

Business Studies paper 1 Marking Scheme

NAME INDEX NO.
SCHOOL SIGNATURE
DATE

565/1
BUSINESS STUDIES
PAPER 1
DECEMBER, 2020
TIME: 2 HOURS

SUKELLEMO - JOINT EVALUATION TEST, 2020

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

INSTRUCTIONS TO CANDIDATES

Answer all the questions in the spaces provided.

This paper consists of **10** printed pages. Candidates should check the question paper to ensure that all pages are printed as indicated and no questions are missing

FOR EXAMINER'S USE ONLY

Question No	1	2	3	4	5	6	7	8	9	10	11	12	13
Marks													
Question No	14	15	16	17	18	19	20	21	22	23	24	25	
Marks													

1. State the most appropriate document as used in home trade. (4mks)

Circumstances	Document
a) A document that contains detailed information of a good stocked by a seller	Catalogue
b) A document that shows that the amount owed have been reduced by a certain amount	Debit Note
c) A document that contains all information on all transactions between a buyer and the seller for a certain period of time	Statement of account
d) Shows that goods have been dispatched by a seller to the buyer.	Advice note

2. Highlight **four** reasons that compel an insurance company to re-insure. (4mks)

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

3. The following items belong to Mlamba Wholesalers as at 31st Dec 2018

Motor vehicle	75,000
Stock	4,000
Overdraft	11,100
Creditors	5,740
Debtors	6,200
Commission paid	2,000
Cash	10,000
Returns Outwards	3,400
Returns Inwards	1,400
Capital	78,360

Required, draw Mlamba's trial balance as at 31st December 2018. (5mks)

Mlamba's Wholesalers
Trial Balance
As at 31st Dec, 2020

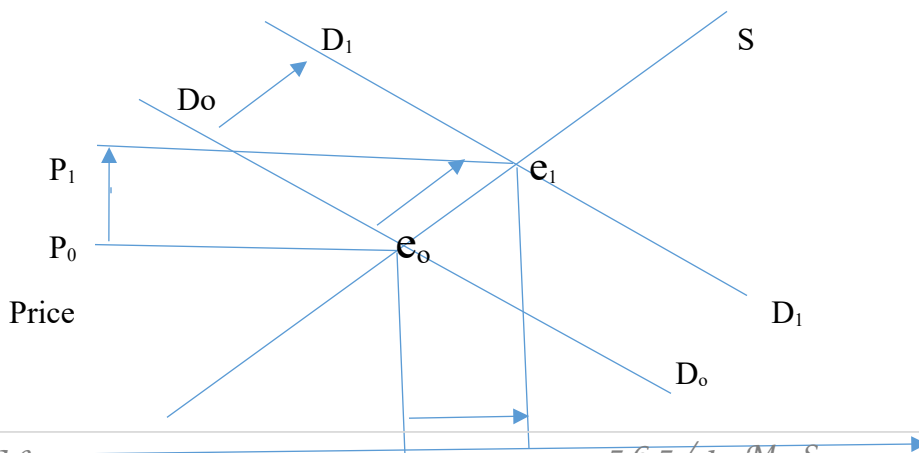
Items	DR	CR
Motor vehicle	75,000	
Stock	4,000	
Overdraft		11,100
Creditors		5,740
Debtors	6,200	
Commission paid	2,000	
Cash	10,000	
Returns Outwards		3,400
Returns Inwards	1,400	
Capital		78,360
Total	98,600	98,600

4. The bodaboda motorcycles are very popular both in urban and rural environment. Highlight **four** disadvantages of this method of transport. (4mks)

– **Causes noise pollution**

- **Over speeding that may result to accidents or death**
- **Affected by extreme weather conditions**
- **Carries limited capacity of goods**
- **Not suitable for long distances.**
- **Not suitable for bulky or heavy goods**
- **Some results in social evils e.g theft**

5. With an aid of a diagram, show what happens to the equilibrium price and quantity when demand increases and quantity supplied remains constant. (4mks)



S

Q_0 Q_1

Quantity demanded and supplied

Award marks as follows

- Increase in price $P_0 - P_1$
- Increase in quantity $Q_0 - Q_1$
- Shift in demand $d_0 - d_1$
- New equilibrium points $E_0 - E_1$

6. Give **four** differences between shares and debentures

(4mks)

Shares	Debentures
Shares are certificate of ownership of a company	Debenture are certificate of indebtness of a company
Shares are irredeemable	Debentures are redeemable
Shares have voting rights	Debentures have no voting rights
Earns dividends	Earns interest
During dissolution of company shares are paid last.	During dissolution of a company debentures are paid first
Shares are units of capital in a company	Debentures are units of a loan given to the company
Dividend rates on ordinary shares are based on profits	Interest rates for debentures are fixed at the time of issue.

