

Business Studies KCSE PP1 2021 Marking Scheme

KCSE 2021

1. Highlight four characteristics of a successful entrepreneur. (4 Marks)

- (i) Innovative and creative.
- (ii) Hardworking.
- (iii) Goal-oriented/desires to achieve.
- (iv) Time conscious.
- (v) Self-confident.
- (vi) Risk taker.
- (vii) Initiative
- (viii) Future oriented
- (ix) Information seeker
- (x) Desire for feedback
- (xi) Independent
- (xii) Commitment to work
- (xiii) Good decision maker
- (xiv) Problem solver

2. Outline four types of business activities. (4 Marks)

- (i) Extraction
- (ii) Processing of raw materials
- (iii) Manufacturing
- (iv) Construction
- (v) Provision of services
- (vi) Trade/Trading

3. Outline four challenges that may be faced in the satisfaction of human wants. (4 Marks)

- (i) Scarcity of resources
- (ii) Unlimited number of human wants.
- (iii) Human wants change with time, age and gender.
- (iv) Human wants are repetitive/recurrent
- (v) Human wants are habitual
- (vi) Human wants are complementary
- (vii) Unfavourable government policies on goods and services used to satisfy human wants.

4. Match four factors of production with their corresponding rewards. (4 Marks)

- (i) Land-Rent/Royalties/Rates
- (ii) Labour-Salaries/Wages
- (iii) Capital-Interest
- (iv) Entrepreneurship-Profit

5. Highlight four factors that may be considered when choosing means for transporting cash. (4 Marks)

- (i) Urgency/speed-should be fast enough to deliver cash using shortest time possible.
- (ii) Reliability of the means-should ensure cash reaches at right time.
- (iii) Security/safety-should protect cash from been stolen.
- (iv) Distance to transport cash-if to be transported over long distance, air transport is appropriate.
- (v) Cost of transport-should choose the one which is more affordable
- (vi) Availability/accessibility of the means-should chose the means which is readily available

6. State four ways in which government may be involved in business.

- (i) By producing goods and services.
- (ii) By distributing goods and services.
- (iii) As a consumer of goods and services.
- (iv) By advising producers and traders.
- (v) By promoting trade and economic development.
- (vi) By protecting consumers against exploitation by traders

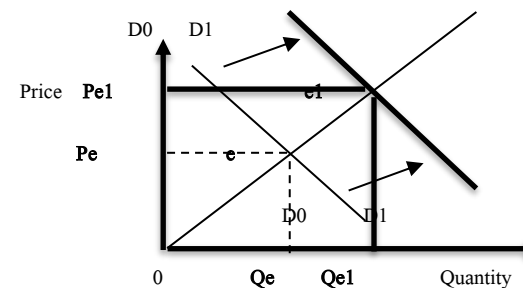
7. Outline four benefits of a partnership. (4 Marks)

- (i) Partnership can raise more capital unlike sole proprietorship.
- (ii) Work is distributed among partners and so reduces workload of each partner.
- (iii) Consultation and sharing of ideas may lead to better decisions.
- (iv) Few legal formalities are required to form the business unlike in companies.
- (v) Losses and liabilities are shared among partners unlike sole proprietorship
- (vi) Different talents and ideas are combined hence efficiency in the business unlike sole proprietorship
- (vii) The business is relatively flexible as compared to other business such as companies.

8. List four mailing services that facilitate communication. (4 Marks)

- (i) Speed post
- (ii) Poste restante
- (iii) Registered mail
- (iv) Express
- (v) Business reply service.

9. Effects of increased demand (4 Marks)



- a) Price increase from P_e to P_{e1} .
- b) Quantity demanded increases from Q_e to Q_{e1} .
- c) Equilibrium point shifts upwards from e to $e1$.

10. Outline four factors that may influence a firm's decision on the type of goods to produce. (4 Marks)

- (i) Profitability/returns
- (ii) Government policy
- (iii) Availability of resources (capital, raw materials, labour)
- (iv) Demand/market
- (v) Level of competition
- (vi) Cost of production
- (vii) Time period

11. Highlight four benefits of localization of firms. (4 Marks)

- (i) Creation of employment.
- (ii) Development of infrastructure around the area.
- (iii) Creation of pool of labour.
- (iv) Availability of security in the area.
- (v) Development of subsidiary industries.
- (vi) Waste disposal and management is easy

12. Book keeping Equation. (4 Marks)

$$A = C + L$$

$$A = \text{cash } 10,000 + \text{Bank } 50,000 = 60,000$$

$$\text{Capital} = 10,000$$

$$\text{Liabilities} = 50,000$$

$$60,000 = 10,000 + 50,000$$

13. Channel for local manufactured products.

- (i) Local manufacturer → Local consumer
- (ii) Local manufacturer → Retailer → Local consumer
- (iii) Local manufacturer → Wholesaler → Local consumer
- (iv) Local manufacturer → Wholesaler → Retailer → Local consumer
- (v) Local manufacturer → Agent → Wholesaler → Retailer → Local consumer

14. Outline four limitations of barter trade. (4 Marks)

- (i) Lack of double coincidence of wants.
- (ii) Problem of indivisibility of some goods.
- (iii) Perishability of some goods.
- (iv) Difficult to measure value.
- (v) Problems of portability of some goods.
- (vi) Lack of a standard for making deferred payments.
- (vii) Lack of unit of account.

