**MOKASA JOINT EXAMINATION**

Kenya Certificate of Secondary Education

**565/1 - BUSINESS STUDIES MARKING SCHEME – Paper 1**

**March 2018 – 2 hours**

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**Name:** …………………………………………………… **Index No.:** ………………………………..

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

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**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 above.
3. Answer all questions.
4. All answers should be written in the spaces provided in this booklet.
5. This paper consists of **10** printed pages.
6. Candidates should check the question paper to ascertain that all the pages are printed as indicated and no questions are missing.
7. Candidates should answer the questions in English.

**For Teacher’s Use Only**

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| **Question**  | **1**  | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** | **11** | **12** | **13** |
| **Marks** |  |  |  |  |  |  |  |  |  |  |  |  |  |

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| **Question**  | **14**  | **15** | **16** | **17** | **18** | **19** | **20** | **21** | **22** | **23** | **24** | **25** |
| **Marks** |  |  |  |  |  |  |  |  |  |  |  |  |

|  |
| --- |
|  |

 **TOTAL**

 **MARKS**

1. List **four** benefits of learning Business Studies to a Kenyan student. (4mks)
2. *Assist the student to relate the knowledge skills and attitudes required to the day to day business activities around them.*
3. *Equips the student with the knowledge and skills necessary to start and run a business comfortably.*
4. *Assists the student in appreciating the rule of business in provision of goods and services.*
5. *Makes the student to appreciate the need for good business management practices.*
6. *Assists the student to acquire self-discipline and positive attitude towards work.*
7. *Equips the individuals with abilities to promote co-operation in society through trade.*
8. *Helps the individuals to develop positive attitudes towards the environment.*
9. State **four** characteristics of a savings account. (4mks)
10. *A minimum initial deposit is required to open this account*
11. *A minimum balance must be maintained in their account anytime*
12. *Interest is paid on money deposited after sometime based on certain minimum amount*
13. *Customers are issued with pass books or bank card for use to withdraw or deposit money*
14. *Customers must always be present themselves to the bank in case they want to withdraw the money*
15. *Money can be deposited at anytime*
16. *There is a maximum limit on the amount to be withdrawn at anytime*
17. *The bank requires to make a notice for higher withdrawers*
18. *Money is withdrawn once a week*
19. Highlight **four** characteristics of a good salesperson. (4mks)
20. *Competence/training in selling procedures.*
21. *Good communication skills, especially in all the relevant languages.*
22. *Sincerity, courtesy, honesty and patience.*
23. *Flexibility in addressing the needs of various groups of customers.*
24. *Being neat, clean and generally well-groomed.*
25. *Being convincing, persuasive and tactful to be able to win over customers*
26. *Good listener in order to listen to customer complaints, concerns and questions and address them effectively.*
27. *Committed to the job and the business one works for.*
28. State whether each of the following transactions will increase, decrease or have no effect on assets, Liabilities and the Balance Sheet totals. (4mks)

|  |  |  |  |
| --- | --- | --- | --- |
| **Transaction** | **Assets** | **Liabilities** | **Balance sheet** **totals** |
| 1. Received sh 32,000 cash from a debtor
 | *No effect* | *No effect* | *No effect* |
| 1. Withdrew sh 12,000 from bank for personal use.
 | *Decrease* | *No effect* | *Decrease* |
| 1. Paid a creditor sh 53,000 by cheque.
 | *Decrease* | *Decrease* | *Decrease* |
| 1. Sold and old motor van worth sh 600,000 for sh 650,000 cash
 | *Increase* | *No effect* | *Increase* |

1. Outline **four** sources of finance for a county government. (4mks)
2. *License fee paid by those who want to operate businesses.*
3. *Rent and rates paid for the use of county government property*
4. *Proceeds from sale of county government property.*
5. *Dividends and profits earned from county government direct investment.*
6. *Interest on loans advanced by county government to firms.*
7. *Borrowing from financial institutions.*
8. *Fines imposed by county government on offenders.*
9. Classify each of the following resources as either human, human made/artificial or natural.(4mks)

|  |  |
| --- | --- |
| **Resources** | **Classification** |
| a).Titanium | *Natural* |
| b).Physiotherapist | *Human* |
| c). Electricity | *Human Made* |
| d). Crude oil | *Natural* |

1. Highlight **four** reasons why Kiosks continue to exist despite stiff competition from supermarkets.

 (4mks)

1. *They break bulk into smaller quantities which is suitable for a specific market*
2. *They are closely located to the consumers*
3. *Kiosks are highly flexible*
4. *They require little capital to start*
5. *They require few legal formalities to start*
6. *They provide for quick decision making*
7. *They are easy to manage*

1. The following transactions were extracted from the books of Chania traders during the month of July 2017

July 4: Sold goods worth ksh 3000 on credit to Ombogo. Invoice no.1304

July 8 : Sold machinery worth ksh 15000 on credit to mbalambala retailers.

