

THE KENYA NATIONAL EXAMINATIONS COUNCIL
KENYA CERTIFICATE OF SECONDARY EDUCATION EXAMINATIONS
565/1 BUSINESS STUDIES PAPER 1 UN-OFFICIAL MARKING SCHEME

1.	List four external environmental factors that may influence the operations of a business i. Demographic factors ii. Economic factors iii. Competition iv. Legal/political factors/politics/government policies v. Social/cultural factors/beliefs and traditions vi. Technological factors/technology vii. Infrastructure viii. Climate/weather conditions	Any 4x1=4
2.	State four characteristics of direct production i. Production is in small scale/Products (goods and services) are produced in low quantities ii. Production is for own consumption/personal use/ not for sale iii. There is use of simple/traditional methods of production iv. Products produced are of low quality v. There is no specialization vi. It leads to low standards of living vii. It is time consuming/tiring due to use of simple methods of production	Any 4x1=4
3.	Name the document described in each of the following statements: a) Used to demand for payment before goods are delivered- Pro-forma invoice b) Used to reply to a specific letter of inquiry- Quotation c) Informs the buyer that goods ordered for have been dispatched-Advice note d) Used to correct an overcharge-Credit note	4x1=4
4.	Highlight four reasons for government involvement in business i. To prevent exploitation of the public/consumers by traders ii. To provide essential goods and services to the public where private investors are not willing/unable. iii. To provide sensitive goods like fire arms iv. To create employment/ job opportunities to its citizens. v. To attract foreign investors/investment by initiating major business projects. vi. To prevent foreign dominance of the economy. vii. To stimulate economic development by providing social amenities/infrastructure viii. To control monopolies.	Any 4x1=4
5.	State four factors that may lead to a shift in demand (a decrease in demand) i. Increase in price of the products ii. Fall/decrease in level of consumers' income iii. Unfavourable government policies (accept examples of specific policies like high taxation) iv. Decrease in population of a place/country v. Seasonal changes that do not favour consumption of the product.	Any 4x1=4
6.	Outline four circumstances under which a trader would prefer to transport goods by air. i. If goods are to be transported over long distance e.g. between continents. ii. If goods to be transported are highly perishable like flowers. iii. If goods are urgently needed. iv. If the goods involved are of high value like gold.	Any 4x1=4
7.	Determine liabilities of the business $A = C + L$ $\text{Ksh } (1,500 + 2,000 + 20,000 + 4,000) = \text{Ksh. } 24,000 + L \quad \checkmark$ $\text{Ksh. } 27,500 = \text{Ksh. } 24,000 + L \quad \checkmark$ $L = \text{Ksh. } 27,500 - 24,000 \quad \checkmark$ $L = \text{Ksh. } 3,500 \quad \checkmark$	4x1=4
8.	Highlight four services that commercial banks offer to their customers i. Accepting deposits ii. Lending money/offering loan facilities iii. Safekeeping of valuable items such as title deeds iv. Offering money transfer services v. Provision of foreign currency exchange vi. Offering advice on investment and financial management to customers. vii. Provision of safe means of payments viii. Acts as guarantors and trustees	Any 4x1=4

