MARKING SCHEME

NAME…………………………………………… INDEX NO. ………………………

SCHOOL ………………………………… SIGNATURE ………………………...

DATE   ………………………...

565/1

BUSINESS STUDIES

PAPER 1

JUNE 2022

TIME: 2 HOURS

 SUKELLEMO PREMOCK EXAM

Instructions to Candidates

- (a) Write your name in the spaces provided above.
- (b) Sign and write the date of the examination in the spaces provided above
- (c) Answer all the questions
- (d) All answers must be written in the spaces provided in this booklet
- (e) This paper consists of **9** printed pages
- (f) Candidates should check the question paper to ascertain that all pages are printed as indicated and no questions are missing.

For Examiner's use only

Question	1	2	3	4	5	6	7	8	9	10	11	12	13
Marks													

Question	14	15	16	17	18	19	20	21	22	23	24	25
Marks												

TOTAL MARKS

1. Outline 4 skills that an individual would develop when learning business studies.(4mks)

   ❖ **Skills to use in starting and running a business**
   ❖ **Skills in training in business retaed courses**
   ❖ **Skills in understanding subjects that are relater to business studies**
   ❖ **Skills in hard work**
   ❖ **Skills in interacting with othr members of the society**
   ❖ **Skills necessary for rational buying and selling**
   ❖ **Skills on critical thinking and rational judgement**

2. Kenya usually hosts international sporting events such as world cross country championship. Highlight 4 business opportunities that arise out of such events. (4mks)

   ❖ **showcasing Kenya as a tourist destination**
   ❖ **Accommodation in hotels**
   ❖ **Tour guiding**
   ❖ **Transport faiclities for the guests**
   ❖ **Sale of sports equipment**
   ❖ **Sale of curios, drinks**

3. Outline 4 characteristics of public goods.(4mks)

   ❖ **They are provided by the government**
   ❖ **They are inclusive ,that is, anyone can use them**
   ❖ **They tend to be provided at no cost (for free) or at a lower price to benefit as many people as possible**
   ❖ **Their production is financed by taxation or other government resources**
   ❖ **Their consumtion may not reduce the amount available for others e.g government security**

4. Highlight 4 reasons why businesses should observe ethical practices. (4mks)

   ❖ **To ensure fair competition**
   ❖ **To protect consumers/customers**
   ❖ **To avoid discrimation in business**
   ❖ **To protect the rights of employees to promote social responsibility**
   ❖ **To maintain a positive image**
   ❖ **To abide by the countrys laws**
   ❖ **To maintain suppliers**
   ❖ **To promote positive cultural practises**

5. Outline 4 circumstances that would make an office manager to replace an existing machine with modern one.(4mks)

> ❖ **When it has outlived its usefulness(obsolescence)**
> ❖ **Where a fatser machine is required**
> ❖ **Where maintenance costs are higher than the cost of acquiring modern machine**
> ❖ **Where there is need for increased production**
> ❖ **Where train ing skills have changed**
> ❖ **Where high quality work is required/ accuracy**
> ❖ **Where he wants to save on labour**
> ❖ **Where there is need to improve image of company/prestige**
> ❖ **If the new one is capable of multiple uses**
> ❖ **If the machine is capable of reducing fraud**

6. Outline 4 measures that may be taken to conserve forests in Kenya.(4mks)

> ❖ **Prosecuting those who cut trees**
> ❖ **Practicing reforestation**
> ❖ **Practicing afforestation**
> ❖ **Banning charcoal burning**
> ❖ **Using alternative sources of energy e.g biogas, solar energy**
> ❖ **Practising agroforestry**
> ❖ **Conducting tree planting campaigns e.g cut one tree , plant two**

7. State 4 similarities between a bill of exchange and a promissory note.(4mks)

> ❖ **Both are negotiable**
> ❖ **Both are evidence of a debt**
> ❖ **Both may be discounted or endorsed before maturity**
> ❖ **Both allo adequate time within which to organize for the payment of the value of the bill or note**

8.John and Peter bought a Nissan matatu worth sh. 3,000,000. John paid sh. 2,000,000 and Peter sh. 1,000,000. They insured the matatu for a comprehensive cover for shs 2,500,000. Later the matatu was involved in an accident to a loss of sh 1,500,000. How much were they compensated and give a reason in support of your answer? (4 marks)