 Invoice no. 2574

July 9: Sold goods worth ksh 4500 in cash to Tenwek retail shop. receipt no.5691

July 12: Sold goods worth ksh 7000 on credit to Wanjiku. Invoice no. 6438

July 17: Credit sales worth ksh 6000 to Otieno. Invoice no. 7643

July 21: Sold goods worth ksh 5000 Kioko.payment to be made at a later date.

 Invoice no 9983

**Prepare**; Sales journal from the above transactions. (4 mks)

***Sales journal***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***Date*** | ***Details*** | ***Invoice no.*** | ***L/F*** | ***Amount*** |
| ***2017****July 4**July 12**July 17**July 21* | *Ombogo**Wanjiku**Otieno**Kioko****Totals to be posted to the sales a/c (Cr)*** | *1304**6438**7643**9983* |  | *3000√**7000√**6000√**5000√**21000* |

 ***4x1=4 marks***

1. Highlight **four** circumstances under which a private limited company may be dissolved. (4mks)
2. *If the company becomes insolvent*
3. *In case of amalgamations*
4. *In case of a court order*
5. *When the shareholders decide to dissolve the business*
6. *In case of persistent loss making*
7. Differentiate the following classification of goods and services provided in an economy. (4mks)
8. Material good and non-material goods.

*Material goods are commodities that are tangible like books, vehicles etc.*

*Non-material goods are services (intangibilities) such as teaching, nursing banking etc.)*

1. Public goods and private goods

*Public goods are goods that belong to no one in particular, but are owned by the government or all of us collectively. E.g. roads, airports, rivers, public hospitals, churches etc.*

*Private goods are goods owned by individuals or group of individuals in their private capacities. The owners have inclusive rights to the usage of such goods e.g. personal cars, private schools, private premises.*

1. Outline four ways in which consumers benefit from warehousing services provided by wholesalers in their region (4mks)
2. *They get variety of goods.*
3. *They enjoy stable prices as warehousing ensures there is no great shortages.*
4. *They are able to buy goods in small quantities.*
5. *Consumers are able to get goods when they require (constant supply)*
6. *They get goods that are not damaged/spoilt due to bad weather or pests.*
7. *They benefit by getting goods of improved quantity after grading and blending at the warehouse.*
8. The diagram below represents the circular flow of income in a two sector economy. Identify the

 factors labelled that may either increase or reduce the flow of income. (4mks)

 **Households**

 a c

 b d

 **Firms**

***a & b*** *- investments* ***or***  *government expenditure* ***or*** *exports*

***c& d*** *- Savings* ***or*** *taxes* ***or*** *imports*

1. List **four** factors that may influence the choice of a channel for distributing flowers. (4mks)
2. *Nature of products/flowers*
3. *Cost of the channel*
4. *Distance /proximity/coverage of market*
5. *Competition*
6. *Availability of intermediaries/agents/middlemen*
7. *Availability of resources*
8. *Quantity/scale of production/output volume*
9. *Government policy*
10. *Size of market/number of consumers*
11. *Risks involved*
12. Highlight **four** ways in which the technological environment may contribute to the success of a business enterprise. (4mks)
13. *Suitable technology facilitates easy communication*
14. *Reduces the cost of labour hence lowering production costs*
15. *Facilitates ease in transportation of goods and services*
16. *Leads to increased production – volume of output*
17. *Leads to production of high quality products*
18. *Enhances security*
19. *Facilitates easy payment of goods and services*
20. *Facilitates improved marketing i.e. use of social media*
21. The graph below shows the relationship between the population trends and income per

 head.

***Income***

 ***Per Capita***

***Q***

***T***

 ***O P Population***

 Outline **four** challenges associated with the part labelled T. (4mks)

1. *Insufficient food supply.*
2. *Increase in crime rates.*
3. *Environmental degradation – overpopulation may force people to overexploit the environment leading to environmental degradation.*
4. *Low quality of services such as education, housing and health because demand is more than the resources can cope with.*
5. *Decline in standards of living.*
6. *May lead to balance of payment deficits as a country may import more than required.*
7. *High dependency level straining those who are employed.*
8. *Encourages rural-urban migration which may lead to social evils and development of slums.*
9. Outline **four** factors that may hinder effective communication in a classroom set up. (4mks)
10. *Poor listening*
11. *Noise making*
12. *Prejudgment*
13. *Negative attitude towards the sender*
14. *Emotional responses*
15. *Poor timing*
16. *Use of unfamiliar non-verbal signs*
17. The following information was extracted from the books of Ochilo Enterprises on 31st December 2017

