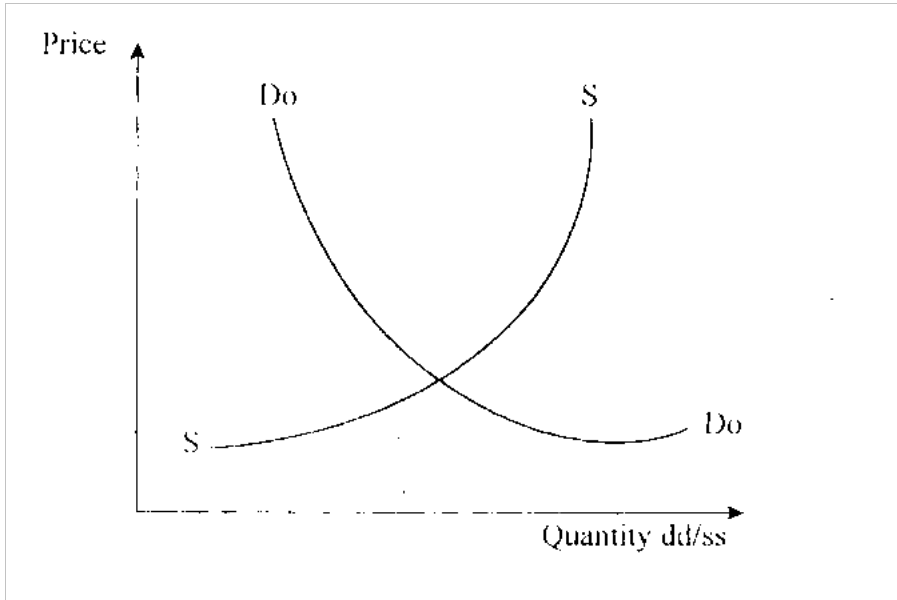
Required: Record the above transactions in the general Journal given below: (4 marks)

Date	Particulars	Folio	Dr.	Cr.

10. • State four features of an insurable interest, (4 marks)

11.State four features of a parastatal (4 marks)

12.The graph given below represents the demand and supply curves of milk



State four effects of a shift of the demand curve to the right (4 marks)

13. Outline four functions of the world bank (4 marks)

14. Outline four ways of reducing the level of unemployment in Kenya (4 marks)

15. The following balances were extracted from the books of Highlife General Stores on 31<sup>st</sup> December 2015.

Item	Ksh
Land and buildings	650,000
Stock	470,000
Bank overdraft	80,000
Debtors	350,000
10 year Bank Loan	500,000
Creditors	220,000
Cash	50,000
Motor Van	150,000

Capital	9
---------	---

Required: Prepare the balance sheet of Highlife General Stores as at 31<sup>st</sup> December 2015. (4 marks)

16. Outline four circumstances in which the government may be involved in business. (4 marks)

17. Identify the ledgers in which the following accounts are kept (4 marks)

ACCOUNT		LEDGER
i)	Pendo (debtor)	
(ii)	Machinery	
(iii)	Rent	
(iv)	Capital	

18. The following diagram represents the circular flow of income in a two sector closed economy.

Identify two factors represented by each of the arrows labeled a and b (4 Marks)

19. State four reasons for privatizing public corporations.

20. State four reasons for the increases use of cell phones in banking (4 marks)

21. List four sources of public finance (4 marks)

22. State two situations in which each of the following types of inflation may occur

i) Creeping inflation (2 marks)

ii) Hyperinflation (2 marks)

23. Outline four factors that may make a producer to by-pass the wholesaler when

distributing goods (4 marks)

24. Outline four goals of development to a country (4 marks)

25. Outline four characteristics of services.

# **BUSINESS**

## **PAPER 1**

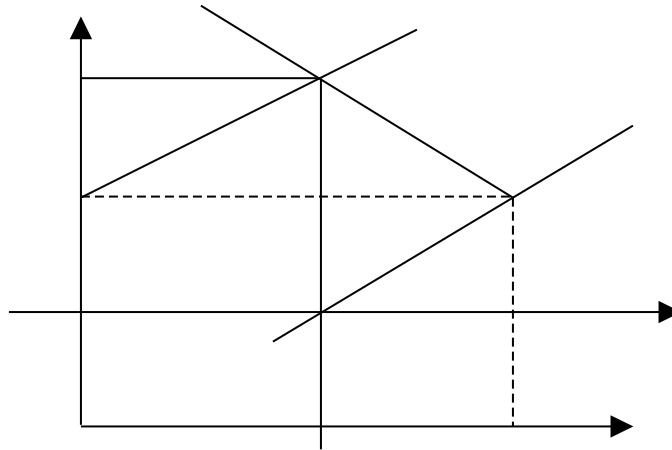
### **MARKING SCHEMES**

## **BUSINESS STUDIES MARKING SCHEME P1 2006**

1. Advantages of operating a partnership from business.
  - (a) There is possibility of raising more capital
  - (b) Partners bring in different talents and skills/ specialization
  - (C) Partners can share the work load
  - (d) Where losses occur, partners share them
  - (e) Decisions are discussed by partners before implementation/ better decision
  - (f) Few legal requirements/easier to start
  
2. Risks against which a shopkeeper may insure
  - (a) Occupational hazards for employees- risk against possible harm  
on employees on duty/workman's compensation
  - (b) fire-loss of property due to fire
  - (c) Theft and burglary- loss of property due to break- ins
  - (d) Goods on transit.
  
3. Ways in which a government can participate in the operations of a state corporation.
  - (a) Appointing the board of directors
  - (b) Availing financial support
  - (c) Supervision of the activities of the corporation
  - (d) Providing policy guidelines
  - (e) Auditing the accounts

- (f) Facilitating training
  - (g) Providing legal advise
4. Considerations that a seller should take into account before giving credit to a new customer.
- (a) Reliability- check if the customer is an honest person who can honour the debt as agreed/character
  - (b) Ability to pay – find out if the customer is an honest person who can honour credit.
  - (c) Capital- check whether the customer has assets that can cover all his liabilities
  - (d) Collateral- checks whether the customer has resources to repay the credit to make sure that credit is covered.
  - (e) Prevailing economic conditions-consider if the status of the economic climate is healthy to warrant giving the credit
  - (f) Credit period
  - (g) Amount of stock available
5. Levels of production
- (a) Levels of production
  - (b) Secondary
  - (c) Tertiary
6. Advantages of personal selling.
- (a) Creates goods relationship between customers and seller
  - (b) The seller has a chance to explain finer details of the product
  - (c) The seller can collect information regarding the demand of the product
  - (d) Seller can persuade the customer to buy the product
  - (e) Full knowledge of the product

- (f) Ability to tailor the product according to customers needs
- (g) Capable of targeting a specific group.



8. Assumptions associated with perfect competition

- (a) Large number of seller and buyers exist in the market
- (b) Production of identical (homogeneous) products by different firms.
- (c) There is no government interference
- (d) There is free entry and exit from the industry
- (e) Uniformity of buyers and sellers

9. (a) Cyclical employment due to relatively low general demand for goods and service

- (b) Structural unemployment due to technological unemployment
  - (c) Seasonal unemployment-due to relatively low demand for labor at certain times of the year
  - (d) Frictional unemployment due to time lags i.e. time taken in changing jobs
  - (e) Involuntary unemployment – wanting jobs at prevailing wages and cannot get them.
10. Benefits to manufacturer who uses modern technology
- (a) Increase level of output
  - (b) Improvement of service delivery
  - (c) Saving on production time
  - (d) Standardization of products
  - (e) Lower production of waste
  - (f) Reduction of waste
  - (g) Better quality goods.
11. Benefits of electronic filing
- (a) Easy access
  - (b) Reduction of labor costs
  - (c) Less storage facilities
  - (d) Update with ease
  - (e) Less paper work
  - (f) Environmental friendly
  - (g) Use of network
  - (h) Less time taken
  - (i) It is safe
  - (j) Production safety

12. Social responsibilities of manufacturing firm

- (a) Participation in community programmers
- (b) Applying appropriate waste disposal management
- (c) Providing affordable products to the community
- (d) Conservation of the environment
- (e) Community development
- (f) Provision of employment
- (g) To engage family members in employment
- (h) Positive cultural practice
- (i) Encouragement from family members and friend
- (j) Availability of infrastructure
- (k) Availability of market
- (l) Hobbies interests and talents
- (m) Modern technology

13. Factors that encourage entrepreneurship in Kenya

- (a) Use of relevant business curriculum in learning institutions/vocational training
- (b) Government support in development of entrepreneurs/ subsidies
- (c) Existence of models in entrepreneurship/ role models
- (e) Access to business finance /capital
- (f) Need for a job

14. Some characteristics of economic resources

- (a) Scarcity

- (b) Have monetary value
  - (c) Are unevenly distributed
  - (d) Are capable of alternative uses
  - (e) Can be combined in various proportions
  - (f) Have utility usefulness
15. Reasons why one would prefer a letter to telephone to send a message
- (a) Provides evidence
  - (b) Can be filed for future reference
  - (c) Relatively cheap
  - (d) Appropriate for complex messages
  - (e) Appropriate for confidential information
16. (a) Increase
- (b) Decrease
  - (c) Not effect
  - (d) Decrease

17. Chebi traders

Trial balance as at 31<sup>st</sup> march 2005

	Sh.	Sh.
Sales		240,000
Purchases	240,000	
Motor Van	300, 000	
Equipment	120,000	

Debtors	80,000		
Creditors		440,000	
Expenses	160,000		
Capital		440,000	
Sales	900,000	900,000	8x <sup>1</sup> / <sub>2</sub> = (4 mks)
	<u>          </u>	<u>          </u>	
		<u>          </u>	

18. (a)  $\text{Margin} = \frac{\text{G.P}}{\text{Sales}} \times 100 = \frac{500,000 - (320,000 - 80,000 - 40,000)}{500,000}$

=  $\frac{140,000}{500,000} \times 100 = 28\%$  Or 28

(b) Current ratio =  $\frac{\text{CA}}{\text{CL}} = \frac{180,000}{90,000} = 2:1$

(c) Rate of stock turnover =  $\frac{\text{Cost of sales}}{\text{Average stock}} = \frac{360,000}{80,000 + 40,000}$

= 3 times (4 mks)

19. (a) The tax collected at source and hence predictable  
 (b) It is simple to administer.  
 (c) The tax has a wide base and therefore more is collected.  
 (d) A small change in tax rate is not easily felt by the taxpayer.

20.

- (a) Increase money supply unaccompanied by proportionate increase in the output of goods and services.
- (b) Increase in government expenditure.
- (c) Abnormal speculation and hoarding goods to create artificial shortages hence raising prices of goods.
- (d) Uncontrolled increase in costs of productions.
- (e) Increase in profit margin.
- (f) Reduction in subsidy.

