Name \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 Class \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ ADM No \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

565/1

BUSINESS STUDIES

PAPER ONE

TIME 2 HOURS

 **FORM 4**

 **Kenya certificate of secondary education (K.C.S.E)**

**Instructions**

1. Answer all the questions in the space provided in this booklet
2. This paper contains 25 questions.

**FOR EXAMINERS USE ONLY**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Question**  | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** | **11** | **12** | **13** |
| **Candidates score**  |  |  |  |  |  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Question**  | **14** | **15** | **16** | **17** | **18** | **19** | **20** | **21** | **22** | **23** | **24** | **25** | **26** |
| **Candidates score**  |  |  |  |  |  |  |  |  |  |  |  |  |  |

**TOTAL SCORE**

1. Classify the following businessEnvironments as either internal or external. **(4 marks)**

 Environment

|  |  |
| --- | --- |
| Business cultureDemography PoliticsPhysical facilities |  |

1. State **four** negative implications of population increase in an economy. **(4 marks)**

 **………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………..** **……………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………**

1. Highlight circumstances under which the following chain of distribution are used. **(4 marks)**
2. Manufacturer – consumer

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1. Manufacturer –retailer – consumer

**………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………**

1. Producer – marketing board - consumer

**………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………**

1. Manufacturer – agent – consumer

**………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………**

1. Highlight **four** factors that may have led to the shift in the demand curve from D0D0 to D1D1 **(4 marks)**

 DO

 D1

 DO

 D1

 0

 **………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………..**

1. The following balances were extracted from the books of Oyuga furniture shop for the year ending 31st December, 2008.

|  |  |
| --- | --- |
|  | Ksh |
| Bank Rent DebtorsCreditorsDrawingsCashStock  | 250,000 25,000 100,000 125,000 50,000 75,000 400,000 |

 Calculate the value of capital and then prepare his trial balance as at 31st December 2008. **(4 marks)**

1. Outline **four** circumstances under which a Proforma invoice may be used. **(4 marks)**

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1. Highlight **four** diseconomies of scale that a firm may experience in its expansion. **(4 marks)**

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1. The following balances were extracted from the books of Martin Investment on 31stDecember, 2008.

|  |  |
| --- | --- |
|  | Ksh |
| DebtorsCreditorsPrepaid rentBank Cash Bank loanFixed assets Stock  | 700,000 100,000 85,000 100,000 50,500 750,000 2, 700,000 214,000 |

Prepare Martin Investment balance sheet as at 31st December 2008. **(4 marks)**

1. Listed below is a set of transactions in each case state whether the transaction will increase, decrease or have no effect on capital **(4 marks)**

|  |  |
| --- | --- |
| Transaction | Effect |
| 1. Sale of old motor at a loss
 |  |
| 1. Purchase of stock on credit
 |  |
| 1. Paid wages in cash Kshs 10,000
 |  |
| 1. Owner invested additional cash into business
 |  |

1. State **four** purpose of three column cash book. **(4 marks)**

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**………………………………………………………………………………………………………………………**

1. State **four** sources of monopoly power. **(4 marks)**

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1. State **four** factors that influence the level of national income in a country. **(4 marks)**

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1. Identify **four** features of public corporations. **(4 marks)**

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1. Outline **four** reasons why an ageing population may not be desirable to a country. **(4 marks)**

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1. Outline **four** roles played by the insurance industry in the development of business activities in the

 Country. **(4 marks)**

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1. State **four** factors that should be considered when determining the size of the firm. **(4 marks)**

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**………………………………………………………………………………………………………………………**

1. State **four** reasons why it is important for a business to maintain a ledger book. **(4 marks)**

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1. State **four** methods other than demand and supply forces that may determine the price of a product. **(4 marks)**

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1. Outline **four** factors that may course trial balance not to agree. **(4 marks)**

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**………………………………………………………………………………………………………………………**

1. State **four** factors a producer must consider when making a decision to produce a good or a service. **(4 marks)**

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**………………………………………………………………………………………………………………………**

1. Highlight **four** factors that may influence fertility rate of a population. **(4 marks)**

**………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………**

1. Outline **four** courses of unemployment in a country. **(4 marks)**

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1. Mention **four** factors that should be considered when deciding an office layout. **(4 marks)**

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1. Highlight **four** circumstances under which personal selling would be used by aseller.**(4 marks)**

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**………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………**

1. Match the following statement with the appropriate business. **(4 marks)**

|  |  |
| --- | --- |
| **Statement** | **Business** |
| 1. Self-selection store dealing with variety of products.
2. Stores which are centrally owned and managed.
3. Stores which carry business though mail
4. Shops that sell goods from a particular manufacturer only.
 |  |

