

Name ..... Adm. No. ....

School ..... Candidate's signature .....

Date .....

565/1

**BUSINESS STUDIES**

Paper 1

**October/November 2015**

Time 2 hours

**KANDARA SUB-COUNTY SECONDARY SCHOOLS  
FORM THREE JOINT EXAMINATION**

Kenya Certificate of Secondary Education

**BUSINESS STUDIES**

Paper - 565/1

**October/November 2015**

Time: 2 hours

**INSTRUCTIONS TO CANDIDATES**

- Write your name and Index number in the spaces provided.
- Answer all the questions.
- All answers must be written in the spaces provided.
- Do not remove any page from the booklet

**EXAMINER'S USE ONLY**

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

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

*This paper consists of 7 printed pages*

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

1. Indicate whether the following resources are renewable or non renewable. (4 marks)

	Resource	Classification
a)	Natural rubber	
b)	Solar energy	
c)	Soda ash	
d)	Natural gas	

2. State four ways in which the utility of a commodity can be increased. (4 marks)

- a) .....
- b) .....
- c) .....
- d) .....

3. State four reasons why the government issues trade licences. (4 marks)

- a) .....
- b) .....
- c) .....
- d) .....

4. Outline four circumstances under which a partnership may be dissolved. (4 marks)

- a) .....
- b) .....
- c) .....
- d) .....

5. Identify the type of retailers described in the statements below. (4 marks)

- a) Retailers who carry their goods with them and move from place to place. ....
- b) Retailers who sell goods from a particular manufacturer who has given them a licence .....
- c) Many shops / stores located in different towns which are centrally owned and managed. ....
- d) A large retail shop in one building under common management .....

6. The demand for commodity x in a given area has continued to decline. State four factors that could have contributed to this. (4 marks)

- a) .....
- b) .....
- c) .....
- d) .....

7. Outline four reasons why an increase in per capita income may not necessarily lead to a rise in the standard of living of the citizens. (4 marks)

- a) .....
- b) .....
- c) .....
- d) .....

8. Highlight four measures that the government may take to attract firms in an area. (4 marks)

- a) .....
- b) .....
- c) .....
- d) .....

9. Outline four reasons why a trial balance is important to a business. (4 marks)

- a) .....
- b) .....
- c) .....
- d) .....

10. Using the balance sheet equation, fill in the missing figures in the following table. (4 marks)

	Capital (shs)	Liabilities (shs)	Assets (shs)
a)	20,000		25,000
b)		4300	8,100
c)	1950	3000	
d)		28700	21,500

11. Highlight four factors to consider before choosing a means of a communication. (4 marks)

- a) .....
- b) .....
- c) .....
- d) .....

12. Outline four uses of a two column cash book. (4 marks)

- a) .....
- b) .....
- c) .....
- d) .....

13. Outline four advantages of systematic arrangement of goods in a warehouse. (4 marks)

- a) .....
- b) .....
- c) .....
- d) .....

14. State the type of insurance policy cover that Naliaka Traders should take in the following circumstances. (4 marks)

Circumstances

Types of policy

- a) To cover loss of profit due to fire outbreak in his shop.....
- b) To cover claims by members of public against the business. ....
- c) To cover loss of cash or goods through theft by his employees. ....
- d) To protect employees against industrial injuries at their place of work .....

15. Give four differences between monopoly and oligopoly market structure. (4 marks)

Monopoly	Oligopoly
a)	
b)	
c)	
d)	

16. In the space provided below, state whether each of the following transaction will increase, decrease or have no effect on capital.

<u>Transaction.</u>	<u>Effect on capital</u>
a) Purchased stock on credit	.....
b) Owner invested more cash into the business	.....
c) Payment to creditors	.....
d) Owner withdrew stock from the business for own use	.....

17. Outline four negative effects of an ageing population to an economy. (4 marks)

- a) .....
- b) .....
- c) .....
- d) .....

18. State the ledger in which the following accounts are kept.

Account	Ledger.
a) Sales a/c	.....
b) Cash a/c	.....
c) Return outward a/c	.....
d) Equipment a/c	.....

19. Outline four components of a business plan. (4 marks)

- a) .....
- b) .....
- c) .....
- d) .....

