# Nyaraya Cluster Examination

**Kenya Certificate of Secondary Education**

**Form Four Mock Evaluation Programme**

MARKING SCHEME

**BUSINESS STUDIES 565/1- MARKING SCHEME- July, 2023.**

|  |  |  |
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| 1 | -Free Trade Area  -Customs Union  -Common Market  -Economic Union | 4 marks |
| 2 | -High interest rates charged on loans by commercial banks.  -Low level of knowledge and skills to start and run a business.  -High taxation rates charged by the government.  -Lack of subsidies for producers.  -Unavailability of market for goods and services.  -Unfavourable natural factors e.g. shortage of rainfall.  -Poor (inaccessible) roads in some areas.  -Shortage of raw materials.  -High cost of electricity (energy) used in industries. |  |
| 3 | (a)Supply  (b)Demand  (c)Demand  (d)Supply |  |
| 4 | -She will save conveniently- through check-off system.  -She will earn dividends annually.  -She can get different categories of loans- e.g. normal loan, emergency loan  -She will get loans at comparatively low interest rates compared to commercial banks.  -She can easily get a loan because requirements are minimal.  -Saccos offer banking facilities through their front office services.  -Member’s savings are doubled upon death  -Outstanding loan balance is written off in case of death of the member.  -Members are given benevolent fund in case a member loses next of kin. |  |
| 5 | -Number of copies needed.  -Cost of reproducing copies required.  -Availability of means of reproduction.  -Availability of personnel  -Quality of the copies.  -Desired impression intended to be created by the copies produced. |  |
| 6 | -Bus station  -Railway station  -Airport  -Seaport (Harbour)  -Pumping station (storage tank) |  |
| 7 | -High rate of unemployment  -High dependency ratio  -Reduced savings and investment  -Low labour supply  -Increased crime rates (social evils)  -Diversion of government expenditure to cater for the needs of the youth  -Pressure on goods and services associated with young people. |  |
| 8 | -To allocate resources appropriately  -To stimulate effort  -To promote balanced economic development  -To provide a basis for long term decision making  -To support foreign aid bargain.  -To evaluate projects at various stages  -To avoid duplication of industries |  |
| 9 | (a)Extraction  (b)Processing  (c)Manufacturing  (d)Service |  |
| 10 | Final Capital= Opening Capital + Profit+ Additional Investment- Drawings  =420,000+210,000 +150,000-130,000  = Sh. 650,000. |  |
| 11 | -Packaging -Taste  -Smell -Texture  -Colour -Design |  |
| 12 | -Reducing credit creation by commercial banks  -Reducing government expenditure  -Increasing income tax  -Increasing interest rates on savings account  -Restricting terms of hire purchase  -Selling government securities in open market operations |  |
| 13 | (a)Informative (Primary demand)  (b)Product  (c)Competitive (Persuasive) | 3 marks |
| 14  15 | -By passing laws concerning preservation of the environment  -By increasing government expenditure on waste disposal or recycling.  -By providing funds in research and other methods of conserving the environment.  -By encouraging use of environment friendly energy e.g. biogas, wind power, solar  -By encouraging and promoting conservation of forest cover  -By training (educating) personnel on conservation issues.  -By awarding individual firms that contribute to conservation of natural environment.  -Technical economies of scale  -Managerial economies of scale  -Financial economies of scale  -Research economies of scale  -Purchasing economies of scale  -Marketing economies of scale  -Transport economies of scale  -Storage economies of scale  -Welfare economies of scale.  -Risk bearing economies of scale | 4 marks |
| 16 | Mazeras Traders  Trial Balance  As at 30th June, 2023   |  |  |  | | --- | --- | --- | | DETAILS | DR | CR | | Cash at bank | 42,600 |  | | Capital |  | 90,000 | | Furniture | 5,000 |  | | Purchases | 46,000 |  | | Sales |  | 40,000 | | Musa (Debtor) | 2,650 |  | | Advertising expense | 400 |  | | Wakesho (creditor) |  | 1,400 | | Cash in hand | 28,000 |  | | Purchases returns |  | 600 | | Sales returns | 350 |  | | Drawings | 7,000 |  | | TOTAL | **132,000** | **132,000** | |  |  |  | | 5 marks |
| 17 | -No further deposit of money is allowed until maturity  -Account holder loses interest in case of early withdrawal before end of contract  -No partial withdrawal can be made on the account during contract period  -Amount of money required as minimum is usually high. | 4 marks |
| 18 | (a)Opening balance of Sh**. 2,500**  (b)Bank overdraft of Sh**. 4,000**  (c)Deposited Sh. **6,300** from cash till into bank; contra entry. |  |
| 19 | -They do not suffer from bad debts – since they do not sell on credit  -Convenient to customers with busy working schedule –since they do not require customers to visit their shops.  -Provide a way of obtaining products not found in buyer’s locality without the need to travel.  -The owner saves on salaries- since there is no need of employing shop attendants.  -The owner does not hold unnecessary stock- since goods are sold with orders  -Transport facilities may not be required by the trader- since goods are sent to customers through nearest post office.  -The business eliminates the expense associated with big shop space- because only a small office is required thus saving on cost of rent.  -Customers pay as they order making the seller to have adequate capital to run the business. |  |
| 20 | -Where there is need to raise revenue.  -Where there is need to create employment.  -Where there is need to protect consumes against exploitation  -Where the government wants to control strategic sectors of the economy  -Where the government does not want to leave provision of sensitive goods and services to the private sector  -Where the government wants to limit foreign dominance of the economy.  -Where there is need to control monopoly of the private sector.  -Where there is need to have balanced regional development.  -Where the government wants to provide essential services, e.g. healthcare cheaply |  |
| 21 | -It allows recipient to seek clarification if the information is not clear or well understood.  -It is easier to convince and persuade the other party involved.  -Provides immediate feedback.  -It is a fast way of conveying information  -It facilitates reinforcement of the message through facial expression and body gestures.  -It is confidential  -It has personal appeal since there is use of voice hence effective  -It is reliable because one is certain that the right person receives the message  -Information can be given at once to a large number of people. |  |
| 22 | -Recording purchase of fixed asset on credit.  -Recording sale of fixed asset on credit.  -Recording opening entries of a business.  -Recording closing entries of a business  -Correction of errors made in ledger accounts.  -Recording transfer of debts  -Recording settlement of debt using fixed assets  -Writing off bad debts  -Recording issue of shares and debentures by a company |  |
| 23 | (a)Excise duty  (b)Transfer payment  (c)Stamp duty  (d)Dead weight debt |  |
| 24 | -The policy is a contract of indemnity  -The policy has no surrender value  -The policy cannot be assigned to anybody else  -Premiums charged depend on the value the property and degree of the risk.  -It is normally a short term contract that requires periodic renewal  -Requires the insured to have insurable interest in the property being insured  -Compensation goes to a maximum of either the sum insured or actual value of the property insured |  |
| 25 | -Household expenditure (Consumption)---(C)  -Capital investment expenditure---(I)  -Government expenditure----(G)  -Expenditure on exports------(X)  -Expenditure on imports-----(M) |  |
|  | **END** |  |