**565/1**

**BUSINESS STUDIES**

**PAPER 1**

**JULY/AUGUST 2018**

**TIME: 2 HOURS**

**POST EVALUATION II EXAMINATIONS**

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

**FORM FOUR TRIAL EXAMINATIONS – 2018**

**MARKING SCHEME**

1. **Importance of preparing a scale of preference.**

* Avoids impulsive buying
* Enables the consumer to buy the most important wants before the secondary wants.
* Aids memory
* Saves time as one knows what he/she is planning to buy.
* Assist in budgeting (1 x 4 = 4 marks)

2. **Advantages of electronic filing**

* Requires little space
* Easy and fast retrieval of documents
* Relatively cheap in terms of labour requirement
* It is easily adaptable to the future requirements of a firm
* It is secure as it can only be accessed by persons with passwords
* Easy to operate
* Provides for backups as one can store the same information in different devices at different locations for safety.
* Provides for long term storage of information
* The devices are portable hence one is able to carry a lot of information or documents
* The information can be accessed by people who are far away from where they are as they can be stored through the internet.
* Online storage also called cloud storage, which involves storage of data in remote servers owned by cloud storage providers greatly enhances security of stored documents.

(1 x 4 = 4 marks)

3. **Advantages of Oral Communication**

* Suitable for urgent communication
* Suitable where a large group of people are gathered in one place eg auctions
* It may be suitable where the sender and the recipient are far apart – use of telephone
* Face to face communication may be quite confidential
* It is appropriate when personal appeal is required
* It provides for immediate feedback
* It is reliable as one is sure that the information has been received by the right person
* It is quite effective as the message can be reinforced with body language
* Face to face is free
* Illiteracy is not a hindrance to oral communication as long as the language being used is understandable to both parties
* Blindness is not a hindrance to verbal communication
* Verbal communication provides an opportunity for elaboration where an issue is not clear.

(1 x 4 = 4 marks)

4. **Reasons for co-insurance**

* When the value of the property is very high
* Where the risk involved has a high probability of occurance
* When an insurance company wishes to share risks with other insurance companies
* When an insurance company wishes to win the confidence of potential clients
* It may be a government policy (1 x 4 = marks)

5. **Factors that may increase the level of National Income**

* Labour supply that is adequate and skilled
* Availability of affordable capital
* Availability of entrepreneurs
* Availability of high level of technology that is affordable
* Political stability
* Positive attitude of people towards hard work
* High quality and quantity of factors of production
* Natural resource endowment
* Increased foreign investment
* Small size of the subsistence sectors vis a vis the manufacturing sector.

(1 x 4 = marks)

6. **Circumstances under which a producer may prefer to sell directly to consumer**

* Where the product is highly technical
* Where the goods are produced as per customers’ specifications.
* Where the market is small and localized
* When competition is stiff
* Where the level of production is low
* Where the producer has own outlets
* Where consumers opt to buy directly from producer
* Where the producer wants to maximize profits
* Where the product is very expensive
* Where the product is highly perishable (1 x 4 = 4 marks)

7.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | OC | CC | Drawings | Loss | Profits |
| a) | 24000 | 8000 | **16800 √** | 800 | 0.000 |
| b) | **15000** √ | 14000 | 4000 | 0.000 | 3000 |
| c) | 46000 | 28000 | 1000 | **17000 √** | 0.000 |
| d) | 10000 | **9900 √** | 400 | 0.00 | 300 |

OC = CC + D + L – P (1 x 4 = 4 marks)

8. **Merits of Barter trade to the community**.

* Buyers and sellers are able to get goods they require immediately
* A community or person may be able to dispose off surplus
* Promotes social relations among the trading communities
* Promotes specialization in the production of goods and services
* Promotes the standards of living of people involved in it as opposed to direct production
* Creates employment in the community. (1 x 4 = 4 marks)

9. a) **Export Processing Zones (EPZ)**

Areas set aside by the government where industrialists can set up firms to process goods for export at little or no charge/cost. (2 marks)

b) **Liberalization** – removal of trade barriers among countries so that each country can freely trade with others. (2 marks)

10. **Ethical practices that organizations should encourage**. (4 marks)

* Being fair to all/customers, creditors, debtors, employees & competitors
* Respecting gender issues
* Conserving the environment
* Being honesty in dealing with customers/clients/suppliers
* Respecting the laws and government regulations (1 x 4 = 4 marks)

11. **Functions of commercial attaches**.

* They look for new market for our exports
* They study and analyze foreign markets where our exports are sold
* They inform exporters the standard rules and regulations of exports required abroad
* They organize trade fairs and exhibition for our exports abroad
* They organize educational tours for exporters and sell mission
* They carry out market research on new markets and products in foreign countries

(1 x 4 = 4 marks)

12. **Warehousing activities in a bonded warehouse**

* Receiving goods
* Storage of goods
* Payment of bond
* Releasing goods from warehouse to users
* Issue of release warrant
* Inspecting
* Preparing goods for sale
* Filing/documentation
* Branding, sorting (1 x 4 = 4 marks)

13. **Characteristics of public corporation**

* They are formed/created under the act of parliament
* They fall under specific ministries of government
* Are not meant for profit maximization
* The government appoints their boards of directors
* They have their own legal entities separate from the government
* They have full limited liabilities
* Their finance is usually drawn from the government/government subsidizes their operational costs
* They are owned by the government
* Profits are remitted to the treasury as dividends to the state

(1 x 4 = 4 marks)

14. **Characteristics of a market**

* Availability of a product
* Availability of sellers
* Availability of buyers
* Availability of a medium of exchange/consideration (1 x 4 = 4 marks)

15. **Negative effects of population change of a country from point A to B as shown in the diagram below**.