Compensation = $\dfrac{\text{Sum insured}}{\text{Actual value of the property}} \times \text{loss sustained}$

$$\frac{2,500,000 \times 1,500,000}{3,000,000} = shs1, 250,000\sqrt{}$$

John - 2/3 x 1,250,000 = shs 833, 333√

Peter - 1/3 x 1,250,000   =shs 416,667√

Reason: They had under insured the Matatu√

9. Outline 4 benefits that accrue to the government as a result of privatization of public enterprises.(4mks)

- ❖ **Government obtains revenue from the proceeds/sale of shares**
- ❖ **Government can concentrate on other state responsibilities**
- ❖ **Offers opportunities for private citizens to participate in business**
- ❖ **To enhance efficiency in the management**
- ❖ **Reduce government expenditures**
- ❖ **Obtain revenue from taxes**
- ❖ **Attract foreign aid**
- ❖ **Attract foreign investments**

10. State 4 types of complaints that a consumer organization may receive from consumers.(4mks)

- ❖ **Poor quality goods and serices /damaged goods**
- ❖ **Incorrect weight and measures**
- ❖ **unfair pricing**
- ❖ **Poor hygienic conditions**
- ❖ **Expired goods**
- ❖ **Non-compliance to building regulations**
- ❖ **Contra-band items/ prohibited goods**
- ❖ **Harmful goods**
- ❖ **Hoarding**
- ❖ **Misleading advertisements**

11. On 1st October 2021, Sambu bought goods on credit quoted at sh 240,000. Terms of sale were: 20% trade discount, and 10% cash discount if payment was made on 29th October 2021. Calculate the amount paid if payment was made on 26th October 2021. (4mks)

20% X 240,000 = 48,000√

Price to be paid 240,000 – 48,000 = 192,000√

Cash discount 10% X 192,000 = 19, 200√

Amount paid 192,000 – 19,200 = 172,800√

Alternative

80% X 240,000√ = 192,000√

90% X 192,000√ = 172,800√

4 X1 =4mks

12. Give 4 reasons why countries are opting for electric trains instead of diesel engine trains.(4mks)

- ❖ **Electric trains are fasters than diesel trains**
- ❖ **Electric trains are more economical than diesel trains**
- ❖ **Electric trains are eco friendly**
- ❖ **Electric trains require less manpower than diesel trains**
- ❖ **Electric trains are safer that diesel trains**
- ❖ **Electric trains have lower costs of maintenance as compared to diesel trains**

13. Outline 4 benefits of using the internet for office communication.(4mks)

- ❖ **Reduced cost of communication**
- ❖ **Provides unlimited space for filing**
- ❖ **A fast means of communication**
- ❖ **Provides a source of information for research**
- ❖ **Facilitates quick decision making reduce paper work and the need for files**
- ❖ **Convenient while communicating**
- ❖ **Communication can take place at all times**
- ❖ **Information can be passed to many people at different places at the same time**

14. State 4 characteristics of assets. (4mks)

- ❖ **A resource owned and controlled by the business**
- ❖ **Must have been acquired in the past**
- ❖ **An item of value that can be measured reliably in monetary terms**
- ❖ **They can fixed or current**
- ❖ **Future economic benefit associated with the net expected to be received by business entity**

15. Outline 4 circumstances under which a firm would be located near the market.(4mks)

- ❖ **Where the final product is bulky**
- ❖ **Where the market is localized**
- ❖ **Where products are highly perishable**
- ❖ **Where products are fragile/delicate/breaking**
- ❖ **Where the firm aims at reducing transportation/ distribution costs**

- ❖ **Where the firm is very small in size**
- ❖ **Incase it is government policy**
- ❖ **Where the value of final product is low**

16. State 4 causes of negative shift in demand curve.(4mks)

- ❖ **Negative taste towards the product**
- ❖ **Decrease in price of substitutes**
- ❖ **Increase in the price of complementary goods**
- ❖ **Decrease in population**
- ❖ **Fall in consumers incomes**
- ❖ **Unfavourable seasonal changes**
- ❖ **Future expectations of price reductions**

17. Mention 4 features of a market.(4mks)

- ❖ **Availability of buyers / consumers**
- ❖ **Availability of goods / services (products)**
- ❖ **A platform for conducting transactions(area/situation/ interaction)**
- ❖ **Availability of sellers/ producers**
- ❖ **Availability of medium of exchange**

