



MARKING SCHEME

THE ROYAL EXAM SERIES

Kenya Certificate of Secondary Education



565/1 — BUSINESS STUDIES — Paper 1

1. Importance of a business to a country. (4mks)
 - a) Leads to creation of employment opportunities.
 - b) Enables businessmen to earn profits, thus improving standards of living.
 - c) Ensures continuous supply of products and services in the country.
 - d) The government obtains revenue in the form of licenses and taxes from businesses.
 - e) Businesses facilitate the distribution of goods and services to consumers countrywide.
 - f) A large number of industries in a country lead to the production of more goods and services thus increasing the country's wealth.
 - g) Businesses lead to the development of infrastructure and social amenities e.g roads, schools, hospitals e.t.c
2. Characteristics of labour as a factor of production. (4mks)
 - a) It's a basic factor of production
 - b) It cannot be stored/ highly perishable
 - c) It cannot be separated from the labourer
 - d) Labourers sell their labours and not themselves
 - e) It is human therefore it has ability to think and it can get annoyed
 - f) Labour is highly mobile (geographically and occupationally)
3. Factors to be considered when choosing a method of reproducing documents in an office. (4mks)
 - a) The state of neatness required.
 - b) The availability of the means of reproduction.
 - c) The skills required in the reproduction of the document
 - d) The cost of reproduction.
 - e) The quantity required
 - f) The urgency of reproducing the document
 - g) Types of documents to be reproduced

4. Disadvantages of a long chain of distribution.
(4mks)
- It increases the cost of the product.
 - Goods may not reach the market at the right time.
 - Goods might be damaged due to mishandling.
 - Goods may be adulterated
5. Reasons why a company would continue advertising its products which are already existing in the market
(4mks)
- To make new consumers aware of the existence of the product/ To enable the company to capture new markets.
 - To educate consumers on the proper way of using the product.
 - To retain the already captured market/ To maintain customer loyalty.
 - To enhance the company's public image.
 - To correct misleading information that consumers may have received.
 - To continuously remind consumers of the continued existence of the product.
 - To cope with competition from producers of similar products.
 - To announce price changes
 - To announce changes or improvements done on the product
6. Differences between Chain stores and departmental stores.

Departmental store	Chain store
a) All departments operate under one roof	a) Have branches all over the country
b) Stocks a wide variety of goods	b.Stocks a limited variety of goods
b) Usually advertised locally	c. Advertises nationally since they have branches all over the country.
d. Purchases are decentralized	d. Purchases are centralized
e. Each department sets its own price	e.Prices are uniform in all branches
f. Goods remain in their respective departments	f.Goods may be moved to other branches where their demand is high.
g. Each department deals in a different line of goods.	g.All branches sell similar goods

7. Features of a bonded warehouse.
 - a) Goods can be prepared for sale.
 - b) Goods can be sold while under bond.
 - c) Arrangements can be made for goods to be re-exported elsewhere while in the warehouse
 - d) Goods are held in the warehouse until custom duty is paid.
 - e) The importer gets time to find money to pay for duties while the goods are in bond.
 - f) Storage charges are imposed for all goods stored in the warehouse.

8. Benefits of savings and credit co-operative societies (SACCOs) to the member. (4mks)
 - a) SACCOS members may save money in form of shares
 - b) Members get loans at relatively low interest rates
 - c) A member may get different categories of loans.
 - d) Member may get loans easily.
 - e) Members are educated /advised on cooperative activities.
 - f) Members receive dividends based on their share contribution
 - g) Members' contributions are insured.

9. Features of an Oligopolistic market structure. (4mks)
 - a) There are few large sellers
 - b) Can be pure oligopoly where products are identical or differentiated through branding.
 - c) Firms are price givers/makers.
 - d) Has price rigidity/kinked demand curve
 - e) There is firm rivalry where each firm tries to undo each other.
 - f) There is possible price discrimination.
 - g) Firms may be interdependent in decision making.

10. Terms described by the following statements in business studies. (4mks)

Statement	Term
a) Study of all activities carried out in an office	Office Practice
b) All activities involved in movement of goods from the producer to consumer	Distribution/Transport

c) Systematic way of recording business transactions and interpretation of records made.	Accounting
d) Using of goods and services to satisfy human wants.	Consumption

11. Measures taken by the government to reduce mortality rate. (4mks)

- a) Availing better health care
- b) Food security
- c) Disease preparedness e.g floods, fire
- d) Control use of drugs like alcohol
- e) Control of social crimes by providing security
- f) Apply measures to reduce road accidents
- g) Minimizing internal conflicts and wars.
- h) Improving environmental sanitation to prevent spread of diseases.

