**Kenya Certificate of Secondary Education**

**565/1**

**BUSINESS STUDIES**

 **MARKING SCHEME**

1. **With an example in each case, the difference between renewable and non-renewable resources**
* Renewable resources are those whose supply can be restored when they are exhausted such as wood, HEP, solar energy etc.
* Non-renewable resources are those whose supply cannot be restored once they are exhausted such as mineral deposits, coal, natural gas etc.
1. **Reasons why diagonal communication needs to be encouraged in an organization.**
* Promotes teamwork in an organization
* It helps eliminate goal blindness
* Assist in development of human resource because they can freely exchange ideas
* Assist in coordination and harmonization of different activities in an office
* It creates a sense of belonging among staff thus a motivating factor.

1. **Benefits enjoyed by a member of a producer cooperative society**
* Better/higher prices for their produce
* Educated on better methods of production through seminars, field trips, etc
* Provided better storage facilities
* Enjoys reliable transport means
* Provided with loans to expand their operations
* Can obtain farm inputs on credit
* Provided with grading, packing, and processing services
1. **Measures that the government can use to encourage increase in the country’s volume of exports**
* Offering export compensation schemes to exporters
* Research to diversify foreign markets and products
* Offering customs drawbacks
* Lobbying for the removal of trade restrictions
1. **Positive impacts of physical environment on the operations of a business**
* Favourable climatic conditions favour agricultural businesses
* Absence of floods means goods can efficiently reach the market
* Good roads and other physical infrastructure enhances trade
* Land with good terrain favours production activities. For instance it is cheaper to construct business structures
1. **Problems associated with monopoly market structure**
* Leads to charging of high prices
* Causes the production of sub-standard products since there is no competition
* It may cause unequal distribution of income
* Too much monopoly power may be used to influence government to adopt unfavourable policies
* Some may operate at excess capacity causing unemployment and wastage of resources
1. **Outline four role of the mass media in promoting consumer protection**
* They air or print information on traders who exploit consumers.
* They advise consumer on their rights
* They refuse to publish any false/misleading advertisement
* They inform the government and other departments on traders who exploit consumers
* They taste products in their laboratories or using their own experts then inform consumers
* They investigate problems facing consumers and try to solve them
1. **Services offered in agency banking as a trend in the banking sector.**
* Customer deposits
* Withdrawal from own account
* Transfer of funds
* Paying bills
* Balance enquiries
* Opening new accounts
* Filling of loan application forms.
1. **Type of machine one would use to perform the following tasks**

|  |  |  |
| --- | --- | --- |
|  | **Functions** | **Name of machine** |
| i) | Used to trim papers into desired sizes | **Guillotine** |
| ii) | To post information to ledgers and to prepare payrolls | **Accounting Machine** |
| iii) | To transmit printed messages such as letters, maps, diagrams and photographs | **Facsimile (Fax machine)** |
| iv) | To destroy sensitive but unwanted documents | **Paper Shredders** |

1. **New Balance Sheet for NyakwarAtiyo traders**

Workings:

Stock= Shs.7,750 – 750 = 7,000

Drawings = Shs. 750

Creditors== Sh. 45,000 – 2,000 = 43,000

Bank= sh 25,375 – 2000 = 23,375

Capital = Sh. 65,000 + 200,000= Sh. 265,000

Added investment = Sh. 200,000

Motor Vehicle = Sh. 200,000

NyakwarAtiyo

Balance Sheet

Asa t 30.6.2000

 Fixed assetsKshs.Ksh.

 Machinery 45,000√ Capital 65,000√

 Motor vehicles 200,000√ Add additional capital 200,000√

 245,000 Less Drawings 750√

Current assetsKshs.Short term liabilities Ksh. 264,250

 Stock 7,000√ Creditors 2,500√

 Debtors 1,375√ Short term bank loan 10,000√12,500

 Bank 23,375√31,750

276,750 276,750

 **10 ticks × ½ = 5marks**

1. **Roles of advertising agencies in product promotion**
* Help businesses in designing their trademarks, logos, and advertising materials
* Book space and airtime for their customers in various media houses
* Offer advisory services to their clients on selling techniques
* Advertise on behalf of their clients
* On behalf of their clients, they choose the appropriate media to use
1. **Distinguish between the following categories of government expenditures.**
2. **Recurrent expenditure** –refers to regular expenses incurred by the government in the provision of goods and services e.g. salaries, fueling gov’t vehicles,

servicing public debt etc.

