565/1/
BUSINESS STUDIES
PAPER 1
JULY/AUGUST 2019

BUURI EAST STANDARDS

Kenya Certificate of Secondary Education
MARKING SCHEME

1. **Reasons why it is difficult to satisfy human wants.**

- ❖ They are habitual.
- ❖ Resources to satisfy them are limited/scarce.
- ❖ They are competitive.
- ❖ They are insatiable/endless/unlimited
- ❖ They are repetitive/recurrent.
- ❖ they vary with intensity/urgency/they change with time, age and gender
- ❖ they are complimentary

any 4x1=4mks

2. **Consequences that may arise due to poor arrangement of goods in a warehouse.**

- ❖ Damage /breakages of goods.
- ❖ Pilferage / Theft of goods
- ❖ Wastage of time/delays one search for the required goods.
- ❖ Uneconomical /wastage of space in the warehouse.
- ❖ Possible /loss of government revenue in bonded warehouse
- ❖ Limits use of holding equipment's machines in the warehouse
- ❖ Increased overhead costs/labor costs

Any 4x1=4mks

3. **Positive outcomes of increased inflation from 5.8% to 9.4%.**

- ❖ Debtors may pay less in real terms.
- ❖ Sellers may earn more.
- ❖ Motivates people to work order to cope with rise in inflation.
- ❖ Better utilization of available resources .
- ❖ Increased production in order to maintain living standards.

Any 4x1=4mks

4.

Kimbo traders
Balance sheet
As at 31st October 2016

Current Asset	***ksh.***	***Liabilities***	***ksh.***
Cash in hand	4,000√	Creditors	26,000√
Debtors	37,000√	Bank overdraft	15,000√
Stock	28,000√	Capital	100,000√
Fixed Assets			
Fixtures	2,000√		
Motor vehicle	70,000√		
	141,000		**141,000**

NB. Order of liquidity **MUST** be followed to score. **8ticks @1/2= 4mks**

5. **Circumstances under which a manufacturer would find it necessary to carry out marks research.**

- ❖ Where he wants to determine the competition level and how to face it.
- ❖ Where there need to establish the best price that will suit the consumer.
- ❖ Where he intends to find out the best method of distributing the goods.
- ❖ Where he intends to establish appropriate quantity and packaging of the goods.
- ❖ Where the products is new.
- ❖ Where he intends to find one the changes in demand for the product.
- ❖ Where he intends to determine the suitable methods of promoting the product.

Any 4x1=4mks

6. **Factors that determine the amount of revenue collected by Kenyan government through taxation.**

- ❖ Distribution of income /gap between rich and poor.
- ❖ Social and political factors.
- ❖ Honesty and efficiency of tax authorities.
- ❖ Citizens level of real incomes.
- ❖ Economic structure of the county. **Any 4x1=4mks**

7. **Recent treads in office management.**

- ❖ Office structure/prestigious landscape office plans.
- ❖ Automation which is the use of machine at place of work.
- ❖ Location of offices in the outskirts of towns.
- ❖ Merging duties.
- ❖ Employment identification. E.g use of badges/names tags.
- ❖ Out sourcing where businesses contract services from other business.
- ❖ Use of casual uniforms /branded uniforms on Fridays/weekends.

Any 4x1=4mks

8. Amount of compensation that each will receive.

Compensation= sum insured x loss

Value of property

8,000,000 x 6000,000√

12,000,000

4,000,000√

Mwikali = 8,000,000x4,000,000

12,000,000

= 2,666,666.7√

Theuri =4,000,000 x4,000,000 = 1,333,333.33

12,000,000√

Any 4x1=4mks

9. **Reasons why B demands more of commodity X at every price than A. (4mks**)

- ❖ B may be having more income than A.
- ❖ B may be having a large family than A
- ❖ B may be having a positive taste towards commodity X than A.
- ❖ B may be lacking substitute for commodity x while A has that substitute.

Any 4x1=4mks

10. **Guidelines that may help an entrepreneur in identifying a viable business opportunity.**

- ❖ The environment.
- ❖ The current business situation.
- ❖ The target group.
- ❖ Resourses.
- ❖ Availability of other auxiliary services.
- ❖ Government policies.

Any 4x1=4mks

11. **Factors that determine the amount of money that an individual may hold in order to meet unexpected expenses.**

- ❖ Level of income.
- ❖ Family status.
- ❖ Age of an individual.
- ❖ Number of dependants.
- ❖ Individuals temperament /attitude towards life.
- ❖ Duration between incomes /frequency of obtaining income.

Any 4x1=4mks

12. **Reasons why the Kenya government has been organizing seminars and workshops for training youth in business.**

- ❖ Exposure them to modern development in business.
- ❖ Education them on efficient methods of operating business.
- ❖ To impart proper business ethics.
- ❖ Inform them on the actions available profitable business opportunities.
- ❖ Expose them on government policy on business activities in the country.
- ❖ Expose them to problems facing them and the possible solutions.

Any 4x1=4mk

13. **Circumstances under which an entrepreneur may establish his/her business where other business already exists.**

- ❖ When he wants to benefit from the already existing or available trained and skilled labor force.
- ❖ When he want to benefit from the already available improved infrastructure.
- ❖ When he want to benefit from services such as banking and insurance that will be readily available.
- ❖ When he want to benefit from complementally industries /goods that will be readily available.
- ❖ If he want to benefit from joint research with other business.
- ❖ If he want to benefit from already available market /readily available market from other firms.
- ❖ If he wants to benefit from the joint disposal of wastes products with other firms.