12. Ways in which the utility of a commodity may be increased. (4mks)

- a) Processing/Manufacturing/changing the state of commodity from one form to another
- b) proper storage
- c) Transportation.
- d) trade/exchange of goods

13. After-sales services that can be used in product promotion (4mks)

- a) Transport of goods to customers
- b) Installations of tech-equipment.
- c) Product warranty
- d) Supply of spare parts
- e) Repairs of broken equipment.
- f) Training buyers on how to use the product.

14. The following information relates to Embu supplies Limited for the year ended 31st December, 2018.

Capital (1.1.2018)	210,000
Drawings	52,000
Additional investment	130,000
Profit realized during the year	90,000

Calculate Embu Supplies capital as at 31st December, 2018

Closing capital = Opening capital + Additional investment + Profits - Drawings

Closing capital = 210,000 + 130,000 + 90,000 – 52,000

= 430,000 – 52,000

= 378,000

15. Methods used to determine price of goods other than forces of demand and supply.
(4mks)

- a) Price control
- b) Bargaining/ haggling
- c) Tendering
- d) Auctioning
- e) Private treaty
- f) Retail price maintenance.

16. Essential services provided by the county government to the public. (4mks)

- a) Health
- b) Water and sewerage
- c) Communication
- d) Fire fighting and rescue
- e) Education

- f) Transport
- g) Housing
- h) Cleaning public place (market)

17. Benefits that accrue to a firm that is located near a well-developed transport and communication network. (4mks)

- a) Ease of access to the market.
- b) Able to access raw materials fast and conveniently.
- c) Receives raw materials while still fresh.
- d) Minimizes damage on raw materials as they are transported to the plant.
- e) Lowers the risk of damage on finished goods during transport to the market.
- f) Enables the firm to maintain close contact with its customer.
- g) Ease the movement of labour to and from the firm.

18. Benefits of using E-commerce in transacting business in an organization. (4mks)

- a) Facilitates access to a large market.
- b) Large and small business can transact business through the internet without discrimination.
- c) Possible to receive instant feedback.
- d) Relatively cheap
- e) Reduces paper work since many dealings are online
- f) One can access other business information from the internet.
- g) A fast way of doing business

19. Circumstances under which an insurance company would refuse to compensate an insured person.

(4mks)

- a) If the insured has no insurable interest.
- b) If the insured did not act in utmost good faith when he took the insurance.
- c) If the loss is as a result of events which are considered as uninsurable e.g riots

- d) Where the policy was not in force i.e if the insured failed to pay for the due premiums.
- e) Where the loss was occasioned by negligent behavior by the insured.
- f) Where the loss was occasioned willfully or deliberately.
- g) Where the insured company has been declared bankrupt.
- h) Where the principle of proximate cause does not apply.
- i) Late claims.

20. Challenges of a young population

- a) High dependency ratio
- b) Low savings and investments.
- c) High government expenditure on providing goods and services for the young e.g education, medical care
- d) High unemployment levels when they graduate from colleges.
- e) Increased social delinquencies e.g crime, drug abuse, immorality e.t.c

21. In the absence of a partnership deed, partners will have to adopt to the provision of the partnership Act of 1963. State the provisions of the following clauses.

Clause	Provision
a) Capital contribution	Equal contribution of capital
b) Sharing of a profit	Profits to be shared equally
c) Salary to partners	No salary should be given to any partner
d) Interest on drawings	Some interest should be charged on drawings.

22. Ledgers where the following account should be recorded. (4mks)

Account Ledger

- (i) Creditors Purchases/creditors' ledger
- (ii) Land General ledger

(iii) Insurance

Nominal ledger

(iv) Stock

General Ledger

23. Elements that constitute demographic environments.

- a) Birth rate
- b) Death rate/ mortality rate
- c) Sex/gender.
- d) Population age distribution.
- e) Migration
- f) Emigration

24. The following balances were extracted from the books of Kindaruma traders on 31st July, 2018.

Items	Shs
Capital	500,000
Cash in hand	20,000
Buildings	200,000
Furniture	25,000
Motor vehicle	137,000
Creditors	18,000
Debtors	36,000
Bank	100,000

Kindaruma

Trial Balance

As at 31st July 2018

Particulars	Debit (Dr)	Credit (Cr)
Capital		500000
Cash in hand	20000	
Buildings	200000	
Furniture	25000	
Motor vehicle	137000	
Creditors		18000
Debtors	36000	
Bank	100000	
Total	518000	518000

25. Emerging issues in product promotion.

(4mks)

- a) Extensive use of billboards in sales promotion
- b) Increased use of road shows in product promotion.
- c) Extensive use of internet in advertising.
- d) Introduction of outdoor advertising using LCD screens.
- e) Greater use of vernacular advertising through the various vernacular radio stations.