**MOKASA II JOINT EXAMINATION**

**Kenya Certificate of Secondary Education.**

**565/1 BUSINESS STUDIES Paper 1**

**July, 2024 – 2 hours**

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

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

**MARKING SCHEME**

**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 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
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|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25  **TOTAL**  **MARKS**  **M** |
|  |  |  |  |  |  |  |  |  |  |

1. Classify the following resources as either natural, man-made or human (4mks)

|  |  |  |
| --- | --- | --- |
|  | **Resources** | **Classification** |
| a) | Carpenters | *Human* |
| b) | Chapati | *Man made* |
| c) | Climate | *Natural* |
| d) | Tractor | *Man made* |

1. State **four** reasons for the privatization of state corporations. (4mks)

* *To improve efficiency in their operations*
* *To enhance competitions*
* *To reduce Government expenditure*
* *To increase public participation in economic activities of the country*
* *To generate revenue to the government through sale of shares*
* *To enable the Government to concentrate on other state responsibilities*
* *To comply with conditions set by the development partners and international donor agencies*
* *To minimize political interference/corruption.*

1. The table below shows the price, quantities demanded and quantities supplied of a product in a market.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Month** | **July** | **August** | **September** | **October** | **November** | **December** |
| Price | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| Quantity  Demanded | 18,500 | 21,030 | 24,200 | 26,600 | 29,020 | 32,300 |
| Quantity supplied | 21,700 | 23,000 | 27,100 | 31,500 | 34,800 | 38,710 |

Give **four** reasons for the change in quantities supplied from July to December. (4mks)

* *Improved technology*
* *Decrease in cost of production*
* *Entry of new firms in the market/industry*
* *Future expectation of fall in prices/speculations*
* *Increase in price of a jointly supplied good.*
* *Increase in subsidies*
* *Decrease in taxation.*

1. Outline **four** uses of a General journal. (4mks)

* *To record purchases of fixed assets on credit*
* *To record sales of fixed assets on credit*
* *To correct errors by checking the balances*
* *To record the opening and closing entries*
* *To write off bad debts*
* *To record the inter ledger transfers*
* *To issues shares and debentures in companies*
* *To make end of the year adjustments for the final accounts*

1. In the spaces below, indicate the type of utility created by each of the following commercial activities. (4mks)

|  |  |  |
| --- | --- | --- |
|  | **Commercial activity** | **Type of utility** |
| a). | Buying bread from the canteen | *Possession* |
| b). | Distributing milk to customers | *Place* |
| c). | Warehousing | *Time* |
| d). | Grinding maize to flour | *Form* |

1. Outline **four** ways in which mass media can protect consumers from exploitation. (4mks)

* By *printing/airing/giving information on traders who exploit consumers.*
* *By advising consumer on their rights*
* *Refusing to publish and are false/misleading advertisement*
* *Informing the government and other departments on traders who exploit consumers*
* *By tasting/follow up/investigating products and inform consumer using their personnel.*
* *Investigating problems facing consumers and try to solve them*

1. Highlight **four** ways in which producers may conserve the environment as they carry out their activities. (4mks)

* *Recycling of waste products*
* *Production of green energy/clean*
* *Availing clean water for use*
* *Land reclamation*

1. The following information relates to Koimur stores.

**Ksh.**

Fixed assets 681,500

Current Liabilities 99,700

Current Assets 286,650

Capital 468,450

Sales 920,000

Long term liabilities 400,000

Gross profit 120,000

**Calculate:**

a). Working capital (1mk)

b). Capital employed (1mk)

c). Mark up (1mk)

d). Margin (1mk)

*a). Working capital = CA - CL*

*= 286,650 – 99,700*

*= 186,950.*

*b). Capital Employed = CI + LTL*

*= 468,450 + 400,000*

*= 868,450*

*c). Mark up = G.P/COS*

*= 120,000/920,000 – 120,000*

*= 120,000/800,000\*100*

*= 15%*

*d). Margin = GP/Sales*

*= 120,000/920,000\*100*

*= 13.04%*

1. Outline **four** advantages of hire purchase terms of sale to a buyer. (4mks)

* *The buyer acquires possession and use of goods immediately after entering into the contract*
* *Installments to be paid are pre-determined, so the buyer knows and is able to budget for this amount*
* *One can acquire expensive goods/items which are difficult to get on cash terms*
* *Payment is spread over a long duration of time making it convenient/suits the buyer’s income*
* *Raises standards of living despite limited resources.*

