**KASSU JOINT EXAMINATION**

**Kenya Certificate of Secondary Education.**

**565/1 BUSINESS STUDIES Paper 1**

**MARKING SCHEME**

**January, 2021 – 2 hours**

**Name:** …………………………………………………… **Adm No.:** ……………… **Class** …………..

**Candidate’s Signature**: ………………………………... **Date**: ………………………………………

**Instructions to Candidates**

1. *Write your name and index number in the spaces provided above.*
2. *Sign and write the date of the examination in the spaces provided.*
3. *Answer* ***all*** *the questions.*
4. *All answers must be written in the spaces provided in this booklet.*
5. *Do not remove any pages from this booklet.*
6. ***This paper consists of 9 printed pages.***
7. ***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**

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1. List **four** functions of the entrepreneur as a factor of production. (4 marks)

* *Controls the business*
* *Starts the business*
* *Makes decisions*
* *Acquires and pays for all factors of production*
* *Bears the risks and enjoys profits*
* *Pays for such expenses as electricity, water, stationary and postages*
* *Owns the whole project.*

1. State **four** circumstances under which the capital of a business may change. (4 marks)

* *When the business has made some profits*
* *When there are drawings*
* *When more capital is brought into the business*
* *When the business is making losses*

1. Outline **four** disadvantages of operating a partnership form of business. (4 marks)

* *Has limited access to sources of capital compared to companies.*
* *Continuous disagreement among partners can lead to termination*
* *Decision making may be slow as all members have to be consulted*
* *Liability of some partners is unlimited*
* *Mistake made by one of the partners may result in losses which are shared equally among partners*
* *A hard working partner may not be rewarded in proportion to his/her effort because the profits are shared equally.*

1. State **four** factors that can hasten the economic development of a country. (4 marks)

* *Natural resource endowment.*
* *Availability of adequate capital.*
* *High level /appropriate technology used.*
* *Skilled/availability of human resource*
* *Favorable political, social and economic institutions within their countries*

1. State **four** services rendered by a wholesaler to a retailer. (4 marks)

* *They stock a wide variety of goods in large quantities relieving the retailer from buying from different producers*
* *They avail goods at places convenient to retailers*
* *They break bulk for the benefit of retailers*
* *They offer transport facilities to retailers*
* *They offer advisory services to retailers regarding market trends*
* *They offer credit facilities to retailers*
* *They engage in product promotion on behalf of retailers*
* *They sort, blend, pack and brand goods saving retailers from having to do it.*

1. State **four** advantages of containerization as a mode of transport. (4 marks)

* *The goods are protected from theft as the container is sealed or locked*
* *The goods are safeguarded from damage as the container is strong*
* *Low Insurance premiums are paid as the goods are safe/secure*
* *There is easy handling / loading and off-loading of containers are cranes/ machines are used*
* *Special containers are available for carrying special goods*
* *It is easy to handle a container since it has special devices*
* *It saves on cost of transporting the goods as containers carry many goods at ago*
* *Containers carry a large quantity of goods since they are well arranged*

1. Highlight **four** uses of journals in a business. . (4 marks)

* *To relive ledger of many details*
* *To record more details about the transaction that are not found in the ledger*
* *To facilitate tracing of errors*
* *To facilitate the preparation of control accounts*
* *To curb frauds and promote efficiency, since they are prepared by different people from the ones handling ledgers*

1. Outline **four** functions of the office in an organization. (4 marks)

* *Communication*
* *Filing*
* *Safeguarding organizations property*
* *Mailing*
* *Distribution (Dissemination) of information*
* *Reproduction of documents*
* *Receiving and recording information*

1. In the spaces provided, indicate with a (**√**) whether each of the following transactions will increase, decrease or have no effect in the balance sheet totals. (4 marks)

|  |  |  |  |
| --- | --- | --- | --- |
| **Transaction** | **Increase** | **Decrease** | **No effect** |
| a). Buying stock on credit | **√** |  |  |
| b). Drawing cash from the business bank  account for personal use |  | **√** |  |
| c). Buying stock in cash |  |  | **√** |
| d). Paying a creditor by cheque. | **√** |  |  |