20. Highlight four advantages of after sales service as a method of sales promotion to a customer. (4 marks)

- a) .....
- b) .....
- c) .....
- d) .....

21. Give four reasons why road transport is commonly used in Kenya. (4 marks)

- a) .....
- b) .....
- c) .....
- d) .....

22. State four characteristics of economic resources. (4 marks)

- a) .....
- b) .....
- c) .....
- d) .....

**23. Highlight four roles played by intermediaries in the chain by distribution. (4 marks)**

- a) .....
- b) .....
- c) .....
- d) .....

**24. Outline four features of a supermarket. (4 marks)**

- a) .....
- b) .....
- c) .....
- d) .....

**25. Highlight four external factors that may negatively influence the operations of a business. (4 marks)**

- a) .....
- b) .....
- c) .....
- d) .....

KANDARA SUB-COUNTY SECONDARY SCHOOLS FORM THREE JOINT EVALUATION

Kenya Certificate of Secondary Education

**BUSINESS STUDIES**

Paper - 565/1

October / November - 2015

**MARKING SCHEME**

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| <p>1. Resources Classification</p> <p>a) Natural rubber renewable.</p> <p>b) Solar energy renewable.</p> <p>c) Soda ash renewable.</p> <p>d) Natural gas non-renewable.</p> <p>2. <u>Ways of increasing utility</u> <math>4 \times 1 = 4</math> marks</p> <ul style="list-style-type: none"><li>- Changing form of goods.</li><li>- Transportation.</li><li>- Warehousing.</li><li>- Selling or exchanging the products.</li></ul> <p>3. <u>Reasons why the government issues trade licences.</u> <math>4 \times 1 = 4</math> marks</p> <ul style="list-style-type: none"><li>- To ensure that professional service providers are genuine.</li><li>- To control imports and exports.</li><li>- To raise revenue</li><li>- To control number of businesses in an area / region / control unhealthy competition.</li><li>- To ensure the traders engage only in trade activities that they have licences for.</li><li>- To ensure there are no illegal businesses.</li></ul> <p>4. <u>Circumstances under which partnership may be dissolved</u> <math>4 \times 1 = 4</math> marks</p> <ul style="list-style-type: none"><li>- If partners mutually agrees to dissolve it.</li><li>- Incase of death, insanity or bankruptcy of a partner.</li><li>- Incase of completion of the intended purpose</li><li>- In case of a court order to dissolve the business.</li><li>- Incase of continued disagreement between members.</li><li>- When a partner requests for dissolution in writing.</li><li>- If the business engages in unlawful practices / incase of change in law rendering the business activities unlawful.</li><li>- Incase of retirement / admission of a new partner.</li></ul> <p>5.a) <u>Types of retailers from descriptions given</u></p> <p>a) Itinerant traders.</p> <p>b) Tied shops.</p> <p>c) Chain stores.</p> <p>d) Department stores.</p> | <p>6. <b>Factors that may cause the decline in quantities demanded</b> <math>4 \times 1 = 4</math> marks</p> <ul style="list-style-type: none"><li>- Decrease in population.</li><li>- Unfavourable government policies e.g. increased taxation.</li><li>- Increase in commodity prices.</li><li>- Reduction in consumers income.</li><li>- If people expect that the prices will fall in the future.</li><li>- Unfavourable tastes, preference or the commodity becoming unfashionable.</li><li>- The weather may not be favouring the consumption of the commodity.</li></ul> <p>7. <b>Reasons why an increase in per capita income may not necessarily lead to a rise in standards of living.</b> <math>4 \times 1 = 4</math> marks</p> <ul style="list-style-type: none"><li>- Per capita figures may be high but income may be unevenly distributed</li><li>- Inflation may have caused the rise in per capita income.</li><li>- High taxes may erode the real value of per capita income.</li><li>- May be obtained through strain on people's health.</li><li>- Expenditure pattern by the government / individual servicing debts.</li></ul> <p>8. <b>Measures that the government may take to attract firms in an area .</b> <math>4 \times 1 = 4</math> marks</p> <ul style="list-style-type: none"><li>- Provision of free / cheap land.</li><li>- Provision of finances at low interest.</li><li>- Provision of security.</li><li>- Development of infrastructure.</li><li>- Offering subsidies.</li><li>- Reduction of taxes.</li></ul> <p>9. <b>Importances of the trial balance</b> <math>4 \times 1 = 4</math> marks</p> <ul style="list-style-type: none"><li>- Summarizes the information in the ledger A/cs.</li><li>- checking the accuracy in the ledger A/cs.</li><li>- Facilitates preparation of final A/cs.</li><li>- A quick source of information for the balance in any account.</li></ul> |
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10. a) 5000  
 b) 3800  
 c) 4950  
 d) -7200

