



CEKENAS END OF TERM ONE EXAM-2022

FORM FOUR

Kenya Certificate of Secondary Education. (K.C.S.E)

565/1
BUSINESS STUDIES
MARKING SCHEME

- Outline **Four** sources of government revenue (4mk)
- Grants and donations
 - Licensing fee
 - Court fines
 - Rents and rates received for use of government
 - Dividends and profits earned from investments
 - Internal borrowing
 - Profits from sale to government assets/properties
 - External borrowing
 - Escheats
 - Interest earned from loans
 - Grants and donations
- 2.) State **Four** reasons why consumer should satisfy basic wants before secondary wants (4mks)
- They are felt needs
 - They are essential for human survival
 - They cannot be postponed
 - They are universal
- 3.) Give **Four** reasons why consumers need protection (4mks)
- To protect them from unfair pricing by traders
 - To protect them from consuming low/ poor/ inferior quality goods and services
 - Be shielded from misleading / false advertisement / information about products.
 - Safeguarding them from occupying unsafe structures / building that endanger consumers life
 - To protect them from harmful / unhygienic / expired products
 - To protect them from breach of contract / failure to honor to contract
 - Underweight/ undersized goods
 - Socially unacceptable goods / services/ sale of offensive goods and services
 - Illegal goods / services
 - Unhygienic environment/ premises
- 4.) Outline **Four** factors that transaction motive depend on (4mks)
- individuals' level of income
 - Interval between receipts of income / frequency of receiving income
 - Individual spending habits
 - Prices of commodities
 - Availability of credits
5. Outline **Four** gaps that may influence on entrepreneur in the market (4mks)
- Low quality of goods and services
 - Unavailability of product in the market
 - Insufficient quantities / shortage of goods or services
 - Highly priced products / unaffordable products

v.) **Limited variety of products in the market**

6. The following balances were extracted from the books of Kombo Traders for the year ended 31st Dec 2021

Sales	Shs.
Sales	500,000
Purchases	320,000
Stock 31,12,21	40,000
Stock 1,1,2	80,000
Debtor	140,000
Creditors	90,000

Calculate

a) Margin

$$\frac{\text{Gross profit}}{\text{sales}} \times 100$$

$$\text{Shs } (80,000 + 320,000 - 40,000) = \text{Shs } 360,000$$

$$\frac{360,000}{500,000} \times 100 = 72\%$$

(2mks)

b.) Current ratio

$$\begin{aligned} &= \frac{\text{Current Assets}}{\text{Current liabilities}} \\ &= \frac{180,000}{140,000 + 40,000} \\ &= \frac{180,000}{90,000} \\ &= \frac{2}{1} \text{ or } 2:1 \end{aligned}$$

(1mk)

c.) Rate of stock turnover

$$\begin{aligned} &= \frac{\text{Costs of good sold}}{\text{Average stock}} \\ &= \frac{400,000}{\frac{(80,000 + 320,000)}{2}} = \frac{400,000}{60,000} = 6.66 \text{ times} = 7 \text{ times} \end{aligned}$$

(1mk)

7.) State **Four** benefit if indirect production to the society

(4mks)

- i.) **Improved standards of living because of high quality products**
- ii.) **Adequate quality of products due to surplus production**
- iii.) **Availability of employment opportunities because of the various levels of production**
- iv.) **Stable prices of products because of large scale production**
- v.) **Improve infrastructure e.g roads**
- vi.) **improve societal cohesion because many people come together to trade**
- vii.) **Maximum utilization of available resources**
- viii.) **Improves social amenities of hospitals / schools**
- ix.) **High quality services are produced**
- ix.) **High quality goods are produced**

8.) Mention **Four** transaction that are recorded in the general journal

(4mks)

- i.) **Purchases of fixed assets on credit**
- ii) **Sell of fixed assets on credit**
- iii.) **Opening entries**
- iv)| **Closing entries and other transfers**
- v.) **Correction of errors**

9.) State the use of the following documents used in home trade

(4mks)

- (i) Proforma invoice
Used to demand for payments before goods are delivered
- (ii) Quotation
Used to reply for specific letter of inquiry
- (iv) Advice note
Informs the buyer that goods order have been dispatched
- (v) Credit note
Used to correct an overcharged

10. Outline **Four** benefits of communication to business (4mks)
- Increased sales because of product promotion**
 - Helps clarify issues / points to avoid confusion**
 - Promotes team work through Consultation / sharing of ideas**
 - Improves / enhance the image/ reputation of business**
 - Increased employees motivation due to clarification of goals /objectives**
 - Facilitate decision making within the business for better management**
 - Enhances coordination between the department to ensure that all work towards achieving the set-objectives .**
 - Helps maintain positives relationship with stokeholders**
11. State **Four** aspects of office etiquette that an office worker should possess in order to do his/her effectively duties and efficiently (4mks)
- Should be loyal /display loyalty**
 - Should be honest/ uphold honesty**
 - Observe punctuality**
 - Have courtesy / Be courteous**
 - Cooperate with others**
 - Respect others**
12. Prepare a trial balance from the following balances extracted four the books of Ojwang's business on 30th June 2006

**Ojwang's Business
Trial balance
As at 30th June 2006**

Details	Dr.(Shs)	Cr. (Shs)
Capital		80,000
Cash	53000	
Furniture	10000	
Purchases	15000	
Sales		8000
Rent	6000	
Salaries	9000	
Bank loan		5000
	93000	93000