1. State **four** problems that may interfere with the effectiveness of face to face communication. (4 marks)

* *The message can be distorted by a third party, if involved in the communication*
* *It is not suitable for the deaf who cannot hear*
* *It does not keep evidence for future use in case of a dispute*
* *There are no written records for future reference*
* *It is time consuming especially the sender and receiver are far apart*
* *There are no written records for future reference*
* *It is easily affected negatively by language barrier, noise, poor pronunciation etc.*
* *If a large number of people are being communicated to, is not possible to tell if all have got the message*

1. State **four** sources of Government revenue for development expenditure. (4 marks)

* *Tax*
* *Fines and penalties*
* *Fees*
* *Rent and rates*
* *Eschiats*
* *Dividends and profits*
* *Interest from loans*
* *Proceeds from scale of government property.*

1. Highlight **four** ways in which a firm can improve the productivity of its human resources.

(4 marks)

* *Training*
* *Offering better working conditions/tools*
* *Ensuring job security*
* *Use of performance contracts*
* *Providing recreation/welfare facilities*
* *Providing labour with off duty days*
* *Promotion of interpersonal relationship between the workers and management*

1. State **four** reasons why some countries are reluctant in implementing free trade agreement. (4 marks)

* *It may lead to importation of inferior goods and services to the country*
* *It may discourage the growth of the infant industries*
* *It may lead to reduced government revenue*
* *A country may be tempted to adopt technology not suitable for its level of development.*
* *If not controlled, it may lead to unfavorable balance of payment*
* *It may lead to importation of harmful goods and services*
* *It may lead to lack of employment opportunities*
* *It may expose the country to negative cultural practices in other countries*
* *Compromising political ideologies*
* *It may lead to over exploitation of non-renewable economic resources such as minerals*

1. In which **four** ways are consumers’ benefiting from warehousing. (4 marks)

* *Consumers get goods at stable prices due to continues supply*
* *Consumers get goods in small quantities which they can buy due to bulk breaking.*
* *Consumers get regular supply of goods hence there is no shortage.*
* *Consumers get goods which have improved quality hence suitable for their use e.g. Bananas*
* *Consumers get a variety of good to choose from to satisfy their needs.*
* *Consumers get goods which have maintained their quality (not damaged) hence suitable for*
* *their use e.g. animal products and foodstuff.*
* *Consumers get goods which are well packed, branded and graded for their use.*

1. Record the following transactions in ledger accounts. (4 marks)
2. Jan 1, 2020. Received Sh 12,000 cash in respect to rent paid.
3. Jan 2, 2020. Purchased goods worth Sh. 120,000 on credit from Gilanis supermarket.

*Cash a/c*

*Jan 1, 2020 Rent 12,000*

*Rent a/c*

*Jan 1, 2020 Cash 12,000*

*Purchases a/c*

*Jan 2, 2020 Gilanis supermarket 120,000*

*Gilani’s Supermarket a/c*

*Jan 2, 2020 Purchases 120,000*

1. Highlight **four** factors that have limited the use of credit cards in Kenya. (4 marks)

* *The holder is charged high interest rate by the card company*
* *It is prone to abuse through fraud*
* *Interest is charged if there is delay in payment*
* *Holder may be tempted to overspend*
* *Their use is limited to only specific areas(urban areas)*
* *Faces stiff competition from other means of payment such as mpesa.*
* *Only few businesses accept the cards*

1. State **four** specific duties performed by commercial attachee’s in foreign offices.

(4 marks)

* *They look for new market for our exports.*
* *They study and analyze foreign markets where our exports are sold.*
* *They inform exporters the standard rules and regulations of exports required abroad.*
* *They organize trade fairs and exhibition for our exports abroad.*
* *They organize educational tours for exporters and sell mission.*
* *They carry out market research on new markets and products.*

1. The following information was extracted from the books of Mama mboga grocery.

Rate of stock turnover 3

Opening stock 180,000

Closing stock 200,000

Mark up 20%

Determine the Gross profit. (4 marks)

