

KASSU JET EXAMINATION
Kenya Certificate of Secondary Education.

565/1

BUSINESS STUDIES

Paper 1

MARKING SCHEME

June, 2023 – 2 hours

Name: Adm No.: Class

Candidate's Signature: Date:

Instructions to Candidates

- (a) Write your name and index number in the spaces provided above.
- (b) Sign and write the date of the examination in the spaces provided.
- (c) Answer **all** the questions.
- (d) All answers must be written in the spaces provided in this booklet.
- (e) Do not remove any pages from this booklet.
- (f) **This paper consists of 9 printed pages.**
- (g) **Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.**

For Teacher's Use Only

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15

16	17	18	19	20	21	22	23	24	25

**TOTAL
MARKS**

--

1. State **four** demographic factors that may positively influence business operations. (4mks)

- *Population size,*
- *Population growth rate*
- *Migration rate*
- *Geographical distribution patterns,*
- *Age & Gender*
- *Population density,*
- *Birth and death rates,*
- *Levels of education.*

2. Outline **four** factors that determine the amount of money one would hold for precautionary motive. (4mks)

- *Level of income*
- *Family status*
- *Age of the individual.*
- *Number of dependents*
- *Individual's temperament.*
- *Duration between incomes*

3. Outline **four** advantages of a bonded warehouse to the Government. (4mks)

- *Allows government to raise revenue through customs duty.*
- *Inspection of goods entering the country is done*
- *Can be used to control dumping of illegal goods into the country by verifying the goods imported.*
- *Provides the government with useful statistics and information that can be used for budgeting.*
- *The government is able to check and verify the documentation of imported goods.*

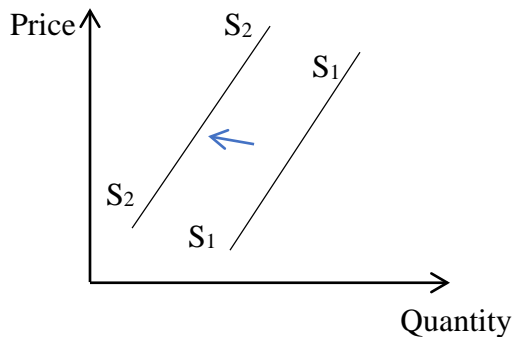
4. Describe the following terms. (4mks)

- a). Firm. - *A single unit of business organization that brings together the factors of production to produce a given commodity.*
- b). Industry. - *All firms producing the similar product for a specific market.*
- c). Localization of firms. - *Concentration of similar firms in one particular area or region.*
- d). Diseconomies of scale. - *Problems that a firm experiences due to expansion*

5. Outline **four** benefits Kenya would get as a result of exploiting her natural resources. (4mks)

- *Provide employment to its citizens*
- *Provide raw materials for industrial use*
- *Provides income/foreign exchange-exports i.e. tourism*
- *Provide food for human/animal consumption*
- *Provide settlement for both human and animals*
- *They are a source of energy.*

6. Study the diagram below.



State **four** causes that have led to the change from S_1S_1 to S_2S_2 . (4mks)

- Use of Low level of technology.
- Unavailability of factors of production.
- High cost of production
- Unfavorable/poor climatic conditions
- Exit of firms in the industry/market
- Industrial unrest

7. Highlight **four** reasons for the increasing popularity of savings and credit co-operative societies (SACCO's) in Kenya. (4mks)

- They encourage members to save.
- They provide loans at low interest rate to members
- If a member dies, beneficiaries are refunded the shares contributed.
- Loans are provided after few formalities and easy terms.
- Loans are not secured by property but only guarantors and the member's shares.
- SACCOs provide a variety of loans e.g. development, top-up, emergency loans e.t.c.
- They offer banking facilities through their Front office services.
- To enjoy the welfare services provided by the SACCO

8. The following information was extracted from the records of Mali Mali traders for the period ending 31st December 2022.