18. Using a (+) for increase, (-) for decrease and (0) for no effect, indicate the effects of the following transactions on Assets, Liabilities, Capital and the balance sheet total. **(4 marks)**

Description	Assets	Liabilities	Capital	Balance sheet totals
a)Bought goods worth sh 5000 on credit	+	+	0	+
b)Sold goods worth sh 7000 for sh 8000/= Cash	+	0	+	+
c)The Proprietor took goods worth sh 2000 for personal use	-	0	-	-
d)The Proprietor donated personal motor vehicle to the business	+	0	+	+

$$16 \times \frac{1}{4} = 4 \; marks$$

19. State 4 reasons why most companies have adopted the use of roadshows to promote their products.(4mks)

- ❖ **The interaction between the sales people and consumers enable them to get immediate feedback**
- ❖ **It covers a wide geographical area**
- ❖ **It has a personal appeal accompanied by entertainment**
- ❖ **It is convenient because goods come to the consumer's doorstep**
- ❖ **Consumers can clarify issues about the product and company**
- ❖ **Demonstration is possible to explain various features of their products**

20. Give 4 reasons for the increased use of mobile phones in banking. (4mks)

- ❖ **They are safe than carrying cash**
- ❖ **Easy to transact (easy operation)**
- ❖ **Its convenient because transactions can be conducted anywhere/portability**
- ❖ **It saves on time since there is no travelling/queuing for the service**
- ❖ **The speed of transaction is fast/quick speed**
- ❖ **It reduces paperwork by eliminating the need for physical files and oher documentation**
- ❖ **The use of pin enhances security**
- ❖ **Reduced transaction costst (travel and bank charges)**
- ❖ **Easy access to transaction records e.g mini statements, salaries in accounts**
- ❖ **Easy access to credit facilities e.g M-shwari**
- ❖ **It is a requirement by service providers e.g utility bills**

21. State 4 negative effects of long chain of distribution to the buyer. (4mks)

- ❖ **Results in increased commodity prices**
- ❖ **Delay in delivery of goods**
- ❖ **High risks of damage of goods during handling**
- ❖ **Perishable goods may be damaged**
- ❖ **Tampering with the quality of goods**

22. Given the statements in the table below, indicate the type of entry to be made in the relevant ledger accounts. (4mks)

	Statement	Type of entry
i)	An increase in revenue	**Credit (CR)**
ii)	A decrease in asset	**Credit (CR)**
iii)	An increase in an expense	**Debit (DR)**
iv)	A decrease in a liability	**Debit (DR)**

23. State 4 activities that take place in a warehouse.(4mks)

- ❖ **Receiving goods into the warehouse**
- ❖ **Storing the goods**
- ❖ **Protection of the goods from all types of risks e.g theft, breakage and deterioration from adverse weather condition**
- ❖ **Releasing of goods from the warehouse**

24. Highlight 4 challenges that cooperative societies in Kenya face.(4mks)

- ❖ **Interference from the government and politicians**
- ❖ **Inadequate resources whoich incldes capital to fund their operations**
- ❖ **Poor management**
- ❖ **Corruption and misuse of funds by the members**
- ❖ **Withdrawal of members leading to cash flow problems**
- ❖ **There is lack of commitment to the cooperative by the members**
- ❖ **Most cooperatives fail to maintain their secrets**

25. The following information relates to Nyeri Enterprise for the period ended 31st December 2020

Sales   sh 1,000,000

Opening stock   sh 100,000

Closing stock   25% of cost of sales

Gross profit margin   20%

(4mks)

Calculate:

i) Gross profit

Margin = GP/ Net Sales X 100

$\qquad$ **20% = GP/1,000,000** √

$\qquad$ **GP = 200,000**√

ii) Cost of sales

= Sales - GP

=1,000,000 200,000√

= 800,000√

iii) Purchases
$\qquad$ **Cost of sales = opening stock + purchases closing stock**
$\qquad$ **Purchases = Cost of sales + closing stock opening stock**
$\qquad\qquad$ **= 800,000 + 200,000 – 100,000**√
$\qquad\qquad$ **= 900,000**√

iv) Rate of stock turnover

$\qquad$ **= Cost of sales / average stock**

$\qquad$ **Average stock = opening stock + closing stock / 2**

$\qquad$ **100,000 + 200,000/ 2 = 150,000**

$\qquad$ **ROSTO = 800,000 / 150,000**√

$\qquad\qquad$ **= 5.33 times**√