

***Kenya certificate of Secondary Education***

**565/1**

**BUSINESS STUDIES**

**PAPER 1**

**MARKING SCHEME**

1. **Factors that you would consider before extending credit facilities to a customer.** 
   * Frequency of buying.
   * Availability of stock.
   * Credit worthiness.
   * Type of goods needed. ***Any other relevant @ 1 x 1 Mark = 4 Marks***
2. **Characteristics of human wants.** 
   * Insatiable.
   * Competitive.
   * Some are universal.
   * Complimentary.
   * Habitual. ***Any other relevant @ 1 x 1 Mark = 4 Marks***
3. **The figures represented by a, b, c, and d**
4. shs. 200,000.
5. shs 400,000.
6. shs. 350,000.
7. shs 420,000. ***Any other relevant @ 1 x 1 Mark = 4 Marks***
8. **Principles that govern the operations of co-operative societies in Kenya.** 
   * Voluntary membership.
   * Democratic administration.
   * Education for members.
   * Limited interest on share capital.
   * Dividend to members. ***Any correct 4 @ 1 Mark = 4 Marks***
9. **Limitations posed by the use of national income statistics as a way of comparing the living standards of people for different countries.** 
   * Use of different currencies
   * Varied preferences and tastes
   * Varied distribution.
   * Inaccurate statistics ***Any 4 correct points x 1 = 4 Marks***
10. **Merits associated with internal borrowing.** 
    * No strings attached.
    * Can also solve inflation problems.
    * Maintains sovereignty.
    * Is flexible. ***Any 4 correct points x 1 = 4 Marks***
11. **Measures you would advice the government of Kenya to apply so as to curb theinflationary tendencies the country is currently experiencing**.
    * Open Market operations.
    * Selective credit control.
    * Moral suasion.
    * Raising lending rates.
    * Waive duty on affected items. ***Any 4 relevant points 4 x 1 = 4 Marks***
12. **Factors that may influence the price elasticity of demand of a commodity.**
    * Availability of close substitutes.
    * Durability.
    * Degree of necessity.
    * Proportion of one’s income spend on the commodity.
    * Time taken to adjust. ***Any 4 relevant points x1 = 4 Marks***
13. **Factors that may contribute to a case of an abnormal demand curve.** 
    * Incase of giften goods.
    * Ostentatious goods.
    * Incase of inferior goods.
    * Incase of future expectations of a further price increase. ***Any four relevant points1 x4 = 4 Marks***
14. **Determine Kimeu’s capital as at 31st Dec 2010**

Closing capital = opening capital + investment + profit – drawing

= 100,000 + 25,000 + 40, 000 – 45, 000

= 165, 000 – 45, 000

= 120, 000

***Note: correct answer only 4 Marks***

1. **Features of labour as a factor of production** 
   * Mobility.
   * Can’t be separated from the labourer.
   * Human i.e. it’s human.
   * Can be improved.
   * A basic factor of production.
2. **Some documents used in home trade.**
3. Debit Note
4. Letter of inquiry
5. Advice note
6. Profoma invoice ***1 x 4 = 4marks***
7. **Reasons why governments participate in business.** 
   * Provide essential goods / services.
   * Generate revenue.
   * Protect consumers against exploitation.
   * Invest in ventures needing large capital outlay. ***Any relevant points @ 1 Mark 4 x 1 = 4 Marks***
8. **Four features of an oligopolistic type of Market** 
   * Few firms.
   * Interdependence of firms.
   * Experiences a kinked demand curve.
   * Firm are relatively large. ***Any four correct points @ 1 Mark x 4 = 4 Marks***
9. **Entering transactions in the relevant ledger accounts.**

**Capital A/c**  **Bank A/c**

Dr Cr Dr Cr

150,000 150,000

**Purchases A/c** **Cash A/c**

Dr Cr Dr Cr

10,000 10,000

***4 x 1 = 4 Marks***

1. **Possible errors that may not be detected by a trial balance.** 
   * Compensating error.
   * Complete error.
   * Error of principle.
   * Error of original entry.
   * Error of commission. ***Any correct four @1 Mark = 4 Marks***
2. **Circumstances under which a producer would opt to sell his goods directly to hiscustomers.**
   * If perishable.
   * If technical in nature needing demonstration.
   * If the market is small.
   * If the market is concentrated in one area. ***Any correct point @ 1 Mark x 4 = 4 Marks***
3. **Balance sheet of Kazu Traders as at 30th June 2010.**

**KAZU TRADERS**

**BALANCE SHEET √ 1 mk**

**AS AT 30TH JUNE 2010**

**ASSETS SHS CAPITAL & LIABILITIES SHS**

Furniture 20, 000 **√ 1 mk** Capital348, 000 **√ 1 mk**

Debtors 30, 000 **√ 1 mk** Less loss 45, 000 **√ 1 mk**

Cash in hand 25, 000 **√ 1 mk** Net loss 303, 000 **√ 1 mk**

Delivery van 280, 000 **√ 1 mk** Liabilities

Stock 50, 000 **√ 1 mk** Creditors 42, 000 **√ 1 mk**

Cash at bank 60, 000 **√ 1 mk** Bank loan 120, 000 **√ 1 mk**

465, 000 465, 000

***Total ticks 12/3 = 4 Marks***

1. **Groups in the Market that may provide an opportunity to an entrepreneur.**
   * Insufficient / few products.
   * High prices.
   * Poor quality goods.
   * Untapped market. ***Any four correct point @ 1 Mark x 4 = 4 marks***
2. **Reasons why an insured may not be compensated despite an insured riskoccurring.**
   * Wrong claiming procedure.
   * Cause of the risk was deliberate.
   * Late / delayed reporting.
   * Insurer had no funds / bankrupt.
   * Had lied. ***Any 4 correct points @ 1 Mark x 4 = 4 Marks***
3. **Circumstances under which an office manager would think of replacing an existingmachine with a modern one.**
   * To improve efficiency.
   * Reduce production costs.
   * Counter competitions from other firms.
   * To improve on the quality of goods. ***Any four correct points @ 1 Mark x4 = 4 Marks***

***Note: answer should start with if or when***

1. **Ways through which a consumer may be exploited.** 
   * Through high pricing / prices
   * Underweight goods
   * Expired goods.
   * Stock hoarding
   * Less measurement etc ***Any four correct points @ 1 Mark x 4 = 4 Marks***
2. **Give four differences between an ordinary share and a preference share**

|  |  |
| --- | --- |
| **ORDINARY SHARE** | **PREFERENCE SHARE** |
| 1. Paid dividend after preference shares | 1. Paid dividends before ordinary share |
| 1. Have voting rights | 1. No voting rights |
| 1. Are not cumulative in nature | 1. May be cumulative nature |
| 1. Possers own the company | 1. Possers are not owners of the co |

***Any four good differences @ 1Mark x 4 = 4 Marks***

1. **The amount Kim should get from the insurer.**

Compensation = sum assured x loss

Actual value

= 800,000 x 800,000

Sh. 1,000, 000

= Sh. 640, 000 ***Correct answer only 4 Marks***

1. **Ways through which the piece of a commodity may be determined.**
   * Auctioneering
   * Haggling
   * Price mechanism
   * Tendering
   * Price controls ***Any correct four @ 1 Mark x 4 = 4 Marks***