**Kshs**

Stock (31/12/2017) 36,000

Sales 150,000

Purchases 92,000

Stock (1/1/2017) 28,000

Fixed assets 300,000

Current assets 400,000

Current liabilities 160,000

Total expenses 10,800

**Calculate**,

1. Mark up (2mks)
2. Rate of stock turnover (2mks)

*GP=Sales – Cogs*

*Sh.150,000 – sh(28,000+92,000 – 36,000) = ksh 66,000√*

$\frac{66,000}{84,000} x 100$ *=78.57% or 11:14 or* $\frac{11}{14}$ *√*

*ROSTO =* $\frac{COS}{Average stock }$

$\frac{28,000+36,000}{2}=32,000$*√*

$\frac{84,000}{32,000 }=2.625=3 times$*√*

1. The table below illustrates the demand of a commodity in a certain market in the year 2017.

|  |  |  |
| --- | --- | --- |
|  **Month** | **Prices (Kshs)** | **Quantity demanded (kg)** |
| January | 110.5 | 2500 |
| March | 110.5 | 2300 |
| April | 110.5 | 2200 |
| May | 110.5 | 2000 |
| June | 110.5 | 1900 |

State **four** causes of change in quantity demanded as shown in the table above. (4mks)

1. *A fall in the incomes of consumers – will reduce the purchasing power.*
2. *A fall in the price of a substitute goods leading to a fall in demand of competing product.*
3. *A negative change of tastes and fashion towards a product leading to decrease in demand for the commodity.*
4. *A decrease in population causing a decrease in the demand for the product.*
5. *A rise in price of a complementing product.*
6. Highlight **four** circumstances under which a trader may use air transport. (4mks)
	1. *When the goods are urgently required*
	2. *When goods are perishable as it is very fast*
	3. *When the goods require special handling/transportation as special plane are available*
	4. *When the goods are valuable as proper security means are offered*
	5. *When the goods requires safety as air has few accidents and proper handling of goods*
	6. *When air transport is the only means that can transport goods up to destination*
7. Mr. Onduko intends to start a business. He was advised to prepare a business plan. Outline **four** reasons why this move is important to him. (4mks)
8. *It will assist him in Identify strengths and weaknesses of his business*
9. *To help him allocate the available resources appropriately*
10. *To help him determine the amount of finance required*
11. *To assist him identify possible mistakes*
12. *It is a requirement by financiers*
13. *It will act a tool of control*
14. Highlight **four** factors to be considered in order to construct a consumer price index. (4mks)
15. *Selection of the commodities (basket of commodities)*
16. *Choice of the base period*
17. *Price of the commodity during the current and base period*
18. *Choice of the average to be used*
19. On 1st June 2017, Zuma had shs. 5000 in hand and a bank overdraft of sh. 10,000. During the month the following transactions took place.

 June 2 : Cash purchases shs. 4500

 June 4 : Credit sales to Naliaka shs. 4150

 June 6 : Withdraw shs. 6,000 from bank for office use.

June 8 : Wilbroda, a debtor settled his account of sh. 7500 by cheque less

 5% cash discount.

 **Required:**

 Prepare a three column cash book. (4 mks)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| *Date*  | *Details* | *Disc allowd* | *Cash* | *Bank* | *Date* | *Details* | *Disc rec* | *Cash*  | *Bank* |
| *1/06/17**6/6/17**8/6/17**8/6/17* | *Bal. b/d**Bank C1**Wilbroda**Bal. dd* | *375* | *5000**6000* |  *7125**8875* | *1/6/17**2/6/17**6/6/17* | *Bal b/d**Purchase**Cash C1**Bal. dd* |  | *4500**6500* | *10000**6000* |
|  |  | *375* | *11000* | *16000* |  |  |  | *11000* | *16000* |
|  | *Bal. b/d* |  | *6500* |  |  | *Bal. b/d* |  |  | *8875* |

*(*$marks 16 ×^{1}/\_{4}=4 marks)$

1. Outline the following terms as used in insurance. (4mks)
2. Insurer - *This is the Insurance Company that undertakes to compensate the insured in the event of*

 *a loss arising from occurrence of the insured risk.*

1. Excess - *a contribution you are required to pay towards a claim you make on your car insurance*

 *policy*

1. Surrender value - *Money refunded to the insured if he/she decide to end a life policy before*

 *maturity.*

1. Insured - *The customer who takes the Insurance policy/cover to protect his/her property against a*

 *risk insured and becomes the policy holder.*

1. Outline **four** considerations a seller should take to ensure that a buyer pays for goods purchased on credit. (4mks)
2. *Ascertaining the credit worthiness of the buyer*
3. *Asking the buyer to guarantee payment by signing some documents e.g. bill of exchange*
4. *Asking the buyer to have someone else to guarantee the payment*
5. *Asking the buyer to pledge (mortgage) some of his/her property as security.*
6. The following information relates to Top hill traders for the year ended 31st December,

 2017.

**Shs**

Capital as at 31/12/2017 1,210,000

Drawings for the year 120,000

Net loss for the year 150,000

Extra capital introduced during the year 405,000

 Determine the amount of capital as at 1st January, 2017. (4mks)

 CC = OC+P-D+I

 OC = CC+L+D-I

 = 1,210,000 + 150,000 + 120,000 – 405,000

 = 1,095,000