1. Highlight **four** benefits of transport to a trader. (4mks)

* *Linking producers to consumers – enabling the consumers to obtain the goods they need.*
* *Promotes specialization – by people specializing in jobs they are best at I.e. producers would concentrate in production and others distribution.*
* *Makes goods and services useful (creates utility)- by moving goods from one place to another.*
* *Creates a wider market for products – as transport enables them access to areas they would have otherwise not have accessed.*
* *It increases production – due to wider market created by transport, producers are able to increase the volume of goods produced.*
* *It avoids wastage of surplus goods as they will be moved to areas to areas where they are required.*
* *Linking consumers to producers – thus enabling consumers to obtain the goods they need.*

1. Outline **four** sources of monopoly power. (4mks)

* *Control of an important input in production*
* *Ownership of production rights*
* *Internal economies of scale*
* *Size of the market*
* *Additional costs by other firms*
* *Where a group of firms combine to act as one*
* *Restrictive practices*
* *Financial factors*
* *Government Policy*

1. Give **four** features that a commodity must have to perform as money. (4mks)

* *Must be divisible*
* *Must be acceptable*
* *Must be portable*
* *Must be durable*
* *Must have stable value*
* *Must be scarce*
* *Must be homogeneous.*

1. Outline **four** benefits to a producer who owns his own warehouse. (4mks)

* *The producer will exercise some degree of control over its operations*
* *Enables installation of special facilities for handling, storage and protection of goods.*
* *The producer will not be tied to long procedures of receiving and issuing goods unlike in public warehouses.*
* *The producer will not incur the cost of hiring space unlike in a public warehouse.*
* *The warehouse may be designed to suite the owners specifications and various needs.*

1. State **four** reasons why a producer would sell her products directly to consumers. (4mks)

* *It the producer has the finance to distribute her products*
* *If the products are highly perishable*
* *If products are as per customer order/specification*
* *If the market served by the producer is small*
* *If it’s the policy of the government*
* *If the product is very expensive*

1. State **four** non tax sources of public finance. (4mks)

* *Fines and penalties*
* *Fees*
* *Rent and Rates*
* *Escheats*
* *Dividends and profits*
* *Interest on loans*
* *Proceed from sale of Government property*
* *Government borrowing*

1. Describe the meaning of the following insurance policies. (4mks)
2. Endowment policy; - *where an insured pays premium for a specified period of time, in case he dies before the end of the period the beneficiaries are compensated , in case he does not die he/she gets the benefits at maturity.*

b). Comprehensive motor policy; - *covers compensation for first, second and third party and other conceivable risks as the term might imply.*

c). Constructive total loss policy; - *covers all losses, injuries or damage caused accidentally by a business or its employees to the members of the public.*

d). Public liability policy; - *covers all losses, injuries or damage caused accidentally by a business or its employees to the members of the public.*

1. Identify the arrows labeled in the diagram below. (4mks)

A B

**FIRMS**

**HOUSEHOLD**

C D

*A , B; - Investment /Government spending , Exports*

*C, D; - Savings/taxes / Imports*

1. The average consumer price of a loaf of bread for various years is shown below.

|  |  |  |
| --- | --- | --- |
| **Year** | **Consumer price (Ksh)** | **Consumer price index** |
| 2020 | 40 | 100% |
| 2021 | 50 | *125%* |
| 2022 | 55 | *137.5%* |
| 2023 | 60 | *150%* |
| 2024 | 65 | *162.5%* |

If the consumer price index for the year 2020 is 100%. Calculate the consumer price

index for using 2020 as the base year. (4mks)

1. Outline **four** reasons why producers need to observe ethics in product promotion. (4mks)

* *To ensure there is no cheating on performance of the product*
* *To ensure there is no cheating on ingredients of the products*
* *To ensure the side effects of the products are disclosed*
* *To ensure there is no false pricing*
* *To ensure the promotional activities does not have adverse effects on the environment*
* *To ensure product promotion is not in conflict with the cultures of various*

*communities/religions*

* *To ensure that competition is fair*

1. Describe the following types of unemployment in an economy. (4mks)

**a). Seasonal unemployment;** - *occurs due to seasonal changes in demand and production hence labour is not demanded during certain times of seasons e.g. drought, low tourism season*

**b). Involuntary unemployment;** - *occurs when people are looking for jobs at existing wages rate / salaries but they can’t get them*

**c). Frictional unemployment;** - *occurs where people lose jobs and they take a lot of time to get new jobs.*

**d). Voluntary unemployment;** - *occurs when business are willing to employ all people seeking employment at prevailing wage rate and job seekers are not willing to take lower rates.*