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9.	Outline four reasons that may make Kenya restrict trade with other countries - To prevent dumping of inferior/sub-standards goods by developed countries. - To protect local infant industries from competition by developed countries. - To protect local strategic industries. - To reduce dependency to other countries - To expand market for locally produced products. - To protect their culture and social values/ avoid copying unacceptable foreign cultures/ avoid cultural erosion. - To correct balance of payment deficit by limiting imports. - To give a country a chance to exploit its natural resources by producing goods and services.	Any 4x1=4																																	
10.	Classify the following resources as natural, man-made or human <table border="1"> <thead> <tr> <th></th><th>Resource</th><th>Classification</th></tr> </thead> <tbody> <tr> <td>a)</td><td>Architect</td><td>Human</td></tr> <tr> <td>b)</td><td>Boat</td><td>Man-made</td></tr> <tr> <td>c)</td><td>Soda ash</td><td>Natural</td></tr> <tr> <td>d)</td><td>Driver</td><td>Human</td></tr> </tbody> </table>		Resource	Classification	a)	Architect	Human	b)	Boat	Man-made	c)	Soda ash	Natural	d)	Driver	Human	4x1=4																		
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11.	List four sources of capital that may be available to a sole proprietorship. - Loan from banks and other lending institutions - Personal savings - Ploughing back profits - Donation from friends and relatives - Inheritance - Buying goods on credit/credit buying - Buying goods on hire purchase	Any 4x1=4																																	
12.	Highlight four circumstances under which a firm may be located near the source of raw materials. - If the raw materials are highly perishable. - If the raw materials are heavy and bulky and cost of transporting them would be high. - If the firm want to save on transportation cost of the raw materials. - If the firm want to use the fresh raw materials from the source. - If the firm want uninterrupted production process due to constant supply of raw materials.	Any 4x1=4																																	
13.	KOMBO TRADERS TRIAL BALANCE ✓ AS AT 30TH APRIL, 2018. <table border="1"> <thead> <tr> <th>Details/Particulars</th><th>Dr. (Ksh)</th><th>Cr. (Ksh)</th></tr> </thead> <tbody> <tr> <td>Land and buildings</td><td>150,000 ✓</td><td></td></tr> <tr> <td>Creditors</td><td></td><td>1,500 ✓</td></tr> <tr> <td>Motor car</td><td>120,000 ✓</td><td></td></tr> <tr> <td>Cash</td><td>25,500 ✓</td><td></td></tr> <tr> <td>Capital</td><td></td><td>311,000 ✓</td></tr> <tr> <td>Bank</td><td>4,000 ✓</td><td></td></tr> <tr> <td>Sales</td><td></td><td>5,000 ✓</td></tr> <tr> <td>Purchases</td><td>18,000 ✓</td><td></td></tr> <tr> <td>Totals</td><td>317,000</td><td>317,000 ✓</td></tr> <tr> <td></td><td></td><td></td></tr> </tbody> </table>	Details/Particulars	Dr. (Ksh)	Cr. (Ksh)	Land and buildings	150,000 ✓		Creditors		1,500 ✓	Motor car	120,000 ✓		Cash	25,500 ✓		Capital		311,000 ✓	Bank	4,000 ✓		Sales		5,000 ✓	Purchases	18,000 ✓		Totals	317,000	317,000 ✓				10x$\frac{1}{2}$=5
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14.	Outline four reasons that would make an entrepreneur prepare a business plan. - To avoid mistakes - To identify strengths and weaknesses of the business. - It is a requirement by financiers like banks/creditors - It is a requirement by the government. - To allocate available resources appropriately - To determine amount of finance required. - As a motivating factor. - As a tool for planning and control - To facilitate evaluation of the business - For adaptability/ to give room for future changes	Any 4x1=4																																	

