

# **BUNAMFAN JOINT EXAMINATION - 2021**

**Kenya Certificate of Secondary Education  
565/1**

## **BUSINESS STUDIES MARKING SCHEME**

- 1. With an example in each case, the difference between renewable and non-renewable resources**
  - ❖ Renewable resources are those whose supply can be restored when they are exhausted such as wood, HEP, solar energy etc.
  - ❖ Non-renewable resources are those whose supply cannot be restored once they are exhausted such as mineral deposits, coal, natural gas etc.
  
- 2. Reasons why diagonal communication needs to be encouraged in an organization.**
  - ❖ Promotes teamwork in an organization
  - ❖ It helps eliminate goal blindness
  - ❖ Assist in development of human resource because they can freely exchange ideas
  - ❖ Assist in coordination and harmonization of different activities in an office
  - ❖ It creates a sense of belonging among staff thus a motivating factor.
  
- 3. Benefits enjoyed by a member of a producer cooperative society**
  - ❖ Better/higher prices for their produce
  - ❖ Educated on better methods of production through seminars, field trips, etc
  - ❖ Provided better storage facilities
  - ❖ Enjoys reliable transport means
  - ❖ Provided with loans to expand their operations
  - ❖ Can obtain farm inputs on credit
  - ❖ Provided with grading, packing, and processing services
  
- 4. Measures that the government can use to encourage increase in the country's volume of exports**
  - ❖ Offering export compensation schemes to exporters
  - ❖ Research to diversify foreign markets and products
  - ❖ Offering customs drawbacks
  - ❖ Lobbying for the removal of trade restrictions
  
- 5. Positive impacts of physical environment on the operations of a business**
  - ❖ Favourable climatic conditions favour agricultural businesses

- ❖ Absence of floods means goods can efficiently reach the market
- ❖ Good roads and other physical infrastructure enhances trade
- ❖ Land with good terrain favours production activities. For instance it is cheaper to construct business structures

**6. Problems associated with monopoly market structure**

- ❖ Leads to charging of high prices
- ❖ Causes the production of sub-standard products since there is no competition
- ❖ It may cause unequal distribution of income
- ❖ Too much monopoly power may be used to influence government to adopt unfavourable policies
- ❖ Some may operate at excess capacity causing unemployment and wastage of resources

**7. Outline four role of the mass media in promoting consumer protection**

- ❖ They air or print information on traders who exploit consumers.
- ❖ They advise consumer on their rights
- ❖ They refuse to publish any false/misleading advertisement
- ❖ They inform the government and other departments on traders who exploit consumers
- ❖ They taste products in their laboratories or using their own experts then inform consumers
- ❖ They investigate problems facing consumers and try to solve them

**8. Services offered in agency banking as a trend in the banking sector.**

- ❖ Customer deposits
- ❖ Withdrawal from own account
- ❖ Transfer of funds
- ❖ Paying bills
- ❖ Balance enquiries
- ❖ Opening new accounts
- ❖ Filling of loan application forms.

**9. Type of machine one would use to perform the following tasks**

	<b>Functions</b>	<b>Name of machine</b>
i)	Used to trim papers into desired sizes	<b>Guillotine</b>
ii)	To post information to ledgers and to prepare payrolls	<b>Accounting Machine</b>
iii)	To transmit printed messages such as letters, maps, diagrams and photographs	<b>Facsimile (Fax machine)</b>
iv)	To destroy sensitive but unwanted documents	<b>Paper Shredders</b>

**10. New Balance Sheet for NyakwarAtiyo traders**

Workings:

Stock= Shs.7,750 – 750 = 7,000

Drawings = Shs. 750

Creditors== Sh. 45,000 – 2,000 = 43,000

Bank= sh 25,375 – 2000 = 23,375

Capital = Sh. 65,000 + 200,000= Sh. 265,000

Added investment = Sh. 200,000

Motor Vehicle = Sh. 200,000

NyakwarAtiyo  
Balance Sheet  
Asa t 30.6.2000

Fixed assetsKshs.Ksh.		Capital	
Machinery	45,000√	Capital	65,000√
Motor vehicles	<u>200,000</u> √	Add additional capital	200,000√
	245,000	Less Drawings	<u>750</u> √
Current assetsKshs.Short term liabilities		Ksh.	
Stock	7,000√		264,250
Debtors	1,375√	Creditors	2,500√
Bank	<u>23,375</u> √ <u>31,750</u>	Short term bank loan	<u>10,000</u> √ <u>12,500</u>
<u>276,750</u>	<u>276,750</u>		

**10 ticks × ½ = 5marks**

**11. Roles of advertising agencies in product promotion**

- ❖ Help businesses in designing their trademarks, logos, and advertising materials
- ❖ Book space and airtime for their customers in various media houses
- ❖ Offer advisory services to their clients on selling techniques
- ❖ Advertise on behalf of their clients
- ❖ On behalf of their clients, they choose the appropriate media to use

**12. Distinguish between the following categories of government expenditures.**

- i) **Recurrent expenditure** –refers to regular expenses incurred by the government in the provision of goods and services e.g. salaries, fueling gov’t vehicles, servicing public debt etc.
- ii) **Capital expenditure**—refers to government spending that goes into financing specific projects such as construction of roads, railway lines, airports etc.

**13. Differences between hypermarkets and departmental stores.**

- ❖ Hypermarkets are located in the outskirts of town while departmental stores are found in town.

- ❖ Hypermarkets offer a variety of goods while departmental stores deal in a particular line of goods
- ❖ Hypermarkets comprises different businesses with different management while departmental stores comprises many single shops under one management
- ❖ Hypermarkets have ample parking space whereas departmental stores do not have.
- ❖ With hypermarkets prices are not controlled hence can exploit whereas departmental stores sell at relatively low prices.