21.

- a) Providing finances to reduce budgetary deficits
- b) Provide loans for development projects.
- c) Provide finance to correct and adverse balance of payment.
- d) Provide technical expertise to support development.

22.

- a) Lack of adequate information.
- b) Bureaucratic rigidities.
- c) Inadequate political good will.
- d) Inadequate financial resources.
- e) Inadequate human resource.

23.

- a) He needs only a small amount of capital.
- b) He gives personal attention to customers.

- c) His operations can be flexible.
- d) Outlet is easy to manage
- e) There is legal requirement.
- f) He does not have to share profits with anyone
- g) Maintains business

24.

- a) 0
- b) 200
- c) 1,200
- d) 2,200

25.

Wanji traders

Balance sheet

As at 30<sup>th</sup> June 2005

	Sh.	Sh.		Sh.
Machinery		450,000	Capital	550,000
Stock	60,000		5 year loan	270,000
Debtors	120,000		Creditors	60,000
Bank	180,000			
Cash	70,000	430,000		
		<b>880,000</b>		<b>880,000</b>
		_____		_____

**ANSWERS TO QUESTIONS KCSE 2007 PAPER 1**

ins that may be received from consumers include the following

poor quality of goods and services/ damaged

incorrect weight and measures

unfair pricing

poor hygienic conditions

Expired goods

Non- compliance to building regulations

Contra- band items. Prohibited goods

Harmful goods

Hording

Misleading advertisement

Environmental pollution

Technological sides effects

Breach of contract

ns are

Vertical

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Characteristics of a re- insurance company are

Commands large financial resources

Re- Insurance companies are empowered by law to insure insurance companies

Government has a stake in re- insurance company

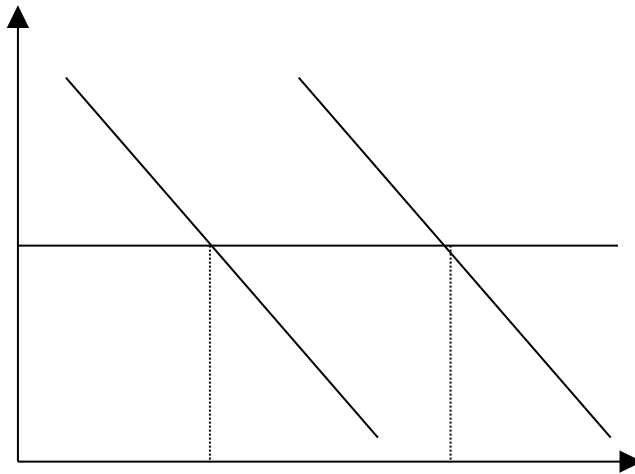
Re- insurance company only deals with corporate insurance clients

Guarantees compensation

Factors to consider include

- a) Target group so as to reach the intended group
- b) Availability of the medium – convenient to use only to medium that is available
- c) Cost of medium – saving in method used should be considered
- d) Reachability- How well the medium reaches the target
- e) Time of promotion – medium that can reach many intended group
- f) Medium used by competition – Find the strengths and weakness to improve on
- g) Speed/ urgency
- h) Flexible
- i) Quality of the medium
- j) Physical characteristics of the medium
- k) Legal requirement/ government policy
- l) Nature of the product
- m) Duration of the promotion

5. a) More cars will be demanded and this would increase the demand for petrol at the same time



- b) More petrol will be demanded as show by curve  $D_1D_2$

#### 6. Negative effects of production on community health

Air pollution cause airborne diseases

Water pollution causes water borne diseases

Congestion – Congestion created as more people come to look for work ( job)

Noise – pollution – causing haring facilities- demand for health facilities increase

Solid waste pollution – causing many diseases

Environmental degradation- This may lead to health problems

Social evils e.g immorality

Occupational hazards

Unhealthy production

Global warming

7. Negative effects of an ageing pollution to an economy include

Deficiency of an economically active labour/ low labour supply

Increase in welfare costs

Need to import labour that effect the foreign exchange reserves

Dependency ratio increases

Rigidity to change

Fall in old for goods and services required by the youth

Less progressive/ low savings and low investments

8. Account to match the descriptions is

Savings account

Current account

Fixed deposit account

Savings account

9. Documents for the descriptions are

Catalogue

Invoice

Statements of account

Cash sale receipt

10. Parts represented by letters are

Equilibrium point/MC= MR

Marginal cost curve/ MC

Average cost curve /AC

Marginal revenue = average revenue = Price = Demand

11. Circumstances include where

Urgency is important

Goods are perishable

Goods are of high value/ expensive goods

Goods are to transported over long distances

Fragile goods

Where other means cannot be used

Where safety is crucial

Affordability

**12.**

**MZALENDO TRADERS**

Cash book

For the month of January 2006

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**FOR MORE SIMPLIFIED E-RESOURCES CONTACT 0705525657**

Date	Particulars	Discount	Bash	Bank	Date	Particulars	Discount	Cash	Bank
		Allowed	Kshs	Kshs	2006		Received	Kshs	Kshs
Jan-01	Balance		18000	17000	Jan 10	ABM Tra	1000		
16	Sales	700	13300	26100	31	Bank (c)		26100	
31	Cash (c)					Bal c/d		5200	172100
		700	31300	196100			1000	31300	196100

13. Benefits to a business for using its own warehouse include

The business maintains a continuous supply of goods

Customers are retained as they are sure of getting the goods on demand

Goods are safe from theft

Savings increases for not renting storage facilities

Goods can be processed in the warehouse

Can be tailored to suit ones specifications

Can be conveniently located

More secure from damage

Space is guaranteed

14. Books of original entry

Sales journal/ debtors journal/ day book

Purchase journal/ creditors journal

Sales return journal/ returns inward journal

Purchases returns journal/ returns outward journal

15.

Trading, Profit and Loss Account

Kshs		Kshs	
Opening Stock	24,000	Sales	442,500
Purchases	<u>370,000</u>		
	394,000		
Less: Closing Stock	<u>40,000</u>		
Cost of Goods sold	354,000		
Gross profit	<u>88,500</u>		
	<u>442,500</u>		<u>442,500</u>
Carriage in	12,000	Gross Profit b/d	88,500
Sales Expenses Others	8,850		
Net profit	<u>67,650</u>		
	<u>88,500</u>		<u>88,500</u>

16. Consumer price index for years 2001, 2002 and 2003

Year	Consumer Price Index (Cpi)
1. 2001	$\frac{53}{47} \times 100 = 112.77$
2. 2002	$\frac{62}{47} \times 100 = 131.91$

3. 2003

$$74/4 \times 100 = 157.45$$

17. Central Bank of Kenya control amount of money in circulation by:

Instructing commercial banks to only lend in priority areas/ selective credit control

Practicing domestic borrowing/ open market operations

Increasing interest rates on loans advanced by commercial banks/ bank rate increases

Requirement that commercial banks maintain a cash ration

Liquidity ratio

Special/ compulsory deposits

Margin requirements ( higher/ lower collateral requirements)

18. Differences between a good and a service include

A good	A Service
a) Goods are tangible	Intangible
b) Quality can be standardized	Quality varies
c) Goods can be stored	Services cannot be stored
d) Goods can be separated from owner/ provider	Services cannot be separated from owner/ provider
e) Goods paid for ownership	Services paid for experience
f) Not always perishable	Always/ highly perishable

19. Factors that may influence mobility of capital include

Different uses in which capital can be put to/ degree of specialization

Amount of capital available

Skills of knowledge available to operate capital

Government policy

Government goodwill ( support)

Time taken to modify

Reward offered

Security in the new location

Nature of capital ( fixed or liquid)

Cost of moving the capital

Time the capital has been in the current use

Infrastructure

20. Advantages of an open office layout to an organization include

Supervision enhanced

Resources are evenly shared

Saving on space

Cheaper to construct/ easier to construct

Inter- personal relationship

Workflow made easy

Services delivery enhanced

21. Four ways in which the running of a public corporation may be improved include

Ensuring that appointment for senior and technical posts are done on merit

Exercising the supervisory role of the government

- Continuous training of staff for development
- Setting performance targets to be achieved
- Establishing incentive system for motivation
- Creating public awareness
- Restructuring the corporations ( retrenching)
- Reduce policy interference
- Reducing monopolistic tendencies

22. Reasons why countries may want to trade with each other is to

Exchange their surpluses

Acquire goods/ they are unable to produce

Enhance international relations

Acquire much needed foreign exchange

Exchange skills and knowledge of producing certain goods

Acquire a variety of goods/ services

Acquire quality goods

When its cheaper to import

Create employment

Exploit resources optimally as there is

Enhance factors mobility

Wider market

23. Benefits if using Automated Teller Machines (ATMs) include)

Saves time

Withdrawing any time

Conveniently placed

Access to account balances / extra information

Can pay utility bills

Deposits any time

Since ATM cards can be used to buy goods/ services

Cheaper to operate

Safer to use

Highly portable

Withdrawals can be done for one else behalf

24. Factors hasten economic development in a country include

Industrialization

Infrastructure/ social amenities

Research and developing / planning

Education and training

Use of modern technology/ capital

Good medical facilities

Good governance/ government goodwill

Economic endowed / natural resources

Presence of a strong entrepreneurial culture

25. Elements that may comprise external environmental of a business include

Political

Economical

Social- cultural

Technological

Legal structure

Customers

Intermediaries

Geographical

Demographical

Supplies of raw materials

Competition

### **30.24 BUSINESS STUDIES (565) 2008**

**2008**

#### **MARKING SCHEME**

1.

Development of individual skills.

Increased output.

Production of standardized goods.

Maximum use of machinery.

Development of new talents.

Encourages invention/innovation.

Saves time.

Less use of mental and physical effort.

High quality goods/services produced /offered.

Increases employment opportunities.

Reduces training time.

Facilitates planning and management.

*(Any 4x1=4 mks)*

2.

Must have at least one director.

Shares not freely transferable.

Public not allowed to subscribe for shares/shares not advertised/no prospectus needed.

Has a minimum membership of two shareholders.

Can start trading on receipt of a certificate of incorporation.

Does not need to have the authorized minimum share capital before commencing operation.

*(Any 4x1=4 mks)*

3.

Goods can be produced in advance to meet unexpected customer demand.

Production done steadily without rush.

Production can be continuous if need arises.

Manufacturer can offer steady supply of seasonal goods.

Goods are protected from physical damage.

Manufacturers can store raw materials.

Goods are protected from pilferage.

Goods can be prepared fro final scale by branding, grading, blending etc.