7. National income under expenditure approach is arrived by adding together expenditure on all final goods and services in the economy. List down **four** components included in the expenditure approach. (4mks)

Government spending (G)

- Expenditure on capital good (I)
- Expenditure on goods by the public(C)
- Expenditure on net export(X-M)

8. Kenya's young population has been rising rapidly, highlight **four** disadvantages of this increase. (4mks)

- **High dependency ratio**
- **High rate of unemployment**
- **Increased social evils**
- **Low labour supply**

- **Pressure on goods and services**
- **Reduced saving and investments**
- **Diversion of government expenditure**

9. Given the following transactions of Mwaura's Retailers identify the journals which the transactions will be recorded. (4mks)

- a) 1st Jan: Sold a motor car worth kshs.145, 000/- for kshs. 140,000/- to Mwazighe on credit.----- **General Journal**
- b) 2nd May: Cash received from Mwanzi of Kshs. 1,000 receipt no 001. ___ **Cash receipts journal**
- c) 6th August: Goods bought on credit worth Kshs. 900 invoice No. 013 from Shah Traders----- **Purchases journal**
- d) 4th February: Credit sales to Ndika Shs 400/- _____ **Sales journal**

10. County Government wants to increase taxes levied on parking. Highlight **four** principles that they should consider before taking this move. (4mks)

– **Maximum social benefit**

- **Good financial management**
- **-Economy in spending**
- **Sanction of public spending**
- **Elasticity**
- **Equity**
- **Productivity**
- **Surplus**

11. Highlight **four** methods government gets involved in business activities. (4mks)

– **Regulation**

- **Training**
- **Trade promotion**
- **Provision of public utilities**
- **Enabling environment**

12. Highlight **four** costs that intermediaries relieves producers from in the process of distributing goods and services. (4mks)

–**Transportation costs**

- **Storage costs**
- **Insurance costs**
- **Salaries and wages costs**
- **Breaking bulk costs**
- **Packing costs**
- **Costs of accumulation of bulk**

13. Buketi provided us with the following information.

Sales	200,000
Mark up	$\frac{1}{4}$
Opening stock	30,000
Closing stock	25,000
Expenses	15,250

Calculate

a) Gross profit **(1mk)**

Gross profit= Mark-up/Cost of salesx100

$$\text{Margin} = \frac{1}{4} + 1 = \frac{5}{4} \checkmark$$

$$\frac{5}{4} = \frac{x}{200,000}$$

$$\text{Gross profit} = 40,000 \checkmark$$

b) Net profit **(1mk)**

Net profit=Gross profit-expenses

$$= 40,000 - 15,250 \checkmark$$

$$= 24,750 \checkmark$$

c) Rate of stock turnover **(2mks)**

Rate of stock turnover=Cost of sales/Average stock

Cost of sale= Sales-gross profit

$$= 200,000 - 40,000 \checkmark$$

$$= 160,000 \checkmark$$

ROSTO=160,000/average stock

$$= \frac{160,000}{27,500} \checkmark$$

$$= 5.8 \text{ times} \checkmark$$

14. If you are asked to head a committee to buy some office equipment, suggest **four** factors that you would put into consideration. **(4mks)**

-Cost

-Adaptability

- Possibility of hiring rather than purchasing

- Durability
- Effect on staff morale
- Availability of complementary resources
- Availability of manpower
- Availability of room
- Security of the equipment

15. Highlight **four** reasons that would make a trader reject payment by cheque. (4mks)

- **The trader will be required to deposit the cheque in the bank.**
- **Cheque may be dishonored.**
- **The trader must have an account with the bank.**
- **The trader will incur some bank charges thus reducing his/her profits.**
- **Cheques takes time to mature**

16. State whether the following factors constitute internal or external environment to a business. (4mks)

Factor	Environment
a) Shareholders resolutions	Internal
b) Firms physical infrastructure	Internal
c) Currency exchange rate	External
d) Cost of finance	External

17. State **four** features of oligopoly market structure (4mks)

- **There are a few large firms controlling a large share of the market.**
- **There is interdependence in pricing and output**
- **Some firms have their products differentiated.**
- **Products are close substitutes.**

18. The following transactions relate to Kimau traders for the month of January, 2018

4th Jan: Deposited sh 70,000 into business bank account from cash till.

