# 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 |
| 1415 | -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** |  |