

**Kenya Certificate of Secondary Education (K.C.S.E)**

**BUSINESS STUDIES PAPER 1(565 /1)**

**MARKING SCHEME**

**1. Four categories of partners.**

- ✓ Role played by the partner
- ✓ Liabilities of the partners for the business debts
- ✓ Ages of the partners
- ✓ Capital contributions

*(4x1 = 4marks)*

**2. Means of transport under land**

- ✓ Human portorage
- ✓ Carts
- ✓ Vehicles
- ✓ Trains
- ✓ Pipeline

*(4x1 = 4marks)*

**3. Diseconomies of scale experienced by a firm**

- ✓ Scramble for raw materials
- ✓ Non-availability of land for expansion
- ✓ Scramble for available labour
- ✓ Completion for available markets
- ✓ Easy targets especially in time of ware

*(any 4x1 = 4marks)*

**4. What optimum population depicts**

- ✓ It is the population that can generate the highest living standards at the available resources and state of technology
- ✓ It is the population size that can lead to the most efficient use of resources while maximizing output per capital
- ✓ Population below optimum level implies that resources are underutilized and standards of living are low.
- ✓ An increase in population beyond optimum level leads to over utilization of resources and leads to lower standards of living.

*(4x1 = 4marks)*

**5. A corrected balance sheet**

**Kiboko Traders**

**Balance sheet (✓)**

**As at 31<sup>st</sup> December 2004**

*(10x ½ = 5marks)*

Assets	Shs	Shs		Shs	Shs
<b>Fixed Assets</b>			Capital		√130,000
Land	120,000✓		Long term liabilities		
Furniture	75,000✓	195,000	Long term loan		√65,000
<b>Current assets</b>					
Stock	80,000✓		Current liabilities		
Debtors	35,000✓		Creditors	50000✓	
Cash	15,000✓	<b>130,000</b>	Bank overdraft	80,000✓	130,000
		<b>325,000</b>			<b>325,000</b>

6. *Causes of demand pull inflation* (4marks)
- ✓ Increase in government expenditure
  - ✓ Effects of credit creation by commercial bank
  - ✓ Increase in money incomes
  - ✓ General shortages of goods and services
  - ✓ Increase in consumer expenditure
- (any 4 x 1 = 4 marks)
7. *Terms used in international trade* (3marks)
- ✓ F.O.R – Free on Rail
  - ✓ DD – Delivered Docks
  - ✓ CIF- Cost insurance and freight
- (3 x 1 = 3 marks)
8. *Features of economic union form of economic integration* (4marks)
- ✓ Conducive conditions for internal trade
  - ✓ Common external trade barriers
  - ✓ Free factors mobility
  - ✓ Joint economic institution i.e central bank
  - ✓ Common monetary system
  - ✓ Common public services such as railways and communication network.
- (any 4 x 1 = 4 marks)
9. *Indicators of economic development* (4marks)
- ✓ Shift from subsistence sector to manufacturing sector.
  - ✓ Reduction in illiteracy
  - ✓ Increase in skilled man powers
  - ✓ Improvement in health facilities
  - ✓ Increases in technology
  - ✓ Improvement in health facilities
  - ✓ Improved infrastructure
  - ✓ Improved balance of payments
- (4 x 1 = 4 marks)
10. *Characteristics of assets* (4marks)
- ✓ A resource owned and controlled by the business
  - ✓ Must have been acquired in the past
  - ✓ An item of value that can be measured reliability in monetary terms
  - ✓ Future economic benefit associated with the net expected benefits to be received by the business entity
  - ✓ May be either fixed or current
- (any 4 x 1 = 4 marks)
11. *Circumstances when downward communication may be used.*
- ✓ When training the juniors
  - ✓ When evaluating performance
  - ✓ When delegating duties
  - ✓ When solving any problems facing the workers
  - ✓ When inspiring and motivating the junior (giving regards)
- (5 x 1 = 5 marks)
12. *Classification of account* (marks)
- |                         |         |
|-------------------------|---------|
| ✓ Sales                 | Nominal |
| ✓ Carriage inwards      | Nominal |
| ✓ Fixtures and fittings | Real    |
| ✓ Stock                 | Real    |
| ✓ Cash                  | Private |
| ✓ Capital               | Private |
- (6x ½ = 3marks)

