

Name:.....AdmNo:.....Stream:.....

Candidate's Signature:..... Date:.....

Index no:.....

565/1
BUSINESS STUDIES
PAPER1
DECEMBER - 2021
Time: 2 Hours

SAMIA JOINT EXAMINATION

Kenya Certificate of Secondary Education

MARKING SCHEME

FOR EXAMINER'S USE ONLY

| | | | | | | | | | | | | | |
|-----------|---|---|---|---|---|---|---|---|----|----|----|----|----|
| Questions | 1 | 2 | 3 | 4 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| Marks | | | | | | | | | | | | | |

| | | | | | | | | | | | |
|-----------|----|----|----|----|----|----|----|----|----|----|----|
| Questions | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 |
| Marks | | | | | | | | | | | |

TOTAL MARKS

1. Mr. Odhiambo has started a Kiosk in Nambale Town. Outline **FOUR** functions that he will perform as the owner of the business.

(4mks)

Starts the business

Makes decisions

Runs the business

Earns profits

2. Indicate the type of journal in which each of the following transactions could be recorded.

(4mks)

| NO. | TRANSACTION | TYPE OF JOURNAL |
|-----|---|--------------------------|
| a) | Bought a computer on credit | General Journal |
| b) | Returned goods previously bought on credits | Returns outwards journal |
| c) | Sold goods on credit | Sales journal |
| d) | Bought shares in a company | General journal |

3. Taaka a retailer had a capital balance of sh. 320,000 as at 30th June, 2008. During the year ended 30th June 2009, the business made a net profit of sh.80, 000. Mokaya the proprietor made drawings of 4,000 each month for his personal use. Compute the business capital as at 30th June2009. (4mks)

F,C = I. C+I.N.V +P-L-D- 1mk

F,C = 320,000 + 80,000 – (4,000 *12) 1mk

F,C = 400,000 – 48,000 1mk

F,C = 352,000 1 mk

4. Give **FOUR** differences between a public limited company and private limited company. (4mks)

| PUBLIC COMPANY | PRIVATE COMPANY |
|--|---|
| Formed by a minimum of 7 shareholders and no set maximum | Formed by 2 -50 shareholders |
| Managed by 2 -3 directors | Managed by 1- 2 directors |
| There are free transfer of shares | Restricts transfer of shares |
| Advertises shares to the public | Does not advertise the shares to the public |

5. State **FOUR** reasons why itinerant traders are becoming increasingly popular in Kenya. (4mks)

Requires less capital to start

No premises are required

Sell fast moving goods

Few legal formalities required

Located along busy streets thus more sales

6. Given below is a cash book extracted from the books of accounts of Patel Enterprises.

(4mks)

| 2009 | | | sh | sh | sh | 2009 | | | | | |
|-------|---------|---|------|--------|--------|-------|----------|---|-------|--|-------|
| 1/12 | Balance | | | 1500 | 90,000 | 14/12 | Bank | C | 30,00 | | |
| | b/d | | | | | | | | 0 | | |
| 2/12 | Rono | | 2000 | 38,000 | | 20/12 | Equipmen | | | | 80,00 |
| | | | | | | | t | | | | 0 |
| 14/12 | Cash | C | | | 30,000 | 30/12 | Drawings | | 7,000 | | |

In relation to the entries appearing in the cash book extract, state the transaction that took place on each of the following dates.

(4mks)

- a) 2nd December 2009 **Rono Traders settled his account of 40,000 and was allowed 2,000 cash discount**
- b) 14th December 2009 **Withdrew 30,000 from the bank for office use**
- c) 20th December 2009 **Bought office equipments worth 80,000 and paid by cheque.**
- d) 30th December 2009 **The owner took cash worth 7,000 for personal use**

7. State **FOUR** reasons for increase in popularity of micro-finance institutions.

(4mks)

- a) **They require less capital to operate**
- b) **They offer small loans which are easily payable.**
- c) **Less security for loans are require.**
- d) **They use digital platforms which attract more clients.**
- e) **They do not consider CRB restrictions**

8. A successful manufacturing firm has been constantly releasing toxic waste into a nearby river. Outline **FOUR** measures that consumers can take to stop the firm from such malpractices.