10th Jan: Paid the following bills by cheque:

Electricity	sh 4,000
Insurance	sh 2,000

20th Jan: Paid 10,000 by cheque for repairs

Required. Record the transactions in the relevant ledger accounts

(4mks)

Dr				Bank a/c				Cr					
Date	Particulars	Folio	Amount		Date	Particulars	Folio	Amount		Date	Particulars	Folio	Amount
4 th Jan	Cash		70,000		10 th Jan	Electricity		4,000		20 th Jan	Insurance		2,000
						Repairs		10,000					

Cash A/c

Dr				Cr				
Date	Particulars	Folio	Amount		Date	Particulars	Folio	Amount
					4 th Jan	Bank		70,000

Electricity A/c

Dr				Cr				
Date	Particulars	Folio	Amount		Date	Particulars	Folio	Amount
10 th Jan	Bank		4,000					

Insurance A/c

Dr				Cr				
Date	Particulars	Folio	Amount		Date	Particulars	Folio	Amount
10 th Jan	Bank		2,000					

Repairs A/c

Dr				Cr			
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Date	Particulars	Folio	Amount	Date	Particulars	Folio	Amount
20 th Jan	Bank		10,000				

8 x1/2 mks

19. Company X intends to use personal selling as a method of product promotion. State **four** disadvantages of using this method. (4mks)

- It is expensive it requires trained salespersons who are expensive to hire
- It is time consuming as salespersons need to walk around.
- Not suitable where the market is widely spread
- Managers cannot measure the success of this kind of promotion.
- It is labour intensive
- Sales persons may misuse resources eg vehicles
- Difficult to persuade consumers if sales person lack etiquette.
- It may inconvenience prospective buyer's programme.

20. The balance sheet of Peken Enterprises as at 31st March, 2017 showed an initial capital of 85,000. As at 31st March 2018, the following information about the business was provided.

- (i) Additional investment in the business was 30,000
 - (ii) Profit made during the trading period was 60,000
 - (iii) The proprietor has made monthly drawings of 3,000 from 1st April 2017 to 31st December,2017
- Determine the final capital of Peken Entreprises. (4mks)

$$\begin{aligned}
 \text{Final capital} &= \text{Opening capital} + \text{profit} + \text{Additional investment} - \text{drawings} \\
 &= 85,000 + 30,000 + 60,000 - (3,000 \times 9) \\
 &= 175,000 - 27,000 \\
 &= 148,000
 \end{aligned}$$

21. State any **four** reasons why many businesses shy away from using public warehouse. (4mks)

- Hirer may not have an opportunity to physical handle goods
- Hirer may get poor services
- During peak season the hirer may miss space due to high competition
- Long procedure in receiving and releasing og goods
- Continuous renting of space may be expensive
- Public warehouse may be located away from the hirer thus incurring extra costs.

22. List **four** functions of central bank as a banker to government. (4mks)

- Collecting credit on behalf of the government from various organization
- Get credit on behalf of the government
- Making payment on behalf of the government
- Give advice to the government on financial issues
- Receive payments on behalf of government from foreign donors, taxes or custom duty.
-

23. Highlight **four** reasons why the government may encourage businesses to be located all over the country. (4mks)

- In order to reduce rural-urban migration.
- To encourage balanced regional development.
- To provide employment opportunities to people living in rural areas.
- To encourage utilization of local raw materials.
- To encourage firms to bring goods and services closer to people in the rural areas.
- In order to reduce effects caused by occurrence of war, terrorism or natural calamities
- To provide market for locally produced raw materials
- Local communities will get produced goods without having to travel far

24. Highlight **four** services that facilitates communication to take place in Kenya. (4mks)

–Mailing services / postal services

- Telecommunication services
- Courier services
- Broadcasting services
- Print media services
- Online services.

25. Highlight **three** characteristics of human wants.(3mks)

- Insatiable
- recurrent
- Compete for attention
- vary with urgency and intensity
- Require resources

-Some are universal.