**MARKING SCHEME BUSINESS STUDIES PAPER 565/1**

* 1. Internal
	2. External
	3. External
	4. External**4x1=4 mks**
1. **High dependency ratio as majority of people are dependant**
* Declining standards of living
* Unemployment due to low economic development
* Social problems due to overcrowding in residential areas
* Shortages especially of food, due to increased population
* Pressure on existing social amenities
* Reduced government investment on development projects due to need to provide social amenities
* May lead to inflation due to excess demand for the products**4x1=4 mks**
	1. Manufacture ---------- consumer
* When goods are perishable
* When goods are urgently needed
* When goods are few/small in quantity
* When producer has his own retail outlet
* Where government decides so
	1. Manufacture ------- Retailer--------consumer
* When producer is new in the market
	1. Producer Marketing board consumer
* Where the producer has less finance to market his goods
	1. Manufacturer - Agent – consumer
* When the manufacturer exports products to foreign markets

 **4x1=4 mks**

1. **Factors that may lead to demand curve to shift from D o D o to D1 D 1**
* Decrease in consumer’s income
* Increase in price of complements
* Decrease in population
* Decrease in tax
* Negative tastes and preference
* Uneven distribution of income
* Unfavorable terms of sales **4x1=4 mks**
1. Oyuga Furniture Shop

Trial balance

As at 31st December, 2008 **4x1=4 mks**

|  |  |  |
| --- | --- | --- |
| Title of Account | Dr | Cr |
| BankRentDebtorsCreditorsDrawingsCashStock capital | Ksh250,00025,000100,00050,00075,000400,000\_\_\_\_\_\_900,000 | Ksh125,000775,000900,000 |

1. **Four circumstances under which a pro-forma invoice is used**
* Where the buyers credit worthiness is in doubt
* Where the goods are sold through an agent
* Where trader does not want to sell goods on credit
* Where a quotation was not sent to the buyer
* To show the buyer what to pay in case he decides to buy the goods**4x1=4 mks**
1. **Diseconomies of sale that a firm may experience in its expansion**
* Management diseconomies
* Inadequate raw materials
* Lack of skilled labour
* Power shortages and rationing
* Inadequate space for expansion
* Congesting
* Over production leading to low market and profit**4x1=4 mks**
1. Martin Investment

Balance sheet

As at 31st December 2008

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Kshs |  | Kshs | Kshs |
| Capital Long-term liabilities Bank loan Current liabilities  | 3,000,000750,000100,000 | Fixed AssetsCurrent AssetsStock DebtorsPrepaid rent Bank Cash  | 214,000700,00085,000100,00050,000 | 2,700,0001,150,000 |
|  | 3,850,000 |  |  | 3,850,000 |

1. A. decreased

b. no effect

c. no effect

d. increased **4x1=4 mks**

1. **Purpose of a three-column cash book**
* It relieves the main cash book from being overcrowded with many transaction
* It shows the amount of impress maintained by a business
* It reduces fraud in an organization
* It relieves the main cashier from petty cash transactions **4x1=4 mks**
1. **Sources of monopoly power**
* Ownership/control of important input in production
* Size of market
* Additional cost by other firms
* Production rights
* Firms combining
* Restrictive practices e.g. limit pricing to push other out of the market

 **4x1=4 mks**

1. **Factors influencing the National income level of national income.**
* Availability of natural resources in a country
* The size of the population that is gainfully employed
* Entrepreneurial ability
* Level of technology
* Positive attitude towards work
* Investment from foreign countries
* Availability of capital**4x1=4 mks**
1. **Feature of public corporation**
* Formed by act of parliament
* Established to provide essential services
* They have limited liabilities
* Run by board of directors
* Appointed by the government
* Initial capital provided by government **4x1=4 mks**
1. **Disadvantages of an aging population**
* Low labor supply
* High dependency on working population
* Less provision of mobile leader force
* Unemployment due to fall in demand and services required by youth**4x1=4 mks**
1. **Role played by insurance industry**
* Creates confidence in the investors for taking up risky but profitable business
* Encourages savings that can be borrowed for business purposes
* Life assurance policy can be used by security
* Enables continuity of business through compensation
* The government gets revenue
* Provides job opportunities**4x1=4 mks**
1. **Factor to consider when determining the size of affirm**
* The volume of the output
* The number of employees
* The amount of capital
* The market share
* The sales volume
* The production methods**4x1=4 mks**
1. **Reasons why it is important to maintain a ledger**
* Record various business transactions for reference
* Facilitate preparation of trial balance for final accounts
* It shows increases and decreases of business items
* To compute the values of business items **4x1=4 mks**
1. Methods of determining prices, other than demand and supply
* Price controls
* Use of taxation
* Use of government subsidies
* Auction
* Tendering**4x1=4 mks**
1. **Factors that may cause a trial balance not to agree**
* Error of addition
* Over casting errors
* Under casting errors
* Wrong balancing of accounts
* Wrong entry into the trial balance
* Posting wrong figures**4x1=4 mks**
1. **Factors to consider when making a decision to produce a good or a service**
* Consumer preferences
* Government policies
* Level of technologies
* Social cultural factors
* Environmental issues
* Level of competition**4x1=4 mks**
1. **Factors that may influence fertility role**
* Social economic consideration
* Health and education
* Age, sex structure
* Cost of bringing up children
* Government policy