### 13. Types of documents

- ✓ Certificate of origin
- ✓ Letter of hypothecation
- ✓ Letter of credit
- ✓ Consular invoice

*(1x4=4 marks)*

### 14. Transaction effect

- ✓ Decrease
- ✓ Decrease
- ✓ No effect
- ✓ Increase

*4marks)*

*(1x4=4 marks)*

### 15. Methods of controlling imported inflation

- ✓ Imposing or increasing import duty.
- ✓ Imposing quotas on imports
- ✓ Foreign exchange control
- ✓ Administration bottle – necks

*(4marks)*

*(1x4=4 marks)*

### 16. Unethical practices in product promotion

- ✓ Polluting the environment
- ✓ Providing misleading information
- ✓ Breaking laws pertaining to product promotion
- ✓ Damaging competitors promotional materials
- ✓ Passing promotional messages that are unacceptable
- ✓ Taking advantage of vulnerable groups such as children

*(1x4=4 marks)*

### 17. Reasons for growth of self-employment in Kenya

- ✓ One enjoys the profits alone since he/she is own boss
- ✓ Independence / free from control of others
- ✓ Assurance of job security
- ✓ Status and pride
- ✓ Inadequate / not well paying employment jobs
- ✓ Availability of credit
- ✓ Influence by established entrepreneurship
- ✓ Availability of market
- ✓ The need to have several sources of income.

*(4marks)*

*Any 4x1=4marks)*

### 18. Advantage of shopping malls consumers

- ✓ One can get many goods and services under one roof
- ✓ Parking spaces available.
- ✓ Less traffic jams since they are located away from town
- ✓ It brings sense of prestige to the shopper

*(4marks)*

*Any 4x1=4marks)*

### 19. Meaning / full names of terms

- ✓ NTSA – National transport and safety Authority
- ✓ LAPSET – Lamu Port South Susan Ethiopia Transport
- ✓ ICD – Inland Container Depot
- ✓ SGR – Standard gauge railway

*(5marks)*

**20. Essential elements of effective communication**

**(5marks)**

- ✓ The sender / communication
- ✓ Message
- ✓ Medium / channel.
- ✓ The receiver
- ✓ Feedback

**1 x 5 marks)**

**21. Main types of warehouses**

**(4marks)**

- ✓ Private warehouses
- ✓ Public warehouses
- ✓ Bonded ware houses
- ✓ Free warehouses

**22. Factors that may necessitate re-insurance**

**(4marks)**

- ✓ Value the property
- ✓ High risk of loss
- ✓ Number of risks covered
- ✓ Need to spread risks
- ✓ Government policy

**23. Other methods of price determination**

**(4marks)**

- ✓ Bargaining / Gaggling
- ✓ Government intervention
- ✓ Auction
- ✓ Tendering

**(4 x 1 = 4marks)**

**24. Means of payment available in home trade**

**(4marks)**

- ✓ Money order
- ✓ Postal order
- ✓ Cash
- ✓ Cheques
- ✓ Premium bonds
- ✓ Stamps
- ✓ Promissory notes

**(any 4 x 1 = 4marks)**

**25. Transaction that are passed through the general journal**

**(4marks)**

- ✓ Purchase of fixed asset on credit
- ✓ Sales of fixed on credit
- ✓ Opening entries
- ✓ Closing entries
- ✓ Correction of errors
- ✓ Writing off bad debts
- ✓ Issue of shares and debentures by companies

**(any 4 x 1-4marks)**