1. **Capital expenditure**—refers to government spending that goes into financing specific projects such as construction of roads, railway lines, airports etc.
2. **Differences between hypermarkets and departmental stores.**
* Hypermarkets are located in the outskirts of town while departmental stores are found in town.
* Hypermarkets offer a variety of goods while departmental stores deal in a particular line of goods
* Hypermarkets comprises different businesses with different management while departmental stores comprises many single shops under one management
* Hypermarkets have ample parking space whereas departmental stores do not have.
* With hypermarkets prices are not controlled hence can exploit whereas departmental stores sell at relatively low prices.
1. **The information below was extracted from the books of Lemayian Traders for the year ended**

31. 12. 2015

Opening stock 45,000

Closing stock 15,000

Turnover 340,000

Margin 25%

Required:

1. Gross profit

Margin = Gross profit × 100

Saless

25 =Gp

 100 340,000

Gp= 25× 340,000

 100

 **Gross profit = Shs. 85,000**

1. Purchases

GP = Sales – CoGs

CoGs = Sales - GP

 = 340,000-85,000

 = 255,000

CoGs= Opening stock + Purchases - Closing stock

Purchases =CoGs- Opening stock + Closing stock

 255,000 - 45,000 + 15,000

= Ksh. 225,000

1. **Distinguish between the following terms as used in National Income**
2. **Gross Domestic Product**
* Is the value of all goods and services produced within a country during a particular year irrespective of who does it.
1. **Gross National Product**
* It is the value of all goods and services produced by the nationals of a country during the year irrespective of whether they are produced locally or abroad.
1. **Per capita Income**
* Is the average income per person in a given year. It is obtained through dividing the amount national income by the total population
1. **Ways in which the government of Kenya promotes entrepreneurial development**
* Building or improving all infrastructure such as roads, sewerage systems etc
* Improving the level of security
* Lowering taxation/giving tax exemptions or holidays
* Providing subsidies
* Controlling the cost of electricity and petroleum products/make it affordable to encourage production
1. **Channels of distribution for importation of agricultural produce.**
* Foreign farmer local consumer
* Foreign farmer local retailer local consumer
* Foreign farmer local wholesaler local retailer local consumer
* Foreign farmer Local wholesaler local consumer
* Foreign farmer local agent W/salerRetailer local consumer
* Foreign farmer Local Representative W/saler Retailer Local consumer
1. **Trends in transport sector.**
* Pipeline and containerization
* Electric trains replacing diesel engines
* Underground tunnels are constructed to ease congestions on surface
* Development of planes with large carrying capacities
* Introduction of speed governors to control speed.
* Psv’s fitted with music systems

1. **Benefits of indirect production.**
* High quality goods produced
* Surpluses produced.no deficits in market
* It is capital intensive reducing cost of labor
* There is specialization in the production process which leads to efficiency and high quality
* Modern technology is used promoting quality production.
* It is less tiresome
* Promotes standards of living as variety of goods are available

1. **Enter the following transactions in the relevant ledger accounts**

 Capital a/c Cr Dr Cash a/c Cr

 2015 2015 2015

 April 1 Cash 150,000 April 1 Capital 150,000 April 3 Purchases 40,000

 ,, 6 Bank 60,000

Dr Purchase A/c Cr Dr Bank A/c Cr

 2015 2015 2015

April 3 Cash 40,000 April 6 Cash 60,000 April 9 O. machine 25,000

Dr Office Machine A/c Cr

 2015

 April 9 Bank 25,000

1. **Reasons why a producer may need to have their own warehouse**
* To enjoy complete control of operations in the warehouse
* To design it to match their specific needs
* In order to install special handling, storage and protection facilities which may not be available with a public warehouse
* To avoid being tied down by rigid procedure of receiving and issuing of goods as is the case with public warehouses
* In the long run, the cost of building own warehouse will be cheaper than the hiring of space in a public warehouse
* The owner exercises full control and makes major decisions without having to consult any one
1. **Name of the source document used to record the following transactions**

|  |  |
| --- | --- |
| **Transaction** | **Source Document** |
| 1. Received goods returned by a buyer who bought them earlier on credit
 | **Copy of the Credit note/Retained credit note** |
| 1. Making of payment to casual workers at the end of the week
 | **Cash payment voucher** |
| 1. Bought goods for sale from Gilanis Supermarkets on credit
 | **Purchase/Received/Original Invoice** |
| 1. A customer, Adhiambo, send a cheque for goods she bought earlier on credit
 | **Copy/Retained Cash Receipt** |

1. **Define the following terms as used in business studies**
2. **Annuity**

Is an agreed amount of money that an insurer agrees to pay to the insured annually until the latter’s death

1. **Proposer**

This is a person wishing to take out an insurance cover (Prospective insured)

1. **Speculative risk**

This is a risk that when it occurs may result in loss or a profit

1. **Grace period**

This is the time allowed between the date of signing of the contract and the date of the payment of the first premium.

1. **In the table below fill in the missing figures S, T, U and V.**

 **S= Shs. 15,000 T= Shs. 10,000**

 **U= Shs. 70,000 V= Shs. 12,000**

1. **Compute the consumer price index (CPI) from the following data giving explanation of your outcome**

Year Price

2010 300

2011 375

**CPI = Price in the Year 2011 × 100%**

 **Price in the Year 2010**

**= 375 × 100 = 125%**

 **300**

**This implies that price of goods has risen by 25% since 2010.**