4 marks

11. **Factors to consider when choosing a means of communication.  $4 \times 1 = 4$  marks**

- Cost
- Distance between sender and receiver.
- Level of confidentiality.
- Need for evidence / reference.
- Desired impression.
- Availability of means.
- Reliability of the means.
- Accuracy.
- Speed / urgency.

12. **Uses of two column cash book 4 marks**

- to record cash Receipts and payments.
- to make it easy to refer to bank and cash balances.
- to relieve the general ledger to many records.
- acts as a ledger.

13. **Advantages of a systematic arrangement of goods in a warehouse (4 marks)**

- minimises breakage.
- minimises pilferage / theft.
- minimises contamination.
- proper utilization of space.
- easy accessibility of goods.
- easy stock taking.

14. **4 marks**

- a) Consequential loss or profit interruption policy.  
 b) Public liability.  
 c) Fidelity guarantee.  
 d) Workman compensation.

15.

Monopoly	Oligopoly
a) Single seller	a) Few large sellers
b) Makes independent decisions	b) There is inter dependence
c) No close substitutes	c) Goods have close substitutes / pure oligopolies
d) No competition in the market	d) Engages in non price competition
e) Faces downward sloping demand curve	e) Faces a kinked demand curve.

16. **Effects on capital**

- a) No effect  
 b) Increase  
 c) No effect  
 d) Decreases.

17. **Negative effects of an ageing population.**

- low labour supply.
- increased government expenditure e.g. pension fund.
- increased dependency ratio.
- fall in demand for goods/ services required by the youth leading to unemployment.
- Less progressive society - lack energetic youth.
- low savings/ low investments.
- low labour mobility.

18.

Account	Ledger
Sales a/c	Nominal / General
Cash a/c	Cash book
Return outward a/c	General / Nominal
Equipment a/c	General

19. **Components of a business plan (4 marks)**

- Business description.
- Product description.
- Market strategy / market to be served.
- Organization and management / personnel needed.
- Financial forecast.
- Operations and production.
- Executive summary. **4 marks**

20. **Advantages of after sales service**

- Technical advice may be given.
- Installation may be provided.
- Guarantee is usually given for a certain period of time.
- Servicing may be offered - reduces the cost to the buyer.
- In case of equipment break down replacement at no extra cost may be provided.

**21. Reasons why Road transport is common in Kenya.**

- Availability / wide coverage.
- Flexibility in offering door to door service.
- Variety of vehicles.
- Cost effective /low transport charges.
- Flexible in schedule.
- Accessibility to most parts of country.
- Specially designed units of carriage.
- Relatively cheap to acquire vehicles.
- Relatively fast.

**22. Characteristics of economic resources.**

- Scarce in supply.
- Are complementary.
- Have monetary value.
- Can change ownership.
- Have utility.
- Unevenly distributed.
- Have alternative uses.

**23. Roles of intermediaries**

- break the bulk.
- accumulate the bulk.
- provide storage.
- provide transportation.
- prepares goods for sale.
- link producer and the consumer.
- passing information about product, market to the producers and consumers.
- are involved in product promotion.

**24. Features of supermarket (4 marks)**

- a) Offer self service.
- b) Require large capital to start.
- c) Prices are fixed.
- d) No credit facilities are offered.
- e) Stock a variety of items.
- f) Sell at comparatively low prices.

**25. External factors that may influence the operations of a business negatively.**

- unfair competition.
- inadequate technology.
- unstable political environment.
- unstable economic environment.
- unfavourable government policy.
- Insecurity.
- unfavourable socio-cultural environment.
- natural calamities.