Any 4x1=4mks

14. **Difference between a public limited company and a partnership.**

	Public limited company	**partnership**
i.	Formed by a minimum of shareholders and no maximum.	Formed by between 2 to 20 partners except for special partnership.
ii.	Shareholders have limited liability	Partners have unlimited liability except for the limited partners.
iii.	Its operations are governed by the article &memorandum of association.	Its operations are guided by the partnership deed /act.
iv.	Must file annual returns and publish their accounts.	Are not required to file annual returns or publish their accounts.
v.	Managed by a board of directors.	Managed by partners themselves.
vi.	Shares are freely transferred become a shareholder /no need for consent for the exist shareholders.	Admission of new partners is through consen of other partners.
vii.	Invites public to subscribe/by its share through the security exchange	Does not invite public to subscribes its shares.
viii.	Has perpetual life	Has limited life /death of a partner/insanity of a partner offers the life of partnership

Any 4x1=4mks

Differences MUST match to score

15. **Measures that a government may take to correct a balance of payment deficit in the county.**

- ❖ Export promotion.
- ❖ Import restriction.
- ❖ Devaluation of a county's currency.
- ❖ Diversification of exports.
- ❖ Encouraging foreign investment into the county.
- ❖ Restricting capital outflow

4x1=4mks

16.

Cash a/c

Dr.			cr.
02/2/2017 b/d	**500,000√**	**5/2/2017 motor vehicle**	**200,000√**

James a/c (debtor)

Dr.			cr.
		3/2/2017 bank	20,000√

Bank a/c

Dr.			cr.
2/2/2017 bal. b/d	50,000√		
3/2/2017 James	20,000√		

Motor vehicle a/c

Dr.			cr.
5/2/2017	cash	200,000√	
5/2/ 2017	shah motors	100,000√	

Shah motors a/c)

Dr.			cr.
		5/2/2017 motor vehicle	100,000√

8ticks x1/2=4mks

17. **ways in which the nature of a product influences the choice of distribution channel.**
    - ❖ Perishable goods require shortest channel than durable products .
    - ❖ Bulky products require shorter channels.
    - ❖ Highly valuable goods require short channels.
    - ❖ Technical goods require shorter channels.
    - ❖ Heavy goods require short- channel than light goods.

    4x1=4mks

18. **Circumstances under which a retailer may return goods to a wholesaler.**
    - ❖ Incase they are damaged.
    - ❖ Incase the quality is different from the one requested for /incase of poor quality than expected.
    - ❖ Incase they are of the wrong type / where the description /order differs from what has been supplied.
    - ❖ Incase excess quantity being supplied.

    4x1=4mks

19. **Reasons why billboards are popular in product promotions.**

- ❖ They are positioned at strategic positions where they can read by many people /accessed by many potential consumers.
- ❖ The advertising message in not heavily wounded thus making it possible to be under stored and remembered easily.
- ❖ They convey message for a long time since they are relatively permanent.
- ❖ They are conspicuous and hence attractive to the audience.

4x1=4mks

20.

Calculate:

i) Stock turnover rate. (R. O.S.T)

Rate of stock turn over = cost of sales

Average stock

cost of Sales= opening stock +purchase –return outwards- closing stock

= 45,000+159,000-3,000-33,000

= 168,000

Average stock= Opening Stock +Closing Stock

2

= 45,000+33,000

2

= 39,000

R.O.S.T. = 168,000√

39,000

= 4.3076

= **4 TIMES√**

2ticks x1=2mks

ii) Return on capital (R.O.C) = NET profit

Capital invested

NP= GP-EXPENSES

5400=67000-13000

ROC = 54000√ =**18√ or 0.72:1 or 18:25 or 72%**
75000 **25**

2ticks x1=2mks

21. **Ways in which legal political environment may improve business performance.**

- Improved infrastructural network may attract more businesses.
- Improvement/favorable political stability may make it attractive.
- Increased subsidies lower costs of production and subsequently consumers may enjoy lower prices for goods.
- Reduced taxes may attracts more business and lower production costs.
- Abolishing price controls enable business to compete and enjoy better profit margins.
- Favorable legislation/low amake it attractive to new and existing business to operate /reducing beauticratical procedures in licensing /operating business.

4x1=4mks

22. **Distinguish between :**

i) Producer goods and consumer goods.

- Producer goods are goods which are used in the creation production of other goods e.g machinery /traders while consumers goods are goods that already satisfy needs and wants of a consumer /they are meant for immediate consumption e.g drinks, clothes,books .

1x2=2mks

ii) **Intermediate goods and finished goods.**

- Intermediate goods are goods that are not ready for use before they are further processed. E.g sugarcane /wood/wheat/skins/while finished goods are final products that come out of production in the required from (output)e.g ugali from maize flour/furniture from timber.

1x2=2mks

23.

(i) Y = Ksh 40,000

(ii)P= ksh. 54,000

(iii)Q= ksh.80,000

(iv)R= ksh170,000

4x1=4mks

24. **Benefits that may be enjoyed by a country that is experiencing over- population.**

- ❖ Wide market for goods /services.
- ❖ Better utilization of resources .
- ❖ Creates a pool of labour supply /skilled labour force.
- ❖ Enhance creativity and innovation.
- ❖ Stimulates investments.
- ❖ Promotes labour mobility.

4x1=4mks

25. **Four fundamental elements of transport.**

- ❖ Units (s) of carriage.
- ❖ Methods of propulsion.
- ❖ Ways
- ❖ Terminals(terminuses)

4x1=4mks