Some goods mature/improve in quality whole still in warehouse.

*(Any 4x1= 4*

*Mks)*

$$\begin{array}{rcl} 4. & PQ & = & \underline{500 - 200} \\ & 40 & & 40 \\ & & = & \underline{300} \end{array}$$

$$40 = 7.50 \quad (4 \times 1 = 4 \text{ mks})$$

5.

Relatively cheap.

Relatively fast.

Enhances confidentiality.

Sender may get instant feedback.

Easy to access other information (like advertising).

Relatively easy to retrieve information.

It is universal.

Can advertise to others (wider market).

Can send detailed information.

Can be used for future reference/evidence. (Any 4x1=4 mks)

6. (a) **Contra entry**:- This is a transaction affecting both sides of a two/three column cash book simultaneously. It is indicated by letter 'C'.
- (b) **Cash discount**:- This is a reduction/allowance given to a buyer by the setter for making prompt payment. (4 mks)

7. (a) Sales invoice/outgoing invoice.

Debit note.

Credit note.

Purchases invoice. (4 x 1 = 4 mks)

8. (i) Nominal.

Nominal.

Creditors/purchases ledger.

Real/general ledger.

**(4 x 1 = 4 mks)**

9. (a) Working capital = CA - CL

$$= 220000 - (98200 + 11800)$$

$$= \text{Shs}110000 \quad \textbf{(4 x 1/2 = 2 mks)}$$

(b) Return on capital =  $\frac{\text{Net Profit}}{\text{Capital invested}} \times 100$

$$= \frac{85000}{425000} \times 100$$

$$= 20\% \quad \textbf{(4 x 1/2 = 2 mks)}$$

10. Expenses for the year

Expense A/c			
	Shs		Shs
Cash	85000	31 Dec 2005 Balance b/d	24000
Dec. 2006 Balance c/d	<u>30000</u>	Profit and Loss A/c	<u>91000</u>
	<u>115000</u>		
<u>115000</u>			

OR

	Shs	
Accrued expenses 31/12/05	30000	
Add cash paid	<u>85000</u>	
	115000	
Less: Accrued expenses 31/12/05	<u>24000</u>	
	<u>91000</u>	<i>(4 x 1 = 4 mks)</i>

11. (a) **Complementary wants:** - where wants are simultaneous/when two or more items must be used together at the same time for example:- car and petrol.

*(2 mks)*

- (b) **Wants become habitual:** - where one becomes addicted to a particular want/when one develops a taste/liking for a commodity so that he needs it again and again.

*(2 mks)*

12.

Potential demand for goods/services.

Source of raw materials.

Security in the area.

Existing infrastructure.

Auxiliary services.

Legal requirements/government policy.

Source of labour.

Source of capital/technology.

Possible returns on investment/availability of market.

Chances of growth/expansion.

Effects on the environment.

Competition.

Social cultural environment.

Availability of space.

Political stability.

**(Any 4x1=4 mks)**

13.

Personal identification.

Initial deposit required.

A letter of introduction from an existing customer.

Physical contact address.

Be of majority age/above 18 years old.

Passport size photographs.

**(Any 4x1=4 mks)**

14.

Cost of the mode.

Distance from market.

Type/nature of goods.

Availability.

Reliability.

Security (free from theft, damage).

Value of the goods.

Speed and urgency.

Flexibility in terms of time and place.

Safety (free from accidents).

Quantity/amount of goods.

Terminal facilities.

Accessibility (ability to reach the required destination). **(Any 4x1=4 mks)**

15.

To encourage selling of quality goods.

To safeguard cultural practices.

To encourage disclosure of information about the product.

To ensure compliance with existing government legislation.

To curb environmental degradation.

To safeguard competitors in the market.

To safeguard consumers against misleading advertisements. **(Any 4x1=4 mks)**

16.

Inequitable distribution of income.

Projects undertaken by the government could be of long-term nature.

The cost of living may have gone up thus eroding additional income earned.

Income earned could have been used in ways that do not benefit the people directly.

High population growth.

Economic growth may have been obtained through a strain on people's health.

Unequal regional development/expenditure pattern of the government.

**(Any 4x1=4**

**mks)**

17.

Rise in price of complementary.

A fall in household income.

Fall in the price of substitutes.

Expected fall in the price of the product.

Negative tastes/preferences/fashion.

Decrease in population.

Unfavorable terms of payment.

Unfavorable government policy (for example:- a ban on commodity).

Unfavorable seasonal changes. **(Any 4x1=4 mks)**

18. Calculation of capital

Capital = Assets – liabilities

Assets = 200000 + 100000 + 400000 + 160000 + 10000

= Shs 870000

Liabilities = 10000 + 40000

= 140000

Capital = Shs870000 – 140000

= Shs730000 **(8 x ½ = 4 mks)**

19.

Check accuracy of posting transactions to the ledger.

Check the arithmetical accuracy of ledger accounts.

Provide account balances at year end.

Check that debit and credit balances are in agreement.

Summarizes the information in the ledger account.

Facilitates the preparation of final accounts.

*(Any 4x1=4 mks)*

20. (a) **Assets**

Resource owned and controlled by the business.

Must have been acquired in the past.

An item of value that can be measured reliably in monetary terms.

Future benefits associated with the net expected to be received by business entity.

They are fixed or current.

*(Any 2x1=2 mks)*

(b) **Liability**

A present obligation for a business to settle as a result of past commitments.

Settlement would reduce business assets.

Amount involved can be measured reliably in monetary terms.

Owed to outsiders.

They are long term or current/short term.

*(Any 2x1=2 mks)*

21.

Increase interest rate to discourage borrowings.

Withdraw excess cash in circulation by issuing government bonds and treasury bills.

Institute policies that make price of commodities steady (price control).

Increase taxes on income to discourage extra income earned at expense of leisure.

Raising liquidity ratio/cash ratio of commercial banks.

Use of selective credit control measures.

Increasing commercial banks special deposits with the central bank.

Restriction of imports.

Restricting wage increases.

Raising margin requirements.

Use of buffer stocks.

Stimulation of production of goods and services.

Appropriate regulations of printing national currency.

Moral persuasion by government for people to buy only what is necessary.

**(Any 4x1=4 mks)**

$$\begin{aligned} 22. \quad \text{Loss made} &= \frac{20}{100} \times 1,000,000 \\ &= 200,000 \end{aligned}$$

Contribution made by:

$$\begin{aligned} \text{Zebra} &= \frac{600,000}{1,000,000} \times 200,000 \\ &= \text{Shs } 120,000 \end{aligned}$$

$$\begin{aligned} \text{Simba} &= \frac{400,000}{1,000,000} \times 200,000 \\ &= \text{Shs } 80,000 \end{aligned}$$

**(8 x ½ = 4 mks)**

23.

Speedy customer service.

Confidentiality of business records.

Records can easily be retrieved.

Time saving.

Clean and tidy records produced.

Minimum storage space required/ a large amount of information can be stored.

Accuracy is enhanced.

Cost of maintenance is lower.

Records not easily damaged.

Records not easily lost.

Business image is enhanced.

Less labour required/saves labour cost.

***(Any 4x1=4 mks)***

24.

Show respect to both colleagues and visitors.

Observe courtesy in dealing with people.

Be organized at work at all times.

Be honest/truthful in performing duties.

Co-operate with other workers, visitors and management.

Be punctual in offering service.

Be loyal to the organization.

Be diplomatic.

Make sound judgment.

Be accurate.

Have initiative .

**(Any 4x1=4 mks)**

25.

The standards for operating business are low/unhealthy operations.

Generalized exploitation of consumers on weights and measures.

There is need for the government to enforce existing laws, for example:- trading license.

Hoarding is taking place.

Unsafe buildings.

Substandard goods.

Unfair prices.

False advertising.

Breach of contract.

**(Any 4x1=4 mks)**

**K.C.S.E BUSINESS STUDIES PAPER 1**

**MARKING SCHEME 2009**

Factors that may affect the geographical mobility of labour include:

Unfavorable climatic conditions

Language barriers

Job security

Relocation costs

Inadequate information about job opportunities elsewhere.

Social tips / relatives! family

Security of the place

Political stability

Government policy (immigration rules)

Age

Social amenities (schools, hospitals)

Cost of living

Availability of infrastructure

Rewards (salaries,

Commercial attaches promote trade in the following ways:

Assisting business people participate in external trade fairs / 2 exhibitions

Conducting market research for local products.

Looking for new markets

Educate local traders on trade opportunities

Organize educational tours to abroad

Inform exporters on the standards / price of goods / services

Promote good relationships among trading countries

Publish and advertise their countries export

Keep statistics of products

Make detailed report in commercial activities.

Select buyers /agents / distributors of country.

Carry out market research

Improve the company's image.

Measures that may be taken to reserve declining sales include.

Ensure that the product reaches the target market.

Redesign the salient product features

Improve the quality of the product

Provision of information on alternative uses.

Lower the price of the product

Ensure that the product meets the fast and preference of target group

Review the production strategy

Diversify the use of product

The type of demand represented by statements are:

Derived demand

Joint demand / complimentary

2x1=2 mks

Determination of net worth of Saku traders

Net worth = Total assets - Total liabilities

$X = -(300,000 + 123,700) - (125,000 + 84,500)$

$X = 423,700 - 209,500$

Net worth = 214,200

8x1/2m  
ks

Type of journals referred to are:

Sales Returns journal / returns irnmunals.

Purchases Journal / Creditors journal /bought journal

Cash receipt / Journal proper

General journal / Journal proper

4x14mks

Reasons why it is beneficial to borrow from non-bank financial institutions.

Gives long term loans

Provides finance for capital development / specific projects

Low interest rates.

Assist in management of the project.

Accept lower vollateral values.

Give a longer grace period..

Any 2x2 = 4mks

Items that may appear on the credit side of the current account of a country include:

Receipts from export of goods / visible export

Receipts from export of services / invisible exports

Receipt from investment abroad

Deficit balance.

4x 14mks

Benefits that may accrue from political stability include:

High probability of achieving set goals (increased sales / increased production)

Easy to obtain capital for expansion

Cost of operation of business is low

Accessibility to the market is enhanced

Continuous production activities

Easy to invest anywhere in the country / local or foreigner's.

Accessibility to raw materials.

Measures to stop emission of toxic wastes into neighborhood include:

Publicize the malpractice

Take legal action / sue the firm

Report to National Environmental Management Authority (NEMA / Relevant authority

Educate the neighbours on their rights.

Boycott the farm products

Carry out demonstrations against the firm.

Factors to consider in the choice of a means for transporting perishable goods.

Unit value of the product / cost of goods

Distance to cover / destination / speed

Specialized facility

Cost of transport

Urgency required at the destination /speed.