 **4x1=4 mks**

1. **Causes of unemployment**
* Rapid population growth
* Low demand for goods/services
* Job selection syndrome
* Use of inappropriate technology
* Seasonality of jobs**4x1=4 mks**
1. **Factors to be considered when deciding office layout**
* Work flows
* Staff mobility within the office
* Supervision
* Working space
* Accessibility of equipment
* Cost of setting up the layout
* Physical appearance
* Staff to be accommodated
* Communication systems**4x1=4 mks**
1. **Circumstances under which personal selling is used**
* When introducing a new product in the market
* When re-launching an existing product
* When a consumer needs to be shown how to operate a product
* When personalized services are required
* When a product is tailor – made to suit specifications of individual consumers

 **4x1=4 mks**

Supermarket

Chain store

Mail-order stores

Mail-order stores

Tied shops

 **4x1=4 mks**

NAME\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ADM NO\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 CLASS\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**565/2**

**BUSINESS STUDIES**

**PAPER 2**

**2 ½ HOURS**

**SET 1**

**FORM 4**

**Kenya certificate of secondary education (K.C.S.E)**

**INSTRUCTIONS**

a. This paper consist of six questions

b. Answer any Five questions

c. All questions carry equal marks

**For examiner’s use only**

|  |  |  |  |
| --- | --- | --- | --- |
| **Question**  |  | **Maximum score** | **Candidates score**  |
| 1 | ab |  |  |
| 2 | ab |  |  |
| 3 | ab |  |  |
| 4 | ab |  |  |
| 5 | ab |  |  |
| 6 | ab |  |  |
|  | Total Score  |  |  |

**1. a)**Explain any **five** reasons why a country may find it necessary to know the structure of its population

 **(10 marks)**

* 1. Explain **five** benefits that consumers get from product differentiation in the market**. (10 marks)**
1. **a)**Discuss **five** ways in which an efficient road transport would facilitate the growth of manufacturing industry in a country. **(10 marks)**

 **b)**The following transactions were extracted from the books of Suji investment on 31st June, 2008.

 June 1 Commenced business with cash in hand Kshs 20,000 and cash at bank Ksh 300,000

 6 Paid rent in cash Ksh 15,700

 12 Paid wages by chequeKsh 70,000

 20 Cash sales Ksh 150,000

 28 Paid rent by cheque from MotoroKsh 80,000

 30 Paid wages in cash Ksh 200,000

 Prepare a two column cash book duly balanced. **(10 marks)**

1. **a)**Discuss **five**limitations of using per capita income as a measure of the standards of living in a country.
2. **marks)**

  **b)** Explain **five** features that you would consider in establishing a warehouse for imported goods.

1. **arks)**
2. **a)** Explain **five** ways in which a business shows responsibility to society **(10 marks)**
	1. The following balances were extracted from the books account of Dosi investment on 31st December

2008.

|  |  |  |  |
| --- | --- | --- | --- |
| Premises CreditorsBank OverdraftABC LoanLandKZC loanMachinery | Ksh1,200,000400,000500,0002,00,0001,000,000800,000900,000 | DebtorsCashFurnitureStockMotor VehiclesBills duePre-payment | Ksh210,000300,000700,000800,000800,000400,000600,000 |

Prepare Dosi Investment balance sheet as at 31st December 2008. **(10 marks)**

1. **a)**Explain **five** benefits that may accrue to a community that is involved in trading activities.