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15.	Identify the office equipment described in each of the following statements below.		4x1=4	
		Description		Equipment
	a)	Used to make postage stamp impressions on envelopes		Franking machine
	b)	Used to transmit verbal messages		Telephone/mobile phone/cell phone
	c)	Used to store confidential documents and valuable items		Safe
	d)	Used to record and store information in audio tapes	Dictaphone/ dictating machine	
16.	State four sources of government revenue i. Tax from individuals and businesses ii. Court fines and penalties from offenders iii. Fees collected from government services iv. Rent and rates charged on use of government properties v. Interest from loans advanced by government to firms. vi. Dividends and profits from government investments. vii. Proceeds from sale of government property viii. Government borrowing		Any 4x1=4	
17.	Outline four measures which may be taken by the government to address the problem of underdevelopment. i. Development of infrastructure like roads to create an enabling business environment. ii. Adopting an appropriate education system where skills and knowledge meet market needs. iii. Improvement of health care facilities to ensure health of workers. iv. Invest in various sectors to create employment for its citizens. v. Provide incentives such as free land and loans at low interest rates to investors to encourage production. vi. Reduction in taxes to encourage local and foreign investment. vii. Ensure peace and political stability to create an enabling business environment. viii. Encourage its citizens to use modern technology in production.		Any 4x1=4	
18.	Highlight four benefits of personal selling to a trader. i. It is very persuasive hence increasing on sales volume. ii. Salespeople are able to obtain first-hand information about the market that can be used to improve the product. iii. It is flexible hence salespeople are able to meet needs of each individual customers. iv. It is directed to specific prospective buyers hence likelihood of making sales. v. It provides immediate feedback. vi. It provides an opportunity to establish interpersonal relationships which may lead to repeated purchase.		Any 4x1=4	
19.	Outline four channels that may be used for distributing imported goods. i. Foreign producer → local consumer ii. Foreign producer → local agents/importers → local consumer iii. Foreign producer → local retailer → local consumer iv. Foreign producer → local wholesaler → local consumer v. Foreign producer → local wholesaler → local retailer → local consumer vi. Foreign producer → local agents → local retailer → local consumer vii. Foreign producer → local agents → local wholesaler → local retailer → local consumer		Any 4x1=4	
20.	State four merits of a bonded warehouse to the government. i. The government gets revenue from custom duties/import duties ii. The government is able to prevent/control entry of harmful products to the country. iii. The government is able to control the quality of goods entering the country. iv. The government is able to control the quantity of goods entering the country. v. The government is able to prevent/check entry of illegal products to the country. vi. The government is able to inspect the type and nature of products imported. vii. The government is able to verify the documents of imported goods.		Any 4x1=4	
21.	Identify the source documents from which the information posted in the following journals would be extracted.		4x1=4	
	Journal	Source document		
	a) Sales return journal	Credit note received		
	b) Purchases journal	Invoice received/ incoming invoice		
	c) Cash receipts journal	Cash receipt received		
	d) Sales journal	Invoice sent/outgoing invoice		

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22.	State four ways through which leakages of national income may happen in a four-sector economy. i. Taxes from households and firms ii. Savings by households iii. Payment of imports iv. Investment by firms and households to foreign countries	4x1=4															
23.	State four benefits of using computers in an office. i. Can store vast amount of information/data. ii. You can store documents for future use. iii. It enhances security and safety of documents stored since it is encrypted with password. iv. It can be used in communication when connected to the internet. v. Its operations are fast and accurate. vi. Multitasking-one can do several tasks simultaneously/at the same time. vii. Data/Documents stored in a computer can be backed up using secondary storage like hard disks. viii. It can be used as a means of entertainment since it contains games, one can play music and watch videos.	Any 4x1=4															
24.	Identify the factor of production that relates to each of the following resources. <table border="1" style="margin-left: 20px;"> <thead> <tr> <th></th><th>Resource</th><th>Factor of production</th></tr> </thead> <tbody> <tr> <td>a)</td><td>Supervision</td><td>Labour</td></tr> <tr> <td>b)</td><td>Tractor</td><td>Capital</td></tr> <tr> <td>c)</td><td>Trees</td><td>Land</td></tr> <tr> <td>d)</td><td>Owner</td><td>Entrepreneurship</td></tr> </tbody> </table>		Resource	Factor of production	a)	Supervision	Labour	b)	Tractor	Capital	c)	Trees	Land	d)	Owner	Entrepreneurship	Any 4x1=4
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25.	List four sources of business ideas. i. Reading newspapers and business journals & magazines ii. Attending shows and exhibitions. iii. Building on ones' hobbies, interests and talents. iv. Vocational training and experience. v. Listening to what people say. vi. Conducting market surveys and research. vii. Recycling waste products viii. Spotting a market niche/gap ix. By copying other businesses	Any 4x1=4															

ANALYSIS OF THE PAPER BY QUESTIONS PER FORM

FORM	NUMBER OF QUESTIONS	PERCENTAGE %
1	10	40
2	4	16
3	6	24
4	5	20

NB: This is un-official marking scheme for 565/1 KCSE 2020 exam. Errors and omissions are therefore expected. Thank you.

Prepared By; Business Guru M.M.M