Volume / quantity

Availability of the means.

4x 1 =4mks

Circumstances which face to face communication may be ineffective.

Where there is age difference

Where the language has semantic problems / different languages.

Where there exists a difference in frame of reference.

Where the credibility of the communicating parties is in question / negative

Attitude / bias / prejudice

Where the receiver has a problem in hearing / hearing intransparent

Unfamiliar / difficult terminologies

Noise

Poor listening

Pronunciation problems

Timing

Inability to understand gestures

Emotional responses shyness / fear etc.

Benefits that accrue to a firm located near existing firms:

Enjoyment of existing infrastructure

Access to labour

Access to raw materials

Collaboration with existing firms e.g. research & development.

Auxiliary services.

Access to markets

Access to security

Social amenities

Any4xl= Mks

Steps that can be taken to minimize expenditure on petrol include:

Pooling people who are traveling to same direction

Use of alternative sources of energy / walking / bicycling

Encourage public service vehicles 'with higher carrying capacity / fuel saving engines.

Encourage use of vehicle/ machines with a lower engine capacity / fuel saving engine.

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Set maximum price legislation.

Reduce tax on the product / subsidies. :

Improve road networks.

Increase taxes on complementary goods.

Encourage machine maintenance

Swift off when not in use.

Reasons why an increase in per capita income may not lead to a rise in standard of living include:

Per capita income is an average and hence a mere statistics.

Per capita figures may be high but income may be unevenly distributed.

Those not involved in the generation of the national income are also included in the calculation

Generation rise in the price of commodities! inflation may affect the purchasing power of the citizen.

High taxes may erode the real value of per capita income.

May be obtained through a strain on people's health.

Expenditure pattern by the government / Individual serving debts.

Purchases for the year.

Total Creditors A/c

Discount received	12,000	balance b/d	465,000
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Returns outwards	25,000	Purchases	
1,712,000			
Cash paid	1,500,000		
Balance c/d	640000		
	2, 177, 000		2, 177, 000

Credit purchases	1,712,000
Cash purchases	800,000
Total Purchases	2,512,000

=====

10x1/2 = 5 mks

Circumstances which would make an office manager to replace an existing machine with a modern one include:

Obsolescence has outlived its usefulness

Where a faster machine is required

Where maintenance a costs are higher than cost of acquiring modern machine.

Where there is need for increased production

Where training skills have changed

Where high quality works is required

Where he wants to save on labour

Where there is need to improve image of company

If the new one is capable of multiple use

If the new machine will save on space / storage.

If the machine is capable of reducing fraud.

Reasons for popularity of hypermarkets in Kenya include:

easily accessible

One stop shop – A range of goods and services may be obtained

Parking space is available of auxiliary services

Operates for longer hours

Accept debit / Credit cards

Attractive & convenient to shop in,

Saves on land rates / space

They offer sales services

Security guaranteed.

Located away from city hassle&

Availability of auxiliary services.

4x1=4mks

Factors that may have contributed to the trend between S and T include:

Improved health facilities / health education

Lower mortality rate / death rates

Improved standard of living

Improved fertility rate / birth rates

Improvement in diet and nutrition

Immigration from other countries

Early marriages

Negative attitude towards family planning

In affective family planning method.

Cultural / religious practice favour of many children

Absence of calamities epicenes, wars / politics

Ignorance flack of family planning methods.

Establishment of policies that increase population.

Kazim's.

Petty Cash Book for the first week of April

Receipts	Date	Details	Total	Cleaning	Stationery	Bus
fare						
	2007	Sh	Sh	Sh	Sh	
Sh						
2570	April 1	Balance <i>bid</i>				
10430	2	Cash				
	3	Cleaning materials	3070	3070		
	4	Bus fare	2000			
2000						
	6	Stationery	2200		2200	
			7270	3070	2200	
2200						
	7	Balance c/d		5730		
13000			13000			

10x 1/2=5mks

Emphasis on details

13000

must appear to balance

Circumstances under which business enterprises may choose to merge:

Where persistent decline in profitability exist

Where there is intention to venture into new line

Where there is need to expand capital base

Where there is need to bring on board new skills /competences

Where there is need to share research information.

Control output

Control a wider market /.increase sales

Lower the cost of production (e.g raw materials labour etc).

Either to face emergencies / kibken

When there is too much competition

Diversification

$$\begin{aligned} 22 \text{ i) Capital employed} &= \text{CE} = \text{FA} + \text{CA} - \text{CL} \\ &= 400,000 + 120,000 - 60,000 = \text{sh. } 460,000 \end{aligned}$$

$$\begin{aligned} \text{Return on CE} &= \frac{\text{NP}}{\text{CE}} \times 100 \quad (= \frac{100,000}{460,000} \times 100) \\ &= 21.7\% \end{aligned}$$

$$\begin{aligned} \text{Current Ratio} &= \frac{\text{Current Assets}}{\text{Current liabilities}} \end{aligned}$$

$$\begin{aligned} &= \frac{120,000}{60,000} \\ &= 2:1 \end{aligned}$$

Factors to consider before incurring public expenditure

Maximum social benefit / equity

Waste must be discouraged /economy

Flexibility /elasticity – possibility to vary expenditure according to the circumstances.

Sanctions – expenditure must be determined by a certain authority

Sound financial administration – accuracy and systematic / certain

Any4x14 mks

Benefits of privatization of public corporations.

Government obtains revenue from proceeds / sale of shares

Government can concentrate on other state responsibilities

Offers opportunities for private citizens to participate in business

To enhance efficiency in the management

Reduce government expenditures

Obtain revenue from taxes

foreign aid

Attract foreign investment

Compensation claims

$$\frac{\text{Sum insured} \times \text{loss}}{\text{Actual value}}$$

$$\frac{\text{Shs. } 800,000 \times 1,000,000}{\text{Shs. } 1,000,000}$$

$$= 800,000$$

### **BUSINESS STUDIES K.C.S.E 2010**

### **MARKING SCHEMES**

### **BUSINESS STUDIES PAPER 1**

1. Type of utility created in each

i) Possession utility

ii) Place utility

iii) Time utility

iv) Form utility

(4 x 1 = 4mks)

2. Reasons why the government may find necessary to start a parastatal include:

- i) To provide strategic goods and service
- ii) To increase revenue collection
- iii) To encourage import substitution industries/to discourage importation
- iv) To encourage foreign investment
- v) To reduce foreign influence
- vi) To address special social needs
- vii) To take care of sensitive ventures
- viii) To take care of business that requires a large initial capital
- ix) To create employment to poor
- x) To provide goods & services all over the country
- xi) To stimulate economic development
- xii) To provide essential goods and services at low cost
- xiii) To promote competition with private in security
- xiv) To provide goods and services with low returns (low profits)
- xv) To regulate business activities

3. Types of warehouses

- i) Bonded warehouse
- ii) Public warehouse
- iii) Wholesalers warehouse
- iv) Manufacturers warehouse

4. Factors that may have caused the shift in supply include:

- i) A fall in the cost of production

- ii) Fall in price of produced goods
- iii) Technological progress
- iv) Conducive natural factors 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 forms in the industry
- vii) Increase in factor of production
- viii) Longer time
- ix) Less strikes
- x) Increase in price of jointly supplied goods e.g. beef and hides

5. ENOTIKA TRADERS

BALANCE SHEET

AS AT 31ST DECEMBER 2008

Fixed Assets 480,000      Capital 300,000

Current Assets	145,220	<u>Long term liabilities</u>	
		2 year Bank loan	230,220
		<u>Current liabilities</u>	
		Creditors	95,200
	625,220		625,220

(5 x 1 = 5 mks)

6. Reasons why a three column ledger book is used both as journal and a ledger.

- i) Cash and bank column in the cash book act as a ledger and total balances are used to prepare trial balance like other ledger accounts (x2)

- ii) Both discount allowed and discount received columns act as journal  
and their total balances are transferred to the ledger.  
(x2)
- iii) Cash transactions are entered in the three column cashbook directly as  
they occur  
(x2)

7. Appropriate functions are:

- i) Management of national debt
- ii) Lender of last resort
- iii) Credit control (3 x 1 =  
3mks)

8. Terms of sale used in international trade.

- i) Loco This means the price of goods quoted at the exporters  
warehouse/premises  
(the importer bears the cost of packaging and transport/factory price/exports)
- ii) C.I.F Cost Insurance and Freight. Cost of Insurance and freight included up to  
the port of entry
- iii) F.A.S Free alongside Ship. Costs incurred on goods up to to the point  
where  
they are ready to be loaded onto the ship.
- iv) F.O.Q Free on Quay. This means the price quoted include all costs incurred  
up to the quay. (4  
x 1 = 4mks)

9. Merits of Management by Walking Around (MBWA) include:

- i) Manager has first-hand information on the goings - on in the organization
- ii) Manager has instant feedback from the workers
- iii) Manager can tackle issues/as they raise (problems)
- iv) Manager can enhance interpersonal relations with the workers
- v) Workers avoid idleness and work as they feel the presence of the manager.
- vi) Manager can give relevant comment on performance/motivation
- vii) Manager can identify absenteeism/lateness
- viii) It controls misuses of resources
- xi) To encourage utilization of local resources
- xii) To earn foreign exchange

10. Reasons why the government should create an enabling environment to investors include:

- i) To minimize cost of doing business
- ii) To open new areas/hitherto neglected by investors (local foreign)
- iii) To expand the tax base and hence increase revenue
- iv) To enhance economic development in the country
- v) To promote public/private sector relationship
- vi) To create employment opportunities
- vii) To increase the level of National/increase product
- vii) To avail a variety of goods and services.

11. Distinction between insurance and assurance

<b>Insurance</b>	<b>Assurance</b>
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Protection offered to property (against unforeseen risks)	Protection offered to life(against unforeseen risks)
Risk insured against may or not happen	Risks insured against must happen (and time is not known)
The insurance contract is renewable after every year (short term)	Insurance contract is for life and does not require renewal (long term)
Compensation is given to owner of property in case of loss/uncertain	Compensations is given to beneficiaries in case of death/certain
A replacement for the good lost can be given/contract of indemnity	Lost life can never be replaced/not a contract of indemnity
Has no surrender value	Has a surrender value
Policy can't be used as collateral to secure loans	Policy can be used as collateral to loans
Has no maturity date	Has a maturity date
Principle of subrogation applies	Principle of subrogation does not apply
Cannot be used as a savings scheme	Can be used as a savings scheme
Sum insured depends on the blanket value of the insured property/not adjustable	Sum insured depends on the ability to pay the premium/can be adjusted
Proof of insurable interest	No need of proof of insurable interest at the time of death
Policy cannot be assured	Policy can be assured

12. Factors that may influence the level of national income include:

i) Availability of natural resources/natural endowment

- ii) Availability of skilled labour force/quality availability of skills
- iii) Literacy levels of the citizens in general
- iv) Level of county's industrialization
- v) Dependency ratio on the economically active portion of the population
- vi) Level of technology
- vii) Population size (quantity of labour)
- viii) Entrepreneurial culture/level of investment/trade
- x) Political stability
- x) Social cultural
- xi) Infrastructure
- xii) Security

(4 x 1 =

4mks)

13. Difference between cash and credit transactions

- In a cash transaction both money and goods exchange hands between the buyer and seller immediately while in a credit transaction, the transfer of goods come first and payment later.
- Cash transaction requires a cash sale receipt and a credit transaction required an invoice.