Income Per capita

0 Population

* The resources will be under utilized
* Leads to a reduction in the citizens standard of living
* A reduction in labour supply
* Market for goods and services within the country will be limited
* A reduced phase of economic development (1 x 4 = 4 marks)

16. **Non tax sources of public finance**

* Rent and rates paid for use of government property
* Dividends and profits earned from government direct investments
* Interest earned on loans advanced by government to firms
* Proceeds from sale of government property
* Government borrowing (1 x 4 = 4 marks)

17. **Record the information in Kolol traders’ cash receipts journal.**

Kolol Traders Cash Receipts Journal √

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| *Date* | *Details* | *Receipt No.* | *Folio* | *Discount allowed* | *Cash* | *Bank* |
| 2018 |  |  |  | Shs. | Shs. | Shs. |
| *June 5* | *Biretwo Retailers* |  |  | *10,000√* |  | *250,000√* |
| *June 10* | *Cash* |  |  |  | *200,000√* |  |
| *June 14* | *Ukulima stores* |  |  | *6,000√* |  | *114,000√* |
| *June 18* | *Rimoi traders* |  |  |  | *130,000√* |  |
| *June 25* | *Cash C* |  |  |  |  | *5,000√* |
|  |  |  |  | **16,000** | **330,000** | **369,000** |

Marking 8√\*½ = 4 marks

18. **Reasons for increased online trade**

* Fast/immediate access to information
* Security of funds
* Saves on time
* Access to wide market globally
* Avoids discrimination of business/both small and large scale business access the same market
* Cheaper in terms of costs i.e. reduces on time wasted in travelling – transport costs
* More flexible as changes are made online – one can cancel or book appointments

(1 x 4 = 4 marks)

19. **Ruha Traders Trial Balance as at 30th April 2016**

Ruha

Trial Balance

As at 30.04.2016

|  |  |  |
| --- | --- | --- |
|  | Dr | Cr |
| Machinery | 200,000 |  |
| Sales |  | 180,000 |
| Discount Received |  | 10,000 |
| Bank | 40,000 |  |
| Land | 170,000 |  |
| Capital |  | 210,000 |
| Commission Received |  | 20,000 |
| Salary | 30,000 |  |
| Rent Income |  | 20,000 |
|  | 440,000 | 440,000 |

(12 x ¼ = 4 marks)

20. **Account to be debited and credited**.

|  |  |  |
| --- | --- | --- |
|  | DR | CR |
| 1. Purchased a photocopier by cheque | Photocopier | Bank |
| 1. Paid creditor Ksh. 28,000 in cash | Creditor | Cash |
| 1. Withdrew Ksh 47,000 for business use | Cash | Bank |
| 1. Made credit sales to JJ Stores of Ksh. 60,000 | JJ Stores | Sales |

(8 x ½ = 4 marks)

21. **Methods of price determination**

* Auction method
* Haggling/bargaining
* Tendering method
* Government price control by enacting policies
* RPM – Where the manufacturer/trader puts a fixed price for the goods before the buyer accepts the offer.
* Taxation
* Subsidies

(1 x 4 = 4 marks)

22. **Advantages of SGR**

* Faster movement of goods and services
* Will stimulate development by attracting investors
* Will attract investments
* Will reduce road destruction by heavy tankers
* Lead to faster movement of vehicles on roads due to reduced traffic jams
* Will lead to increased job creation
* Will lead to transfer of technology to the local citizens
* Will lead to reduced environmental pollution caused by many vehicles
* Reduced road accidents
* Will provide revenue to the government
* Comfort to the passengers (1 x 4 = 4 marks)

23. **Effects of production activities on the environment**

* Pollution
* Solid waste pollution
* Destruction of the environment through excessive felling down of trees to make room for construction of industries
* Environmental degradation
* Change in physical environment
* Global warming (1 x 4 = 4 marks)

24. **Advantages of transport convoys**

* It is fast and captures a large number of people at once
* It is cheaper compared to other methods or cost effective marketing tool compared to TV
* It can have a direct effect on sales/may lead to increased sales
* It enables one to meet the exact target group one needs as it is flexible
* It provides for immediate feedback (1 x 4 = 4 marks)

25. **Negative effects of inflation**

* Causes economic retardation/reduced levels of investments
* Leads to adverse BOPs due to increased imports since the exports are expensive
* Loss of confidence in the country’s monetary system
* Reduced savings since people are forces to spend
* Reduced profit earnings since there are reduced sales
* Wastage of time comparing prices
* Conflict between employees and employers over pay rise
* Lowers people’s living standards due to low purchasing power/deterioration in people’s living standards
* Loss to creditors since they are paid once the money has already lost value.

(1 x 4 = 4 marks)