Margin	25%
Stock (01/01/2022)	90,000
Stock (31/12/2022)	30,000
Turnover	680,000

Required: Prepare a Trading account (4mks)

*Mali Mali traders
Trading Account
For the year ended 31/12/2022*

	Shs		Shs
<i>Op. Stock</i>	<i>90,000</i>	<i>Sales</i>	<i>680,000</i>
<i>Purchases</i>	<i>450,000</i>		
<i>C.G.A.S</i>	<i>540,000</i>		
<i>Less Cl. Stock</i>	<i>30,000</i>		
<i>C.O.S</i>	<i>510,000</i>		
<i>Gross Profit</i>	<i>170,000</i>		
	<u>680,000</u>		<u>680,000</u>

9. State **four** differences between direct and indirect production. (4mks)

Direct Production	Indirect Production
<p><i>a). Production for own consumption</i> <i>b). Goods produced are to a great extent of low quality.</i> <i>c). Rudimentary methods of production are used</i> <i>d). There is hardly any specialization.</i> <i>e). the amount of output is limited.</i></p> <p>.....</p>	<p><i>a). Production with exchange idea/for exchange.</i> <i>b). Quality of goods is usually high due to market competition.</i> <i>c). There is use of modern technology.</i> <i>d). There is almost absolute specialization.</i> <i>e). Results in surplus production/ high quantity</i></p>

10. The following is a list of ledger accounts. Name the ledger book in which they are maintained. (4mks)

	Account	Ledger book
a)	Drawings	<i>Private ledger</i>
b).	Kamau (Customer)	<i>Sales/debtors ledger</i>
c)	Sales	<i>Nominal ledger</i>
d).	Machinery	<i>General ledger</i>

11. Identify the line of communication that suits the statements below. (4mks)

- a) Bank manager giving instructions to the bank teller. ...*Vertical downward communication*
- b) A class teacher seeking clarification from the school principal.... *Vertical upward communication*
- c) Accounts manager of Portland cement factory talking to accounts clerk of Bamburi cement factory..... *Diagonal downward communication.*
- d) Head of mathematics department communicating with head of humanities department in Simba high school.....*Horizontal communication.*

12. Highlight **four** characteristics of a monopoly market structure. (4mks)

- *There is only one seller/supplier*
- *There are barriers to enter the market.*
- *Prices are fixed by the supplier*
- *Price discrimination may be possible*
- *No close substitutes for the commodities supplied in the market.*

13. As an entrepreneur. State **four** personal considerations you would consider when evaluating a business opportunity. (4mks)

- *Skills*
- *Objectives*
- *Commitments*
- *Interest*

14. Outline **four** reasons for the popularity of using motorcycles in the transport sector. (4mks)

- *They are cheaper to buy hence many people can afford to buy them*
- *They are very flexible hence can offer door to door services*
- *They are cheaper to maintain hence many people can afford the cost*
- *They are faster over short distance hence suitable for urgent/perishable goods and services*
- *They do not require special training to operate them*
- *They can move and reach areas where motor vehicle and other forms cannot reach like places with poor and narrow routes*
- *They are found in strategic places where many customers can easily get them*
- *They are suitable for carrying one or two persons or few goods.*

15. The following information relates to Taptok traders as at December 2022.

Details	Kshs
Drawings	140,000
Added investment	1,000,000
Capital (01/01/2022)	6,000,000
Capital (31/12/2022)	6,500,000

Calculate Taptok's profit/loss for the year. (4mks)

$$\begin{aligned}C.C &= O.C + P + I - D \\6,500,000 &= 6,000,000 + P + 1,000,000 - 140,000 \\6,500,000 &= P + 6,860,000 \\P &= - 360,000 \\Loss &= 360,000\end{aligned}$$

16. State **four** ways through which consumers can protect themselves from unscrupulous traders. (4mks)

- *By reporting traders who are exploiting them to the relevant authority.*
- *By boycotting buying their products or services.*
- *By joining consumer associations where their grievances are easily heard.*
- *Through enlightening themselves on their rights as consumers.*
- *By holding peaceful demonstrations against these exploitative traders.*
- *Exposing them through mass media platforms, this helps in reducing the exploitation as such traders are put on the limelight of people (consumers)*