14. Matching statements on capital with types of capital

- i) Owners equity
- ii) Working capital
- iii) Borrowed capital

(3 x 1 =

3mks)

15. Ways in which government expenditure stabilizes the economy of a country include:

- i) Provision of security: This creates an enabling environment for economic activities
- ii) Creation and maintenance of administrative departments: These are created for effective operation of a country's economy e.g. salaries
- iii) Social services: This enhances the welfare of the population for effective participation in economic activities.
- iv) Spending on infrastructure - It improves efficiency in production and distribution of goods and services in the economy.
- v) Advancement of non-interest earning capital to entrepreneurs during economic recess
- vi) Provision of basic growth and services through subsidies.
- vii) Promoting local industries

16. Problems associated with development planning include:-

- i) Inadequate data
- ii) Inadequate funds
- iii) Inadequate supply of specialists
- iv) Political instability (conflicts)
- v) Conflict of interests
- vi) Inaccurate data
- vii) Overambitious plans
- viii) Natural catastrophes
- ix) Lack of political goodwill
- x) Donors withdrawal

17. Services that a wholesaler may offer to a manufacturer include:
- i) Links the manufacturer with the retailers
  - ii) Breaks bulk on behalf of manufacturer/preparing for sale
  - iii) Provides storage on behalf of a manufacturer
  - iv) Provides working capital when they pay for goods
  - v) Assists in distribution of goods/offering transport
  - vi) Promoted the products on behalf of the manufacturer
  - vii) Relieves the manufacture off some risks e.g price of fluctuations, expiry of goods
  - viii) Offers valuable information about goods
18. The flower exporter would choose air transport over sea due to the following reasons
- i) Air transport is faster
  - ii) Flowers are perishable require faster means
  - iii) Flowers have a very high per unit value
  - iv) Security of air transport is relatively high
  - v) Flowers are light in weight
  - vi) Flowers are not bulky
19. The letters represent
- i) P - Income per capital
  - ii) S - Population
  - iii) R - Under population
  - iv) Q - Optimum population/optimum per capita

20. Salaries Expenses account

Dr.		Cr	
Balance b/d	24,800	Profit/loss a/c	20,600
Cash	48,200	Balance c/d	52,400
	73,000		73,000
	<u>          </u>		<u>          </u>
	<u>          </u>		<u>          </u>
	<u>          </u>		<u>          </u>

(5 x 1 = 5mks)

21. Circumstances under which one would decide to start a personal business include

- i) Where there is need to create employment
- ii) Where additional income is needed
- iii) Where there is need to apply business skills acquired
- iv) Where there is need to invest surplus funds
- v) Where one has a business idea to implement
- vi) Where one wants to become own boss
- vii) Where there is a machine/gap
- viii) Where there is need to used talent
- ix) Where there is need to use of spare time

22. Ways in which a business idea can be implemented include:

- i) Creating a new good (waste materials)
- ii) Improving on an existing good (quality)
- iii) Improving the process of production (efficiency)
- viii) Discouraging unnecessary noise
- ix) Provision of adequate furniture and equipment

- x) Provision of welfare facilities (tea, soft music, lunch, radio etc)
- xi) Provision of special facilities for the disadvantaged
- xii) Safety measures (stickers on walls - warning)

23. Measure that manager can take to improve the working environment in the office include:

- i) Provision of proper and adequate lighting
- ii) Maintaining tidiness in the office/cleanliness/neatness
- iii) Provision of proper ventilation
- iv) Provision of relevant furniture and equipment
- v) Beautifying the office to give it a pleasant appearance

vii) Provision of smoking zones (any 5 x 1 = 5mks)

**Alternative answers**

Fair remuneration/salaries

Paying salaries on time

Involving workers in decision making

Organising seminars/training/workshops

Promotion on merit/rewards

Avoid discrimination

Offering fringe benefits (housing, transport, health e.t.c)

Opening communication channels

Clear job description and specification

Sensitize workers on work ethics

24. Challenges that may be faced when using a cell-phone (mobile phone) include:

- i) May be damaging to the ears
- ii) Are relatively expensive to acquire
- iii) Calls or messages sent may be tapped
- iv) Its use may be limited where there is lack of network
- v) May not be used under certain circumstances e.g. banking halls, public service, vehicles etc
- vi) Possibility of loss of handset to thieves.
- vii) Relatively expensive to operate
- viii) Requires constant charging
- ix) Prone to misuse e.g. frauds
- x) Channel overloads (network congestion)
- xi) Difficult to operate (literacy)

(Any 4 x 1 = 4

mks)

25. The curves represented are:

- i) a is marginal cost curve (MC)
- ii) b is average cost curve (AC)
- iii) c is a average revenue curve/demand curve/price (AR)
- iv) d is marginal revenue curve. (4 x 1 = 4mks)

**MARKING SCHEME 2011**

**33.0 BUSINESS STUDIES (565)**

**Types of wholesalers**

- (a) Specialized wholesaler
- (b) Regional wholesaler
- (c) Rack jobbers
- (d) General line wholesaler (4 x 1 mark = 4 mks)

**Factors to consider before buying office equipment include:**

- (a) space available
- (b) use of which it be put
- (c) technological trends in the industry
- (d) funds available
- (e) skills available

(Any 4 x 1 mark = 4 mks)

**Malpractices by traders against which consumers may need protection by the government include:**

- (a) selling of contraband goods
- (b) overcharging
- (c) selling under weight goods
- (d) selling expired goods
- (e) giving misleading information about the product
- (f) hoarding

(Any 4 x 1 mark - 4 mks)

**Features of insurable interest include:**

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- (a) presence of property rights or interest
- (b) potential insurable risk must be present
- (c) the property must have monetary value
- (d) the insurable risk must be legal
- (e) there must be the possibility of suffering financial loss in case of a risk happening

(Any 3 x 1 = 3 mks)

Ways of reducing the level of unemployment in Kenya include:

- (a) encouraging self-employment
- (b) establishment of more labour intensive Industries
- (c) impart the right skills through education and training
- (d) expanding the market for agricultural goods
- (e) exporting surplus manpower

(Any 4 x 1 mark = 4 mks)

Services offered by a commercial bank to its customers include:

- (a) acceptance of deposits
- (b) safeguarding valuable items
- (c) advancing loans
- (d) offering management and consultancy services
- (e) advisory services on financial matters
- (f) foreign exchange services

Sources of public finance include:

- (a) taxes
- (b) licences
- (c) court fines
- (d) donor aid
- (e) fees
- (f) treasury bonds and bills

(Any 4 x1 mark = 4 mks)

Reasons why countries may trade with each other include:

- (a) to sell their surplus
- (b) to enhance bilateral ties
- (c) to acquire what they are not able to produce
- (d) protect special interest
- (e) to improve the quality of life of their citizens/improve access to a variety of goods

(Any 4 x1 mark = 4 mks)

Reasons why economic development is desirable to a country include:

- (a) improve standard of living of the citizens
- (b) improve infrastructure
- (c) create employment
- (d) increase life expectancy
- (e) reduce rural-urban disparity
- (f) improve the social welfare of citizens

(Any 4 x1 mark = 4 mks)

Factors of production and rewards they earn:

Factor of production	Reward
(a) Land	Rent
(b) Labour	Wages/salaries
(c) Capital	Interest
(d) Entrepreneur	Profits

(4x1 mark = 4 mks)

Circumstances under which a co-operative society may be dissolved include:

- (a) by Government order
- (b) where the co-operative continuously make losses
- (c) where stipulated majority of members agree to dissolve it
- (d) by a court order
- (e) where the co-operative society has achieved objectives for which it was formed

mark = 4 mks)

(Any 4

Features of a bonded warehouse include:

- (a) mostly located at points of entry into a country like the ports
- (b) stores Goods that are under bond
- (c) guarantees payment of customs duty to customs authority
- (d) very spacious to accommodate even bulky goods like motor vehicles
- (e) must issue release warrants to owners of goods for customs clearance
- (f) works hand in hand with customs officials for inspection of goods

(Any 4 x 1 mark = 4

mks

13. Factors that may be considered when measuring the size of a firm include:

- (a) the level or volume of output
- (b) the number of employees
- (c) the capital invested
- (d) the production methods (technology) used
- (e) the market served
- (f) the floor area covered by the firm's premises
- (g) the sales volume

Any 4 x 1 mark = 4 mks

Ledger account

Slim traders account	Kshs
March 10: Purchase	200,000

Shah traders account	Kshs
March 25: Sales	420,000

Purchases account	Kshs
March 10: Sallim traders	200,000

Sales Account	Kshs
March 25: Sha traders	420,000

(4 x 1 mark= 4 mks)

Amount paid

	Kshs
Invoice price	12,000
Less: Trade discount (12,000 x 5%)	600

11,400

Less : Cash discount

(11,400 x 10%)

10,260

(4

x 1mark= 4 mks)

Calculation of rate of returns on capital

$$C = A - L$$

$$500,000 - (150 + 100,000)$$

$$= 500,000 - 250,000$$

$$= 250,000$$

$$\text{Roroc} = \frac{np}{C} \times 100$$

C

$$\frac{50,000}{250,000} \times 100$$

$$20\%$$

$$20\%$$

8x 1/2mks =

4mks

Amina traders

Trading account

For the year ended 31<sup>st</sup> December, 2006

	Kshs	Kshs		Kshs
opening stock		75,000	sales $\frac{320,000}{125} \times 100$	
purchases	260000			400,000
add; carriage	12500	272,000		
		347,500		
less; closing stock		27,500		

cost of goods sold		320,000		
gross profit		80,000		
<u>320,000</u> x 25		400,000		
100,000				400,000

Benefits that a farmer may get by transporting her produce to the market by road include:

- (a) Relatively flexible
- (b) Relatively cheap
- (c) Relatively available
- (d) Relatively fast
- (e) Variety of means of road transport

(Any 4 x 1 mark = 4 mks)