*Rosto = C.o.S/Av. Stock*

*3 = C.o.S/!90,000*

*C.o.S = 570,000*

*Therefore*

*Mark up = Gp/C.o.S*

*20% = G.P/570,000*

*G.P = 114,000*

1. State **four** reasons why new industries tend to be attracted to well- established towns.

(4 marks)

* *Firms will benefit from already established skilled labour pool from which they can recruit their employees.*
* *Firms will benefit from already established infrastructure such as transportation and communication.*
* *Firms will benefit from auxiliary services that may already have been established, such areas have social amenities such as hospitals and schools.*
* *Employment is created in such areas.*
* *Joint management of wastes can be carried out by all firms.*
* *Firms may benefit from already established markets.*
* *Firms may be able to get raw materials easily, as they may use the by-products produced by other industries as their raw materials.*

1. Highlight **four** factors that should be considered in choosing a method of distributing agricultural produce. ( 4 marks)

* ***Product nature.*** *Perishable products should be sold directly to the consumers because delays may result to losses since they go bad fast. In addition, bulky products need direct selling in order to reduce transportation and stock handling costs.*
* ***Nature of the market.*** *Where the market is concentrated in one area, direct selling is appropriate. A longer channel of distribution is preferred where the market is widely spread.*
* ***Role of intermediary****. The channel chosen should be able to perform the services related to the product being sold e.g. for technical goods, the middleman should be able to offer technical support to the customers.*
* ***Resources and size of the firm/producer****. If the producer is small, then direct selling would be appropriate. Large firms with sufficient financial resources can opt for long channels of distribution.*
* ***Channels used by competitors****. If a firm wants its products to compete with those of the competitors, then is it prudent to use similar channels. A firm that wants to avoid competition should use a different channel of distribution.*
* ***Government policy****. The channel chosen should be able to meet government regulations such as all middlemen distributing pharmaceutical products must be recognized by the relevant government bodies (Pharmacy and Poisons Board).*
* ***Marketing risks****. In the event the firm wants to avoid risks related to distribution, it will opt for middlemen.*

1. The diagram below shows a shift in the supply curve from S0S0 to S1S1.

Price

S1

S0

S1

S0

Quantity

Identify **four** factors that could have made the supply curve to shift from S0S0 to S1S1.

(4 marks)

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

1. Outline **four** ways in which the insurance industry contributes to the development of Kenya’s economy. (4 marks)

* *Employment creation*
* *Creating confidence in investors*
* *Revenue to the Government*
* *Continuity of Business*
* *Spreads risk*
* *Encourage savings*
* *Investments*

1. Highlight **four** functions of the Central bank of Kenya. (4 marks)

* *Issue currency in the country*
* *Banker to the commercial banks*
* *Being the government ‘s bank,*
* *Advisor to the government on financial issues in the economy*
* *Controller of the commercial banks*
* *Provide links with other central banks in other countries*
* *Maintain stability in the exchange rates between the local currencies and the foreign ones.*
* *Act as the lender of the last resort*
* *Facilitates the clearing of cheques*
* *Administering of the public debt*
* *Control of the monetary system in the country in order to regulate the economy.*

1. Outline **four** negative effects of an ageing population to an economy. (4 marks)

* *Lack of enough labour to work in firms*
* *Increases dependency ratio as many old dependency on few working*
* *The government is forced to spend a lot on pension and medical facilities for the old*
* *May lead to unemployment due to fall in demand for goods and services required by the youth*
* *Less mobile labour force*

1. Prepare a trial balance from the following balances extracted from the books of Soi Traders on 31st December, 2020. (4 marks)

Sh.

Capital 947,470

Cash 74,000

Premises 870,000

Debtors 36,520

Creditors 45,300

Stock 12,250

*Soi Traders*

*Trial Balance*

*As at 31st Dec, 2020*

***Items Dr(sh) Cr(sh)***

*Capital 947,470*

*Cash 74,000*

*Premises 870,000*

*Debtors 36,520*

*Creditors 45,300*

*Stock 12,250 \_\_\_\_\_\_\_\_\_\_\_*

***992,770******992,770***