17. Outline **four** factors that may influence the choice of a channel of distributing milk in a market. (4mks)

- *Nature of the market*
- *Role of intermediary.*
- *Resources and size of the firm/producer.*
- *Channels used by competitors.*
- *Government policy.*
- *Marketing risks.*

18. In the table below, indicate the appropriate source document that may provide information to be recorded in the following books of original entry. (4mks)

Book of original entry	Source document
a). Purchases day book	<i>Invoice received</i>
b). Sales journal	<i>Invoice issued</i>
c). Sales return journal	<i>Credit note issued</i>
d). Cash payment journal	<i>Receipt received</i>

19. Outline **four** reasons why online advertising would be preferred by a trader. (4mks)

- *It reaches the worldwide/large market*
- *The delivery of the advert is instant*
- *The advert will remain in the computer*
- *The advert can be conveyed to a group of people simultaneously*
- *An immediate feedback can be got*
- *It combines the audio, visual and written elements necessary in advertisement for effective impact.*
- *The advert can be edited as need be.*

20. Outline **four** circumstances under which an enclosed office layout would be appropriate. (4mks)

- *When there is need for privacy for confidential discussions and information.*
- *When there is less noise and disruption from workers and machines hence enhancing maximum concentration.*
- *When there is need to Confer status to top level employee.*
- *Are conditioning lightning and heating in the room may be controlled according to the needs of the occupant.*
- *When dealing with valuable and sensitive items such as documents and cash*

21. Identify **four** components used in the measurement of national income using income approach. (4mks)

- *Rent*
- *Interest rates*
- *Profits*
- *Public income – Government investments*
- *Retained profits*
- *Wages*

22. Briefly, explain the meaning of the following terms as used in insurance. (4mks)

- a). Risk. - *Is an event against which an insurance cover is taken.*
- b). Policy. - *a document that contains the terms and conditions of the contract between the insurer and the insured.*
- c). Annuity. - *is a fixed amount of money that an insurer agrees to pay the insured annually until the latter's death.*
- d). Claim. - *a demand by the insured for compensation from the insurer for the loss arising from an insured risk.*

23. Fill in the missing figures in the table below. (4mks)

	Fixed Assets	Current Assets	Capital	Liabilities
a)	275,500	a). 155,000	315,000	115,500
b)	182,000	73,600	b). 38,500	217,100
c)	c). 138,600	76,400	123,100	91,900
d)	313,450	211,340	189,170	d). 335,620

24. Highlight **four** factors a seller would consider before giving credit to a customer. (4mks)

- *The value of goods/stock available*
- *The duration of payment.*
- *Honesty of the buyer*
- *Creditworthiness of the buyer*
- *Sellers intention of attracting customers*
- *Income of the buyer*

25. The average consumer price for 1kg of sugar for various months in the yearb2023 is shown below.

Month	Consumer price (Ksh)
January	110
February	120
March	130
April	170
May	200

Using January, 2023 as the base month, calculate the consumer price index for the month of February, March, April and May. (4mks)

$$\text{Consumer price index (C.P.I)} = \frac{\text{Price at the current month}}{\text{Price at the base month}} \times 100$$

$$\begin{aligned} \text{CPI for February} &= \frac{120}{110} \times 100 \\ &= 109.09\% \end{aligned}$$

$$\begin{aligned} \text{CPI for March} &= \frac{130}{110} \times 100 \\ &= 118.18\% \end{aligned}$$

$$\begin{aligned} \text{CPI for April} &= \frac{170}{110} \times 100 \\ &= 154.5\% \end{aligned}$$

$$\begin{aligned} \text{CPI for May} &= \frac{200}{110} \times 100 \\ &= 181.8\% \end{aligned}$$