**14. The information below was extracted from the books of Lemayian Traders for the year ended**

31. 12. 2015

Opening stock      45,000

Closing stock      15,000

Turnover            340,000

Margin    25%

Required:

(i) Gross profit

$$\text{Margin} = \frac{\text{Gross profit}}{\text{Sales}} \times 100$$

Sales

$$\underline{25} = \frac{\text{Gp}}{\text{Sales}}$$

$$100 \quad 340,000$$

$$\text{Gp} = \frac{25 \times 340,000}{100}$$

100

$$\text{Gross profit} = \text{Shs. } 85,000$$

(ii) Purchases

$$\text{GP} = \text{Sales} - \text{CoGs}$$

$$\text{CoGs} = \text{Sales} - \text{GP}$$

$$= 340,000 - 85,000$$

$$= 255,000$$

$$\text{CoGs} = \text{Opening stock} + \text{Purchases} - \text{Closing stock}$$

$$\text{Purchases} = \text{CoGs} - \text{Opening stock} + \text{Closing stock}$$

$$255,000 - 45,000 + 15,000$$

$$= \text{Ksh. } 225,000$$

**15. Distinguish between the following terms as used in National Income**

**a) Gross Domestic Product**

- Is the value of all goods and services produced within a country during a particular year irrespective of who does it.

**b) Gross National Product**

- It is the value of all goods and services produced by the nationals of a country during the year irrespective of whether they are produced locally or abroad.

**c) Per capita Income**

- Is the average income per person in a given year. It is obtained through dividing the amount national income by the total population

**16. Ways in which the government of Kenya promotes entrepreneurial development**

- ❖ Building or improving all infrastructure such as roads, sewerage systems etc

- ❖ Improving the level of security
- ❖ Lowering taxation/giving tax exemptions or holidays
- ❖ Providing subsidies
- ❖ Controlling the cost of electricity and petroleum products/make it affordable to encourage production

**17. Channels of distribution for importation of agricultural produce.**

- ❖ Foreign farmer ~~→ local consumer~~
- ❖ Foreign farmer ~~→ local retailer~~ ~~→ local consumer~~
- ❖ Foreign farmer ~~→ local wholesaler~~ ~~→ local retailer~~ ~~→ local consumer~~
- ❖ Foreign farmer → Local wholesaler → local consumer
- ❖ Foreign farmer → local agent → W/saler → Retailer → local consumer
- ❖ Foreign farmer → Local Representative → W/saler → Retailer → Local consumer

**18. Trends in transport sector.**

- ❖ Pipeline and containerization
- ❖ Electric trains replacing diesel engines
- ❖ Underground tunnels are constructed to ease congestions on surface
- ❖ Development of planes with large carrying capacities
- ❖ Introduction of speed governors to control speed.
- ❖ Psv's fitted with music systems

**19. Benefits of indirect production.**

- ❖ High quality goods produced
- ❖ Surpluses produced.no deficits in market
- ❖ It is capital intensive reducing cost of labor
- ❖ There is specialization in the production process which leads to efficiency and high quality
- ❖ Modern technology is used promoting quality production.
- ❖ It is less tiresome
- ❖ Promotes standards of living as variety of goods are available

**20. Enter the following transactions in the relevant ledger accounts**

Capital a/c		Cr	Cash a/c		Cr
	2015			2015	
	April 1 Cash	150,000	April 1 Capital	150,000	April 3 Purchases
					40,000
					,, 6 Bank
					60,000

  

Purchase A/c		Cr	Bank A/c		Cr
	2015			2015	
April 3 Cash	40,000		April 6 Cash	60,000	April 9 O. machine
					25,000

2015  
 April 9 Bank      25,000

**21. Reasons why a producer may need to have their own warehouse**

- ❖ To enjoy complete control of operations in the warehouse
- ❖ To design it to match their specific needs
- ❖ In order to install special handling, storage and protection facilities which may not be available with a public warehouse
- ❖ To avoid being tied down by rigid procedure of receiving and issuing of goods as is the case with public warehouses
- ❖ In the long run, the cost of building own warehouse will be cheaper than the hiring of space in a public warehouse
- ❖ The owner exercises full control and makes major decisions without having to consult any one

**22. Name of the source document used to record the following transactions**

Transaction	Source Document
a) Received goods returned by a buyer who bought them earlier on credit	<b>Copy of the Credit note/Retained credit note</b>
b) Making of payment to casual workers at the end of the week	<b>Cash payment voucher</b>
c) Bought goods for sale from Gilanis Supermarkets on credit	<b>Purchase/Received/Original Invoice</b>
d) A customer, Adhiambo, send a cheque for goods she bought earlier on credit	<b>Copy/Retained Cash Receipt</b>

**23. Define the following terms as used in business studies**

- (i) **Annuity**  
Is an agreed amount of money that an insurer agrees to pay to the insured annually until the latter's death
- (ii) **Proposer**  
This is a person wishing to take out an insurance cover (Prospective insured)
- (iii) **Speculative risk**  
This is a risk that when it occurs may result in loss or a profit
- (iv) **Grace period**  
This is the time allowed between the date of signing of the contract and the date of the payment of the first premium.

**24. In the table below fill in the missing figures S, T, U and V.**

S= Shs. 15,000                      T= Shs. 10,000  
 U= Shs. 70,000                    V= Shs. 12,000

**25. Compute the consumer price index (CPI) from the following data giving explanation of your outcome**

Year              Price  
 2010              300

$$\begin{aligned} \text{CPI} &= \frac{\text{Price in the Year 2011}}{\text{Price in the Year 2010}} \times 100\% \\ &= \frac{375}{300} \times 100 = 125\% \end{aligned}$$

**This implies that price of goods has risen by 25% since 2010.**