 **(10 marks)**

**b)**Explain **five** differences between a public company and a parastatal. **(10 marks)**

1. **a)**Explain **five** characteristics of monopolistic competition. **(10 marks)**

**b)**Explain **five** ways in which government regulates business activities. **(10 marks)**

**MARKING SCHEME CHEMISTRY PAPER 565/2**

1. **Reason why a country would like to know the structure of its population**
* To plan for the relevant job creation
* Helps to plan for regional development
* To plan for the social services requirement of the population
* To help to determine the taxable capacity of the population or dependency ratio
* Helps to determine the appropriate composition with other countries over time
* To determine trends in population growth **Any 5x2=10mks**
1. **Benefit of production differentiation**
* Availability of a wide variety of goods /services
* Individual consumer’s tastes and preference will be catered for through product differentiation
* Consumers are likely to get high quality products due to competition
* Aggressive advertising improves consumers awareness about good/services available in the market

 **5x2=10 mks**

1. Efficient transport system would facilitate transportation of raw materials to manufacturers on time
* Finished goods to marked fast/easily where there is demand
* Labour is transported in/out of the industries fast
* Auxiliary industries/services are accessible to the industries
* Social services easily accessible **Any 5x2=10mks)**

**Suyi investment**

**Cash book**

**For the month of June 2008**

|  |
| --- |
| Dr Cr |
| Date | Details | CashKsh | BankKsh | Date | Details | CashKsh | BankKsh |
| 1/6/0820/6/0824/6/0830/6/08  | CapitalSalesSales | 20,00096,000150,000266,000 | 300,00080,000380,000 | 6/6/0812/6/0828/6/0830/6/0830/0/08 | RentWagesRentWagesB/c/d | 15,000200,00051,000266,000 | 70,00015,000295,000380,000 |

1. **The income distribution may be inequitable such that the bulk is in the hands of only a few people**
* The goods produced could be mainly capital goods which do not uplift the welfare of the majority
* The income derived could be used to finance projects, which does not benefit majority of people
* Production could be at the expense of the health of the people who work long hours
* The country could be suffering from inflation
* The statistics used could be inaccurate **Any 5x2=10mks**
1. **Consider the modern handling facilities that the warehouse should be fitted with to ease operations**
* Availability of security to protected goods
* Consider with building design so as to conform to international standard of imported goods.
* Nearness to a point of entry
* Existences of basis infrastructure
* Compliance with legal requirements
* Storage facilities appropriate for the type of goods to be handled (**Any 5x2=10mks)**
1. By supporting community business by purchasing from them
* By making donations that help develop and support education and other community programs.
* Providing education, welfare, housing recreational and health facilities
* Selling quality products to community
* Supporting informal sector
* Protecting and preserving the environment
* By making public information concerning business operations  **(Any 5x2=10mks)**
1. Desi Investment

Balance sheet

As at 31st December, 2008

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Ksh | Ksh |  |  |  |
| Fixed Assets Land Premises Machinery Motor VehicleFurniture  | 1,000,0001,200,000 900,000 800,000700,0004,600,000  |  CapitalLong-term LiabilitiesABC loan KZC loan  | 2,000,000800,000  | 2,410,0002,800,000 |
| Current assetsStockDebtorsPre paymentCash | 800,000210,000600,000300,000 1,910,0006,510,000 | Current liabilitiesCreditors Bank overdraft Bills due  | 400,000500,000400,000  | 1,300,0006,510,000 |

1. **a) Benefits that may accrue to a community that is involved in trading activities** Opportunity to utilize available resources that would otherwise have stayed idle
* Creation of employment
* Trade will lead to expanded market for goods/services produced
* A variety of goods will be available
* Increased incomes will occur in the community
* Increased production of goods and services will meet consumers needs
* Enhances specialization due to exchange of goods and services leading to better quality goods and services

 **5x2=10 mks**

 **b)**

|  |  |
| --- | --- |
| Public company* Owned by public
* Managed by directors appointed by shareholders
* Initial capital from promoters
* Formed to make profit
* Publish audited account publicly and present to shareholders
* Formed under company’s Act
 | Parastatal* Owned by the state
* Directors appointed by government
* Initial capital from government
* Formed to provide essential services audited results presented to parliament
* Formed under am Act of parliament
 |

 **5x2=10mks**

1. **Characteristic of monopolistic competition**
* Many sellers and buyers
* Differentiated products
* Excess capacity in the exit
* Heavy advertising
* Elastic demand **5x2=10mks**
1. **Ways in which government regulates business activities**
* Issuing licenses
* Enacting /repealing legislation
* Formulating policies that governs how business can be conducted
* Offering incentives to influence location of business
* Through taxation
* Creation of parastatals for competition
* Issuing directives
* Through price controls

**Any 5x2=10 mks**