1. From the table below, identify the term of sale described as used in international trade. (4mks)

|  |  |  |
| --- | --- | --- |
|  | **Description** | **Term of sale** |
| a). | The price quoted includes all expenses incurred until the goods are delivered in the bonded warehouse. | *In bond* |
| b). | The exporter is willing to accept the quoted price or any other nearest to the quoted one. | *On nearest offer (ONO)* |
| c). | Price quoted includes transport expenses up to the docks as well as dock charges, loading onto the ship and any other expense are paid by the importer. | *Free alongside ship*  *(F.A.S)* |
| d). | Price quoted includes all expenses up to the port of destination as well as unloading charges. | *Landed* |

1. State the effect of the following transactions on the balance sheet totals by writing increase, decrease, or no effect in each case. (4mks)

|  |  |  |
| --- | --- | --- |
|  | **Transactions** | **Effect** |
| a). | Purchased stock on credit sh. 10,000 | *Increase* |
| b). | Withdrew stock worth sh. 2,000 for family use. | *Decrease* |
| c). | Paid a creditor sh. 7,000 by cheque | *No effect* |
| d). | Took a cooperative loan sh. 30,000 and deposited in bank account. | *Increase* |

1. Outline **four** benefits to a country that prepares development plans. (4mks)

* *Appropriate resource allocation.*
* *Stimulation of effort of people in the desired direction.*
* *Support foreign aid bargain.*
* *Project evaluation.*
* *Long term decision making.*
* *Avoiding duplication of industries in different parts of the country.*
* *Promote balancing in regional development.*

1. Outline **four** ways in which the technological environment may positively influence a business. (4mks)

* *Increased output/Mass production*
* *Minimal incidences of fraud*
* *Increased sales*
* *Better communication*
* *Faster conduct of business transactions*
* *Lower cost per unit of production*
* *High quality products*
* *Improved business image/reputation*
* *Wider market/Globalizations*

1. The following transactions took place in the business of Highlands’s retail shop in the month of June 2023.

June 1: Commenced business with Ksh. 120,000 in cash.

June 4: Transferred Ksh. 66,000 from business till to the bank.

June 13: Brought his private furniture worth Ksh. 15,000 in the business.

June 28: Borrowed a loan from ABC bank in cash Ksh. 40,000

**Required:** Open ledger accounts to record the above transactions. (4mks)

***Dr. Cash Account Cr.***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| ***Date*** | ***Details*** | ***Amount*** | ***Date*** | ***Details*** | ***Amount*** |
| *2023* |  | *Shs* | *2023* |  | *Shs* |
| *June. 1*  *June. 28* | *Capital*  *ABC Bank* | *120 000*  *40,000* | *June.4*  *June. 30* | *Bank*  *Balance c/d* | *66 000*  *94,000* |
|  |  | ***160 000*** |  |  | ***160 000*** |

***Dr. Bank Account Cr.***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| ***Date*** | ***Details*** | ***Amount*** | ***Date*** | ***Details*** | ***Amount*** |
| *2023* |  | *Shs* | *2023* |  | *Shs* |
| *June. 4* | *Cash* | *66 000* | *June. 2* | *Balance c/d* | *66 000* |
|  |  | ***66 000*** |  |  | ***66 000*** |

***Dr. Capital Account Cr.***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| ***Date*** | ***Details*** | ***Amount*** | ***Date*** | ***Details*** | ***Amount*** |
| *2023* |  | *Shs* | *2023* |  | *Shs* |
| *June. 30* | *Balance c/d* | *135 000* | *June. 1*  *June 13* | *Cash*  *Furniture* | *120 000*  *15,000* |
|  |  | ***135 000*** |  |  | ***135 000*** |

***Dr. Furniture Account Cr.***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| ***Date*** | ***Details*** | ***Amount*** | ***Date*** | ***Details*** | ***Amount*** |
| *2023* |  | *Shs* | *2023* |  | *Shs* |
| *June. 13* | *Capital* | *15 000* | *June. 30* | *Balance c/d* | *15 000* |
|  |  | ***15 000*** |  |  | ***15 000*** |

***Dr. ABC Bank Loan Account Cr.***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| ***Date*** | ***Details*** | ***Amount*** | ***Date*** | ***Details*** | ***Amount*** |
| *2023* |  | *Shs* | *2023* |  | *Shs* |
| *June. 30* | *Balance c/d* | *40 000* | *June. 28* | *Cash* | *40 000* |
|  |  | ***40 000*** |  |  | ***40 000*** |

**Marking 8√ \* ½ = 4 marks**