Causes of the declining supply of sukuma wiki include:

- (a) fall in the price of kales (sukuma wiki) may have discouraged producers (farmers) as they opt to produce other goods
- (b) there may have been an outbreak of diseases affecting the sukuma wiki
- (c) there may have been prolonged drought which affects the sukuma wiki
- (d) there may have been increased cost of farm inputs like fertilizer and seeds
- (e) the farmers could be using inappropriate technology to produce the sukuma wiki
- (f) this may just be the ploughing time and many farmers have not yet planted sukuma wiki

(Any 4 x 1 = 4 mks)

Ways in which households may contribute to national income of a country include:

- (a) consumption of goods
- (b) payment of taxes
- (c) provision of factors of production
- (d) provision of savings for investment

Circumstances in which a trader may use oral communication include:

- (a) when there is need to negotiate a deal
- (b) when there is need to explain the use and features of a product
- (c) when there is need for immediate feedback
- (d) when there is need to give an immediate compliment
- (e) when selling over the counter

Reasons why a firm may remain small include:

- (a) Target market is small
- (b) Limited production capacity
- (c) Nature of the product
- (d) Owner's decision to remain small
- (e) Inadequate appropriate technology

Two-column cash book for the month of January

<b>RECEIPTS</b>				<b>PAYMENTS</b>			
Date	Details	Cash	Bank	Date	Details	Cash	Bank
		<b>Ksh.</b>	<b>Ksh.</b>			<b>Ksh.</b>	<b>Ksh.</b>
2007				2007			
Jan 1	Balance b/d	25,250	-	Jan 1	Balance b/d	-	150,000
5	Sales	21,500	-	28	Creditor	-	80,000
16	Debtor		360,000	28	Creditor	20,000	-
				31	Balance c/d	26,750	130,000
		46,750	360,000			46,750	360,000
Feb 1	Balance b/d	26,750	130,000				

(10 x ½ mark = 5 marks)

Benefits that accrue to a trader who advertise products in a newspaper include

- (a) wide coverage - message can reach a lot of people
- (b) evidence of the message exists
- (c) graphical details can be included
- (d) a trader has a chance to compete with other traders
- (e) a trader has a chance of increasing sales

Calculation of the increase in consumer price index

Base year 2006 = 100 %

$$\frac{1600}{1200} \times 100 = 133\%$$

1200

Increase (133-100) = 33%

4 x 1 mks =

4mks)

### MARKING SCHEME 2012

#### 5.6 BUSINESS STUDIES 1 (565)

1. Circumstances under which cash with order may be used include:

- (a) When the business is being conducted through post/mail order business.
- (b) When the buyer is new to the seller.
- (c) When the buyer's credit worthiness is in doubt.
- (d) When it is the seller's policy not to advance credit.
- (e) When the seller wants to avoid the high cost of debt collection.
- (f) When the seller needs working capital.

- (Any 4 x 1 = 4 mks)

2. Benefits that a farmer may derive from being a member of a producer co-operative society include:

- (a) May receive inputs e.g. fertilizer at fair prices.
- (b) The society may get better prices for the member's produce.
- (c) May get transport facilities for produce to the market.

- (d) May get better storage facilities for the produce.
- (e) The society may grade, package and process the produce for the member.
- (f) May receive input on credit from the society.
- (g) Can acquire skills on better methods of production.
- (h) May get dividends earned on shares held. *(Any 4 x 1 = 4 mks)*

3. Benefits of globalization to a business enterprise include:

- (a) Facilitates application of better technology for improved products.
- (b) Encourages collaboration among businesses from different countries.
- (c) Makes it possible to share new production techniques among the countries of the world.
- (d) The business accesses a wider market.
- (e) Facilitates the sharing of research findings by business globally.
- (f) Enables business enterprises to take advantage of resources found in other parts of the world without relocating there.

*(Any 3 x 1 = 3 mks)*

4. Ways in which consumers may protect themselves against exploitation include:

- (a). Inspecting goods before buying.
- (b) Enlightening themselves about their rights as consumers.
- (c) Familiarizing themselves with the obligations of traders.
- (d) Forming consumer associations.
- (e) Reporting cases of exploitation by traders to relevant authorities.
- (f) Avoiding traders identified as exploiters.
- (g) Demonstrate peacefully against the exploiter,
- (h) Complain through the media.

*(Any 4 x 1 = 4 mks)*

5. Circumstances under which the following communication services may be used are:

- (i) Paging - when there is need to call a person to attend to an emergency in a specific location.
- (ii) Facsimile (fax) - where there is need to send a copy of a printed document urgently,
- (iii) Radio call - when there is need to give co-ordinated information through a central point.

**(3x1=3 mks)**

6.

Marigi Traders

Trading Account

for the year ended 30<sup>th</sup> June 2009

	Shs	Shs
Opening Stock	165,000	Sales
Add: Purchases	720,000	
Cost of goods available for sale	885,000	
Less: Closing stock	100,520	
Cost of goods sold	784,480	
	196,120	
Gross profit /- x 980, 600)		
	980,600	980,600

**(10 x ~f = 5 mks)**

7. Tools of monetary policy that may be used by a government to reduce excess money in circulation include:
- (a) Open market operations - to sell government securities through the Central Bank.
  - (b) Bank rate - raising interest rate on loans to banks.
  - (c) Cash/Liquidity ratio can be raised for commercial banks.
  - (d) Directives - can be given to commercial banks to charge higher interest

rates on credit.

- (e) Raising margin requirement - raise the value of assets required as security for loans.
- (f) Selective credit control - freeze lending to some sectors of the economy.
- (g) Increase compulsory deposits made by banks to the central bank,
- (h) Use moral persuasion to reduce the supply of money. *(Any 4x1=4 mks)*

8. Circumstances under which each of the following types of inflation may

occur include: (i) Creeping inflation

- (a) When the general price levels rise gradually over a period of time usually at single digit.
- (b) Where the value of money tends to be stable over time and the effects on the economy is not severe.

*(Any 1x2 = 2 mks)*

(ii) Hyperinflation

- (a) Where the general price levels rise at high rate usually more than two digits.
- (b) Where there is drastic loss in the value of money and the effect on the economy is very severe.

*(Any 1x2 = 2 mks)*

9. Forms of economic integration include:

- (a) Common Markets - to have a common currency to increase free trade and full mobility of factors of production.
- (b) Free Trade Areas - where barriers such as tariffs and quotas are removed.
- (c) Customs Unions - member countries charge common external tariffs.
- (d) Economic Union - where common economic institutions like banks are set to deal **with** monetary policy.

*(4x1=4 mks)*

10. Problems of development planning that a country may experience include:

- (a) Inadequate data on economic performance.
- (b) Unreliable data which may not be useful in planning.
- (c) **Less** qualified personnel to cope with the tasks of development planning.
- (d) Private sector activities are not easily coordinated.
- (e) Political rigidity.
- (f) Inappropriate use of technology.
- (g) Unplanned population.
- (h) Over-reliance on donor funding.

*(Any 4 x 1 = 4 mks)*

11. Benefits that a farming community would get from Nyaboke's shop include:

- (a) They can buy farm inputs from the shop.
- (b) They can buy consumer goods from the **shop**.
- (c) They can get goods on credit.
- (d) They can sell some of the farm produce to Nyaboke.
- (e) The shop can be used as a communication centre.
- (f) The shop can offer employment opportunities.
- (g) The shop ensures steady supply of goods to them.

*(Any 4 x 1 = 4 mks)*

12. Features of indirect production include:

- (a) Goods are produced for sale.
- (b) Goods are produced in large quantities.
- (c) **There** is specialization in production.
- (d) High quality goods are produced.

- (e) Modern technology is extensively used.
- (f) Promotes interdependence.

*(Any 4 x 1 = 4 mks)*

13. Factors that may lead to the success of a business include:

- (a) Availability of capital.
- (b) Developed infrastructure.
- (c) Availability of skilled labour.
- (d) Government support.
- (e) Access to markets.
- (f) Aggressive marketing.
- (g) Proper management of the business.
- (h) Availability of security,
- (i) Political stability.

*(Any 4x1=4 mks)*

14. Ways in which a good filing system facilitates the operations in an office include:

- (a) Easy retrieval of information.
- (b) Office is kept tidy.
- (c) Information is preserved for future reference
- (d) Security of documents is ensured.
- (e) Facilitates quicker decision making.
- (f) Ensures confidentiality of information by controlling access by unauthorized people.
- (g) Saves on office space.

*(Any 4x1=4 mks)*

15. Benefits that a country gets by encouraging trade among her citizens include:

- (a) Facilitates exchange of goods between people from different regions.
- (b) Creates employment opportunities.
- (c) Earns tax revenue from businesses.
- (d) Enhances relationships between communities.
- (e) Opens up remote areas.
- (f) Encourages specialization.
- (g) Improves the standards of living for citizens.
- (h) The country is able to dispose off her surplus produce.

*(Any 4x1=4 mks)*

16. Challenges that may be encountered in measuring national income using the output approach include:

- (a) Deciding on what goods and services to include in measuring national income.
- (b) Inadequate output data.
- (c) Some activities earning income are considered illegal and not included in the measurement of national income.
- (d) Determining the value of national output.
- (e) How to value output in the subsistence sector.
- (f) Deciding on the price to use for the goods that have been kept as stock.
- (g) Problem of valuing government input as they are not factored at market rates.

*(Any 4x1=4 marks)*

17. Measures that a government may take to reduce the mortality rate in a country include:

- (a) Availability of modern medicine.

- (b) Improved standards of living.
- (c) Minimizing internal conflicts and wars.
- (d) Improving environmental sanitation.
- (e) Sensitization on public and personal hygiene,
- (i) Disaster preparedness e.g. on floods, fires.
- (g) Effect traffic laws to curb road accidents,
- (h) Control abuse of alcohol and drugs.

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

Highlife General Stores

**Balance Sheet as at  
31<sup>st</sup> December 2008**

	Shs	Shs		Shs	Shs
<u>Fixed Assets</u> Land and building			Capital		
Motor Van	650,000	800,000	Lone Term	870,000	
	<u>150,000</u>		Liabilities		
<u>Current Assets</u>		870,000	10 year bank loan	500,000	
Stock Debtors	470,000			220,000	80,000
Cash	350,000		Creditors Bank overdraft	300,000	
	50,000				
		1,670,000		1,670,000	

**(10 x -y = 5 mks)**

Entries to be made:

Credit entry. Credit entry. Debit entry. Debit entry.

(i) (ii) (iii) (iv)

**(4x1=4 mks)**

Documents to issue:

Invoice. Debit Note. Receipt. Credit Note.