(4mks)

- a) **Report the incidence to the authorities.**
- b) **Boycott products from the firm**
- c) **Advocate for their rights through human rights activists**
- d) **Form consumer organization to champion for their rights**

9. Highlight **FOUR** disadvantages of using machines in an office.

(4mks)

- a) **May cause unemployment**
- b) **Some cause noise pollution**
- c) **Breakdown of machine may cause stoppage of production**
- d) **Most machines are expensive to acquire.**
- e) **Most machines require skilled personnel**

10. State **FOUR** factors that a person would consider when hiring a warehouse.

(4mks)

- a) **Adequate space**
- b) **Specialized machines for handling goods.**
- c) **Good transport and communication**

d) Skilled record keeping

11. State FOUR ways of determining the prices of commodities in the market. (4mks)

- a) Price mechanization**
- b) Government intervention**
- c) Bargaining /haggling**
- d) Tendering**
- e) Auctioneering.**

12. State whether each of the following transactions will increase, decrease or have no effect on balance sheet totals. (4mks)

| NO. | TRANSACTION | EFFECT |
|------------|------------------------------|------------------|
| a) | Paid a creditor in cash | Decrease |
| b) | Bought a motor van on credit | Increase |
| c) | A debtor paid by cheque | No effect |
| d) | Owner | Decrease |

13. Outline FOUR classifications of goods and services produced in an economy. (4mks)

- a) Producer and consumer goods**
- b) Public and private goods**
- c) Materials and non-materials goods**
- d) Durable and perishable goods**
- e) Finished and intermediate goods**

14. Highlight four benefits that accrue to a country that has a very high population. (4mks)

- a) Provides wider markets for goods**
- b) Produces large labour force**
- c) Increased invention and innovation**
- d) .Growth of jua Kali Industries**

15. Give FOUR fiscal measures that a government may use to control inflation. (4mks)

- a) Increase direct taxes**
- b) Reduce government expenditure**
- c) Increase subsidies**
- d) Increase indirect taxes to reduce purchasing power.**

16. Give FOUR situations when oral communication may be used in an office. (4mks)

- a) Where immediate feedback is required**

- b) **In case of a meeting**
 - c) **Where information is confidential**
 - d) **Where gestures are to be used.**
 - e) **Where clarification is needed.**
17. State **FOUR** uses of a business plan. (4mks)
- a) **It is a motivating factor**
 - b) **Allocation of resources**
 - c) **Helps to know strengths and weaknesses of the business**
 - d) **It's a required by financiers**
18. Outline **FOUR** circumstances under which a manufacture would prefer to sell his products directly to consumers instead of selling through intermediaries. (4mks)
- a) **Where the market is concentrated**
 - b) **Where production is on an order.**
 - c) **Where the product is highly perishable**
 - d) **Where the manufacturer has means of distributing**
19. Highlight **FOUR** principles which guide the government in its expenditure. (4mks)
- a) **Sanction**
 - b) **Maximum social benefit**
 - c) **Economical**
 - d) **Financial management**
 - e) **Flexibility**
20. Highlight **FOUR** factors that hinder expansion of railway transport in Kenya. (4mks)
- a) **Lack of political good will**
 - b) **Poor management**
 - c) **Lacks flexibility**
 - d) **It's expensive to construct**
 - e) **Trains are costly**
21. Give **FOUR** roles of ethical practices in Business. (4mks)
- a) **Ensures that rights of employees are upheld.**
 - b) **Ensures consumers are not exploited**
 - c) **Ensures conservation of environment**
 - d) **Ensures fair play during completion**

22. Two following diagrams represent the circular flow of income between firms and household in an economy. Identify the flows labeled A, B, C and D and list them in the space provided. (4mks)

b a c d

- a) Provision of factors of production
- b) Payment for the factors of production
- c) Provision of goods and services
- d) Payment for the goods and services

23. Mention **FOUR** circumstances under which an insurance company may re-insure. (4mks)

- a) Where it is a government policy
- b) There is the need to spread risks
- c) Where the value of the property is too high
- d) Where the company has covered many risks.

24. The following information relates to Kizito traders for the year ended 31st December 2009.

| | |
|---------------------|---------|
| Gross Profit | 140,000 |
| Salaries | 20,000 |
| Electricity charges | 8,000 |
| Discount allowed | 6,000 |
| Discount received | 26,000 |

Prepare a profit and loss account for Kizito Traders for the year ended 31st December 2009. (4mks)

Kizito Traders

Profit and loss account

For the period ended 31st December 2009

| Expenses | Incomes |
|---------------------------|--------------------------|
| Salaries 20,000 | Gross profit b/d 140,000 |
| Electricity charges 8,000 | Discount received 26,000 |

| | |
|-------------------------------|------------------------|
| Discount allowed 6,000 | |
| Net Profit c/d <u>132,000</u> | |
| <u>166,000</u> | <u>166,000</u> |
| | Net profit b/d 132,000 |

25. State **FOUR** features of indirect production.

(4mks)

- a) **Production is carried out on large scale**
- b) **Commodities are mainly for sale**
- c) **Modern technology is applied**
- d) **Encouraged division of labour and specialization**
- e) **High quality products are produced.**
- f) **There surplus production**