- 13.) Outline **Four** internal environmental factors that possibly the operations of a business (4mks) (8 x ½ = 4) mks
- Good management style / business structure**
 - Hard working / industrious /Committed/highly skilled emoloyees / workers**
 - Adequate capital /finances business / resources**
 - Committed owners / owners with clear / smart objectives**
 - Good marketing strategies/ handling of customers**
 - Good research and development**
 - Use of modern technology**
 - A culture of hard work / Good business culture**
- 14.) Outline **Four** ways in which households contributes to the national income of a country (4mks)
- Provision of labor**
 - Provision of land**
 - Provision of capital / Savings investments**

- iv.) **Provision of entrepreneurship**
 - v.) **Payment of taxes**
 - v.) **Consumption of goods and services**
- 15.) State **Four** ways in which nature of goods would influence the choice transport (4mks)
- i.) **Perishable goods require fast means of transport**
 - ii.) **Fragile goods require a smooth / safe/ secure means of transport**
 - iii.) **Valuable / highly valued goods require a secure means**
 - iv.) **Urgently needed goods require a fast means**
 - v.) **Heavy and bulky goods require convenient/ spacious means of transport**

16.) The graph below represents the demand and supply curves of milk

State **Four** effects of a shift of the demand curves to the left (4mks)

- i.) **The price will decrease / fall / drop**
- ii.) **The quantity demand will decrease**
- iii.) **The equilibrium quantity shifts to the left/ decreases**
- iv.) **The equilibrium price shift downward / decreases**

17. List **Four** benefits of a bonded warehouse to the government (4mks)

- I.) **Enables the government to curb taxes evasion**
- ii.) **Enables the government to earn revenue through custom duties**
- iii.) **Enables the government to control quality / quantity of goods imported**
- iv.) **Enables the government to prevent importation of harmful commodities**
- v.) **Enables the government to collect statistical data on imported good / goods transit**
- vi.) **Helps the government to solve the problems of unemployment/ joblessness**
- vii.) **Enables the government to inspect the type of goods entering the country**

18. This following figures relate to the Jumbo trader for the year ended 31/12/13

Details	Shs
Capital 31/10/13	940000
Net loss	20000
Additional investments	420000

Determine the capital as at 1/1/2013 (4mks)

- i.) **Kshs $(940,000 + (20,000) + (5000 \times 12) - 420,000)$
= Kshs 600,000**

19. Highlight **Four** factors that should be considered when deciding on the method to use to promote firm products (4mks)

- I.) **The costs of the method**
- ii.) **Geographical area of coverage / extent / size of the market**
- iii.) **Target group/ type of consumers/nature of market segment**
- iv.) **Speed of medium / method in relation to the urgency of the message**
- v.) **Nature of product / type of products**
- vi.) **Technical products required demonstrations**
- vii.) **Nature of the message**
- viii.) **Nature of the consumers / size of the market to be reached**
- viii.) **The intended impression / impact**

20. In the spaces provided below indicate with a tick whether each of the following statements relate to preferences of ordinary shares (4mks)

- a.) **Ordinary shares**
- b.) **Preferences shares**
- c.) **Ordinary shares**
- d.) **preferences shares**

21. Highlight **Four** benefits of locating firms in the different part of the country (4mks)

- i.) **Curbs rural – urban migration easing pressure on social amenities**
- ii.) **creates employments / jobs to rural dwellers enabling them to earn income**
- iii.) **Avails to wide variety of goods hence enhance consumers choice**
- iv.) **Promotes equal/ even distribution of infrastructure / development**
- v.) **Leads to transfer of technology/ social amenities/ school/ hospitals/security**

- vi.) Provides market for raw materials/ goods and services
 - vii.) Full utilization of local resources
 - viii.) Reduced/ minimize pollution in particular areas
 - ix.) Reduced/ minimize effect of terrorism/ catastrophes/ calamities
 - x.) Reduce income inequality
 - xii.) Balanced/ equitable/ even regional development
 - xiii.) Reduced social problems e.g development slums
 - xv.) Promotes growth of towns/ urbanization
22. Highlight **Four** factors that determine country's Fertility (4mks)
- i.) Age and sex structure of the population
 - ii.) The incidence of bareness
 - iii.) Social / cultural attitudes towards child – bearing before marriage
 - iv.) Social significance of children to parents
 - v.) The marriage rate among people in the productive age bracket
23. Highlight **Four** circumstance under which a manufacture may prefer to sell goods directly to the consumers (4mks)
- i.) Where the product is highly technical
 - ii.) Where the product is perishable
 - iii.) Where the market is small / localized
 - iv.) Where the producer would want to get immediate feedback
 - v.) Where there is stiff competition
 - vi.) Where it is the policy of the business
 - vii.) Where it is the policy of the government
24. Highlight **Four** features on a monopoly (4mks)
- i.) There exists only one producer for the entire market
 - ii.) the product of the firm does not have close substitute
 - iii.) There is no free entry of the new firm in the market
 - iv.) Prices are fixed by the producer / supplier
 - v.) Price discrimination is possible
 - vi.) Sales of substandard / inferior quality products is possible
25. State the principle of insurance to which of the following statements relates (4mks)
- a.) There is a close connection between the cause of loss and the actual risk insured against, for the compensation to be effected.
Proximate cause / doctrine of proximate cause
- b.) A person can only insure property whose destruction would result to a financial loss to him/her.
Insurable interest
- c.) Restoring the insured to the financial position he/she was in just before the risk occurred.
Indemnity
- d.) Once an insure is fully compensated for loss suffered the insured is not supposed to gain out of the loss
Subrogation