(i)

(ii) (iii)

(iv)

**(4x1=4 mks)**

Conditions under which a warehouse may be considered to be operating efficiently include:

- (a) The warehouse should be conveniently located.
- (b) The warehouse should be managed by qualified personnel.
- (c) Operational procedures and guidelines should be in place.
- (d) Security systems should be in place.
- (e) Should have specialized buildings and equipment.
- (f) Should have good communication network.
- (g) Should ensure proper record keeping.

*(Any 4 x 1 = 4 mks)*

22. Advantages of promoting sales through the internet include:

- (a) A firm can advertise goods universally.
- (b) Access to world markets for increased sales.
- (c) Instant receipt of orders from all over the world.
- (d) Payment received through electronic fund transfer (EFT).
- (e) Reduced paperwork on customer records.
- (f) Reduced cost of sales promotion.

*(Any 4 x 1 = 4 mks)*

23. Methods of determining prices other than the forces of demand and supply include:

- (a) Bargaining/Haggling.
- (b) Abiding by government policy.
- (c) Tendering - offers are invited to quote for a price. Goods are sold to buyers with the quotation that best meets Zawadi's expectations.
- (d) Bidders make offers for goods and the bidder with the highest offer takes the goods (sale by auction).
- (e) Retail price maintenance - sell goods according to the dictates of the producer,
- (g) Can make use of written, audio, visual and motion facilities,
- (h) Offers faster delivery of adverts,
- (f) Price discrimination.

*(Any 4 x 1 = 4 mks)*

24. Factors that a firm may consider when deciding on the goods to produce include:

- (a) Expected demand - where demand is low, a firm will only produce a few goods or not produce at all.
- (b) Availability of capital resources - this would help decide on the level of production.

- (c) Time period - the firm must consider whether short or long term production is required.
- (d) Availability of labour - labour supply of the relevant skills would be required.
- (e) Cost of raw materials - the firm must consider availability and cost of buying and transporting raw materials.
- (f) Government policy - the firm must abide by the rules and regulations of the country.

*(Any 4x1=4 mks)*

25. Features of a perfectly competitive market include:

- (a) Large number of buyers and sellers.
- (b) The buyers and sellers have perfect knowledge of the market conditions.
- (c) No government interference in the market.
- (d) No transport costs are incurred.
- (e) Free entry and exit of firms.
- (f) There is perfect mobility of factors of production
- (g) Both buyers and sellers are price takers.
- (h) There is perfect mobility of factors of production.

*(Any 4x1=4 mks)*

#### **4.28.1 BUSINESS STUDIES PAPER 1 (565/1)**

##### **MARKING SCHEME**

1. Ways in which Business Studies may benefit an individual include:

- (a) Equips the individual with skills and knowledge to manage a business.
- (b) Prepares one for future career in business.
- (c) Enables one to relate issues affecting business to its environment.
- (d) Enables one to relate issues affecting business activities taking place globally.

- (e) Enables one to identify business opportunities to venture into.
- (f) Prepares one for further studies.
- (g) Enables an individual to think creatively and make sound judgement.
- (h) Makes an individual to appreciate the role of government in business.
- (i) Makes individual disciplined and have positive attitude towards work.

**Any 4 x 1 = 4 mks**

2. External factors that may influence the operations of a business negatively include:.

- (a) Unfair competition.
- (b) Inadequate technology.
- (c) Unstable political environment.
- (d) Unstable economic environment.
- (e) Unfavourable legal framework.
- (f) Unreliable supply system.
- (g) Strong consumer bargaining power.
- (h) Poor physical facilities and infrastructure.
- (i) Low population level.
- (j) Insecurity.
- (k) Unfavourable socio-cultural environment.
- (l) Natural calamities.

**Any 4 x 1 = 4 mks**

3. Characteristics of a successful entrepreneur include:-

- (a) Innovative and creative.
- (b) Hardworking.
- (c) Goal-oriented/desires to achieve.
- (d) Time conscious.

- (e) Self confident.
- (f) Risk taker.
- (g) Good decision maker.
- (h) A good net worker.
- (i) A good communicator.
- (j) Should be ethical.
- (k) Should be flexible.
- (l) Future oriented.

**Any 4 x 1 = 4 mks**

**4. Functions of the office include:**

- (a) Collecting information.
- (b) Receiving information.
- (c) Storing information.
- (d) Distributing information.
- (e) Production and reproduction of documents.
- (f) Centre for administration.
- (g) Mailing.
- (h) Communication centre.
- (i) safeguarding and controlling

**Any 4 x 1 = 4 mks**

**5.**

**6. (a) Households.**

- (b) Households.
- (c) Firms.

(d) Firms.

4 x 1 = 4 mks

7.

**Wekesa Traders  
Trial Balance  
As at 31st December, 2009**

Details	Dr	Cr
Capital		500,000
Buildings	200,000	
Cash in hand	20,000	
Furniture	25,000	
Motor vehicle	400,000	
Creditors		18,000
Debtors	36,000	
Bank	100,000	
Bank Loan		263,000
	781,000	781,000

8. Determining owner's capital.

$$C = A - L$$

$$= 2,240,000 - 750,000$$

$$= 1,490,000$$

4 x 1 = 4 mks

9. (a) Cyclical unemployment.

(b) Disguised/hidden unemployment.

(c) Structural unemployment/technological.

(d) Voluntary unemployment/real wage.

4 x 1 = 4 mks

Circumstances under which the capital of a business may change are:-

- (a) When the business makes profit.
- (b) When the business makes losses.
- (c) When the owner draws cash/goods for personal use/drawings.
- (d) When the owner makes additional investment into the business/additional capital.

**4 x 1 = 4 mks**

11. Meaning of the entries:

- (a) Bank overdraft.
- (b) Contra entry.
- (c) Cash received from debtor.
- (d) Closing cash in hand.

**4 x 1 = 4 mks**

12. (a) When correcting undercharge.

- (b) When demanding payment for goods supplied.
- (c) When correcting an overcharge for goods supplied/empty packaging returned/  
goods returned.
- (d) When replying to a specific letter of inquiry.

**4 x 1 = 4 mks**

13. Documents that may be required by the registrar of companies in order to register a

Public limited company include:-

- (a) Articles of Association.
- (b) Memorandum of Association.
- (c) Prospectus.

- (d) List of directors.
- (e) Declaration.
- (f) Statement signed by directors.

**Any 4 x 1 = 4 mks**

14. Measures that a country can take to reduce the level of inflation include:

- (a) Increase income taxes to reduce the disposable income available to consumers.
- (b) Reduce government expenditure.
- (c) Introduce compulsory saving schemes like Pension Fund.
- (d) Reduce exports.
- (e) Enforce wage guidelines to control wage increase.
- (f) Control prices by legislation.
- (g) Increase interest rates on loans.
- (h) Increase imports in case of shortages.
- (i) Raising the margin requirements.
- (j) Regulate printing and minting of money.
- (k) Use of buffer stocks to stabilize prices.

**Any 4 x 1 = 4 mks**

15. Factors that may make a producer to by pass the wholesaler when distributing goods include:-

- (a) Having own retail outlet.
- (b) Dealing in perishable goods like bread which require shorter channels.
- (c) Dealing in technical goods which require elaborate after sales services.
- (d) Consumers and retailers buying in large quantities.
- (e) Need to keep price of goods low.
- (f) Limited geographical spread of the market.

- (g) Government policy.
- (h) When the production is in small quantity.
- (i) Where the producer has enough storage facilities.
- (j) When goods are produced on order.

**Any 4 x 1 = 4 mks**

16. Benefits that a country would get by developing her infrastructure include:-

- (a) Attraction of foreign investment.
- (b) Creation of employment opportunities.
- (c) Improved security.
- (d) Improved health.
- (e) Increased production levels.
- (f) Enhanced movements of goods and services.
- (g) Increased per capital/ income.
- (h) Increased exploitation of available resources.
- (i) Increased entrepreneurial activities.
- (j) Easier/faster communication.
- (k) Reduced cost of production.
- (l) Enhanced industrialization.
- (m) Equitable development.

**Any 4 x 1 = 4 mks**

17. Benefits of a bonded warehouse to the government include:-

- (a) A source of data for planning purposes.
- (b) Enable the government to control entry of harmful goods.
- (c) Enable the government to inspect goods while still under bond.
- (d) Enables the government to regulate the quantity of imports.

- (e) The government uses it to check illegal goods entering the country.
- (f) A source of revenue from customs duty.
- (g) Enable verification of documents on transit.
- (h) Enable checking of the quality of goods.

**Any 4 x 1 = 4 mks**

18. Qualities of a successful sales person include:-

- (a) Has adequate product knowledge.
- (b) Is a good communicator.
- (c) Is sensitive to customer needs.
- (d) Has a high sense of integrity/honesty.
- (e) Is presentable (neat and well groomed).
- (f) Is persuasive.
- (g) Has a high level of commitment.
- (h) Good listener.
- (i) Have good command of language.
- (j) Polite and courteous.
- (k) Persistent and patient

**Any 4 x 1 = 4 mks**

19. Factors that may cause the supply curve to shift to the right include:-

- (a) Reduced cost of production.
- (b) Bumper harvest.
- (c) Increase in the price of complementary goods.
- (d) Government incentives to producers e.g. subsidy.
- (e) Entry of new firms into the market.
- (f) Reduced price of substitute goods.

- (g) Improved production methods.
- (h) Reduced incidences of industrial strikes.
- (i) Availability of the factors of production.
- (j) Future expectation of a fall in price.

**Any 4 x 1 = 4 mks**

20. Positive effects that production activities may have on community health include:-

- (a) Provision of safe products.
- (b) Provision of clean water.
- (c) A source of income which can be used to access medical services.
- (d) Provision of labour/occupation which leads to reduced stress and a chance to keep fit while working.
- (e) Provision of health facilities as a social responsibility.
- (f) Provision of recreational facilities.
- (g) Provision of health education to fight against diseases.
- (h) Provision of sewerage disposal plants which boosts community sanitation.
- (i) Planting trees to modify the environment.

**Any 4 x 1 = 4 mks**

21. Basic features of a market include:-

- (a) Availability of buyers.
- (b) Availability of goods/services.
- (c) A platform for conducting transactions.
- (d) Availability of sellers.
- (e) Availability of medium of exchange.
- (f) Freedom to buy and sell.

**Any 4 x 1 = 4 mks**

22. Features of a parastatal include:-

- (a) Provide essential services.
- (b) Not profit motivated.
- (c) Is formed by an Act of Parliament.
- (d) Is mainly funded by the government.
- (e) Is managed by government appointees.
- (f) Any surplus earned is surrendered to the government.
- (g) Has limited liabilities.
- (h) Attachment to a government ministry.
- (i) Can be dissolved only through an act of parliament.

**Any 4 x 1 = 4 mks**

23. Circumstances in which the government may be involved in business include:-

- (a) When a business venture requires investment of large sums of money which individual entrepreneurs may not provide.
- (b) When the goods or services to be provided are essential to the welfare of the citizens.
- (c) When there is need to protect citizens from exploitation by private entrepreneurs.
- (d) When the government desires to create employment for the citizens.
- (e) When the government needs to generate income through revenue collection.
- (f) When there is need to safeguard national security.
- (g) When the venture is strategic but provides low profits hence unattractive to private investors.
- (h) Where there are monopolies in the economy, the government gets involved in business to increase competition.
- (i) Where there is need to balance regional development.

- (j) To reduce foreign dominance in the economy.
- (k) Where there is need to attract foreign investment.

**Any 4 x 1 = 4 mks**

24. Factors that a trader may consider when choosing a means of transport include:-

- (a) Nature of goods - whether they are bulky, perishable or fragile.
- (b) Speed/urgency - where goods are to be delivered quickly.
- (c) Cost of transport - should be economical.
- (d) Distance to be covered.
- (e) Availability of the means.
- (f) Packaging requirements for the goods.
- (g) The risks involved.
- (h) Availability of terminals.
- (i) Reliability of the means.
- (j) Flexibility.
- (k) Comfortability.
- (l) Need for special services.

**Any 4 x 1 = 4 mks**

25. Reasons for privatizing public corporations.

- (a) To improve efficiency in their operations.
- (b) To generate revenue to the government through sale of shares and taxes.
- (c) To enhance competition.
- (d) To increase public participation in economic activities of the country.
- (e) To reduce government expenditure.
- (f) To comply with conditions set by development partners and international donor agencies.

- (g) To enable the government to concentrate on other state responsibilities.
- (h) To minimize political interference.

**Any 4 x 1 = 4 mks**

**BUSINESS STUDIES 2014**  
**MARKING SCHEME PAPER 1**

Features of human wants as described are;

Insatiable/unlimited/endless

Recurrent /repetitive

Complementary

Competitive/require resources

(4x1=4 marks)

Occupations that relate to the production activities are;

Extraction:           i) Mining

ii) Fishing

iii) Lumbering

iv) Farming

v) Hunting /gathering

vi) Quarrying

(any 2x ½ = 1 mark)

Construction:           i) Bridge making

- ii) Road construction
- iii) ship building
- iv)Masonry/house building
- v)Carpentry
- vi)Plumbing

(any 2x ½ = 1 mark)

Direct services: i) hairdressing

- ii)Teaching
- iii)Health care
- iv)Entertaining
- v)Pastoral care
- vi)legal services

(any 2x ½ = 1 mark)

(Total = 3 marks)

Tasks that may be carried out by a receptionist in an office include;

- Receiving visitors to the organization/attending to customers
- Receiving telephone calls
- Taking and passing messages
- Dealing with simple petty cash for purchase of newspapers, etc
- Supervising messengers and posters
- Keeping simple record of visitors and staff attendance
- Distributing publication by the organization
- RE-routing telephone calls
- Directing visitors

Handling appointments for the organization

(any 4x1 = 4 marks)

Circumstances in which a cheque may be used as a means of payment include;

When the amounts involved in the transaction are high

When the seller insists on payment by cheque

When evidence of payment is required

When payment is to be directed into the payee's account

When the terms of sale is cash with order

When there is need to ensure safety of the money being transferred

When using credit transfer means of payment

Government policy

(any 4x1 = 4 marks)

Activities that may be carried out in a stock exchange market include;

Buying of shares

Mobilising savings for investment

Listing of companies

Issuing of new securities/raising capital

Publication of statistical information

Advising investors

Selling of shares

Fixing prices of security

Availing variety of securities

Transfer of securities

(any 4x1 = 4 marks)

Features of liners in sea transport include;

Ferry passengers or cargo

Follow a regular time table/schedule

Call at ports at regular intervals

Follow a regular route

Form associations/conference to protect themselves against unfair competition

Charge fixed freightage and fare regardless of demand

Liners call at specific parts

(any 4x1 = 4 marks)

Types of information that a manager may pass to the juniors include;

Instruction/directions

Explain policies of the organization

Five procedures to be followed in carrying out duties

Information on performance of juniors (evaluation/appraisal)

Invitation to meetings

Allocation /delegation of duties

Motivating /inspiring juniors

Giving solutions to juniors issues/advice/clarification of issues

Information on discipline

Induction orientation and training

Communicating any charges in the organization

Communicating appointments/interviews of new employees

(any 5x1 = 5marks)

Meaning of terms;

Insured

Is an individual or business unit that signs an insurance contract to be covered against a risk of loss and can therefore be compensated in the event of the loss occurring

Insurance:

Is an arrangement (an agreement/contract) in which the insured pays premiums to the insurer so as to be compensated in case of loss occurring as a result of insured risk/protection against risk

(2x2 = 4 marks)

Indicating whether factors cause movement along the demand curve or a shift of the demand curve

Shift of the demand curve

Movement along the demand curve

Shift of the demand curve

(3x1 = 3 marks)

Roles played by the broker in the chain of distribution include;

Linking the buyer and the seller

Bargaining for the principal

Passing information between the principal and the client

Facilitating access to a variety of goods and services to the buyer

Providing an avenue for the seller to access many buyers

Giving advice to buyers and sellers on market trends

(any 4x1 = 4marks)

Factors represented by the arrows labeled a and b are;

i. payment for factor inputs

Goods and services

(2x1=2marks)

i) Payment for goods and services

ii) Factor services/inputs/factors of production

(2x1=2marks)

(total = 4 marks)

Missing figures

CA = 155,000

C = 73,600

FA = 138,600

L = 335,620

(4x1 = 4marks)

Mheshimiwa's

Trial balance as at 31<sup>st</sup> May 2010

Details	Dr. (Shs)	Cr (Shs)
Purchases	3880	
Sales		3350
Returns outwards		150
Returns inwards	160	
D Simola (Debtor)	2550	
P Mwende (creditor)		3100
Wages	800	
Cash	960	
Capital		1750
	8350	8350

(10 x ½ = 5 marks)

The columns

V is Folio

W is Discount allowed

X is Cash

Y is Bank

(4x1 = 4marks)

Functions of the international Bank of reconstruction and development include;

- Provision of finance to member countries to foster economic development/grants/aid
- Issuance of loans to developing countries at concessionary rates for project development
- Provision of personnel to facilitate project appraisal/manpower
- Provision of experts to implement and manage identified projects
- Training of local personnel in project appraisal and implementation
- Supervise member countries management of public finance
- Approving development plans from member countries/funding
- Promotes long term growth in I.T e.g removal of trade barrier
- Stabilizing exchange rates
- Advances money to finance B.O.P deficits
- Discuss economic challenges and recommends solutions

(any 4x1=4 marks)

Disadvantages of barter trade include;

- Lack of double coincidence of wants
- Indivisibility of some goods
- Perishability of some goods/lack of store value
- Difficult to measure value
- Problems of portability of some goods

Lack of standard for making deferred payments

Lack of unit of account

(any 4x1=4 marks)

Recording transactions into the general journal

Date	Particulars	Folio	Dr	Cr
2010			Shs	Shs
Oct. 10	K Likia Stationery (sale of stationery on credit)		3,000	3,000
Oct. 23	Motor vehicle Onjwaria motors (purchase of motor vehicle on credit)		700,000	700,000

(4x1=4 marks)

Levels of inflation are:

Hyper inflation/runway inflation

Galloping inflation/rapid inflation

Stagnation

Creeping inflation/mild/moderate/gradual/persistent

(4x1=4 marks)

Characteristics of underdevelopment that are common among countries in Africa, Latin, America and Asia include:

Low per capital income

high population growth rate

Poor standards of living/poverty  
Low literacy levels  
High levels of unemployment  
Poor health care  
Low life expectance  
Over reliance on primary level of production  
High dependency ratio  
Poor infrastructure  
Poor/low technological levels/low productivity levels  
Large income disparity  
Low levels of labour productivity/skills  
Poor governance  
Over reliance on foreign aid  
Under utilization of resources  
Low levels of savings and investments  
Outdated culture practices  
High subsistence levels of production

(any4x1=4 marks)

Factors in the internal environment that may influence the operations of a matatu business include;

The management /styles/business structure  
Employees  
Capital/finance/business resources  
The owner eg (objectives)  
Marketing strategy/handling of customers

Research and development

Condition of the vehicle

Business culture

Technology e.g car track, cashless payment

(any4x1=4 marks)

Reasons for which businesses should observe ethical practices include;

To ensure fair competition

To protect consumers

To protect the environment

To protect the rights of employees

To promote social responsibility

To maintain a positive image

To abide by the country's laws

To maintain suppliers

To promote positive cultural practices

To avoid discrimination in business

(any4x1=4 marks)

Merits of promoting products through personal selling include;

Enhances personal appeal between the buyer and the seller

Can effectively counteract customers negative attitudes towards the product

Questions and complaints from customers are channeled directly to employees of the company and not middlemen/one is able to clarify issues

Demonstration on the use of the goods can easily be done

Flexibility in presentation to suit customer needs e.g negotiate new terms of sale

Provide immediate feedback from and to the clients

Effective in conducting market research

One is able to persuade and convince customers

Can be directed to a specific target group

Enhances customers loyalty to future sales

One can get direct orders or sales

Buyers make informed decisions

Takes care of literate and illiterate customers

(any4x1=4 marks)

Calculating Kiboko initial capital

$$\begin{aligned} \text{IC} &= \text{CC} + \text{D} - \text{P} - \text{A1} \\ &= 7,000,000 + 400,000 - 3,100,000 - 800,000 \\ &= \text{Ksh. } 3,500,000 \end{aligned}$$

(6x1/2 = 3 marks)

Positive implications of a youthful population to an economy include;

less expenditure on social security and pension\

Wider market for goods meant for the youth like clothing

Guaranteed continuous supply of labour

Flexibility and adaptability to technological changes which improve production

Faster growth of some sectors like the music, fashion and fast food industries

Increased innovation due to their adventurous nature/encourage entrepreneurial culture

highly mobile labour force

Availability of diverse talents

Energetic and highly productive team

Trading Account

for the year ended 31 December 2012

	Shs		Shs
Opening stock	57,140		23,498,000
Add: purchases	16,290,000	Less: Returns in	27,200
GAFS	16,347,140	Net sales	23,470,800
Less: Closing stock	86,340		
COGS	16,260,800		
GP/cd	7,210,000		<u>23,470,800</u>
	<u>23,470,800</u>		

(10x ½ = 5 marks)

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