15. State four features of an efficient tax system. (4 Marks)

- (i) Equitably distribute the tax burden according to the payers' ability to pay/equity
- (ii) Certain and clearly defines what the payer is expected to pay/certainty
- (iii) Economical and allows the tax to be collected at the least cost/economy
- (iv) Convenient and easy for the tax payer to meet the tax

- (v) Flexible enough to allow for adjustments according to prevailing conditions/flexibility
- (vi) Diverse to capture as many sources as possible/diversity/broad based
- (vii) Simple enough to be understood by all tax payers/ simplicity
- (viii) Elastic and able to generate more revenue with improved economic conditions/elasticity

16. Books of original entry. (4 Marks)

Source documents	Books of original entry
(a) Outgoing invoice	Sales journal
(b) Received receipt	Cash Payment Journal/Cash book
(c) Copy of credit note	Sales Returns Journal
(d) Original invoice	Purchases/Bought journal

17. Types of capital in business. (4 Marks)

- (i) Working capital
- (ii) Capital owned//Owners' equity/invested capital
- (iii) Capital Employed
- (iv) Borrowed capital

18. Ledger accounts (4 Marks)

Dr	Capital Account	Cr	Dr	Cash Account	Cr
	2021		2021		
	Mar 2 Cash 10,000		Mar 2 Capital 10,000		

Dr	Purchases Account	Cr	Dr	Mawa Enterprises Account	Cr
2021				2021	
Mar 3 Mawa Enterprises 12,000				Mar 3 Purchases 12,000	

19. Outline four reasons that would make an organization prefer a landscape office over enclosed office layout.

- (i) It promotes team work among employees as they work from same place and can share ideas.
- (ii) Sharing of equipment is possible.
- (iii) Cost of construction and maintenance is low as compared to enclosed office.
- (iv) There is easy location of workers as they are in one place.
- (v) It discourages absenteeism as one can be noted when absent.
- (vi) Supervision of workers is easy as they are located in one place.
- (vii) Decoration is easy and cheaper as compared to enclosed.
- (viii) There is no wastage of time for moving from one office to another/saves on time
- (ix) It discourages laxity in office as workers are easily monitored.

20. Adow Balance sheet as at 31st December, 2021. (4 Marks)

Adow Traders Balance Sheet As at 31 st December, 2021		
Fixed Assets	Capital	281,000
Land 120,000	Long-Term Liabilities	
Buildings 430,500 550,500	5 Year Loan	256,700
Current Assets	Short-Term Liabilities	
Cash 24,600	Creditors	37,400
<u>575,100</u>		<u>575,100</u>

21. Jane decided to take an insurance cover for her car against theft from Serufi Insurance Ltd. It was valued at Ksh. 600,000 and she was required to make monthly payments of Ksh. 6,000. Identify the appropriate insurance term for: (4 Marks)

- (i) Ksh. 600,000-Value of property/Sum insured
- (ii) Jane-The Insured
- (iii) Serufi Insurance Ltd-The Insurer
- (iv) Theft-The Risk insured/Insured risk

22. Outline four difficulties that a country with a young population may face. (4 Marks)

- (i) High rate of unemployment as demand for jobs is high.
- (ii) Increased in social evils such as crimes and prostitution as many are idle/do not have jobs.
- (iii) Increased government expenditure to cater for youth welfare e.g provision of education.
- (iv) Reduced savings and investments as higher proportion of income is used in consumption.
- (v) Low labour supply as many may not have attained age of working/lack skills.
- (vi) High dependency ratio as they depend on working population to provide for their needs.
- (vii) Pressure on available social amenities/facilities.

23. Types of retailers. (4 Marks)

Statements	Retailers
(a) Sells goods by displaying them along the streets.	Road side sellers
(b) Moves from one place to another on foot selling their goods.	Peddlers/Itinerant traders
(c) Dispenses goods with the use of coin operated machines.	Automatic Vending Machine traders
(d) Meet on designated days in open grounds to sell their goods.	Open air Market Traders

24. Highlight four benefits of inflation to an economy. (4 Marks)

- (i) May motivate people to work hard to meet their needs.
- (ii) May encourage proper utilization of resources to avoid wastage.
- (iii) It promotes creativity and innovation with aim of increasing production.
- (iv) It benefits debtors as they may pay less.
- (v) Traders may earn more profits as they buy goods when prices are low and sell when prices are high.

25. Outline four benefits enjoyed by countries that participate in international trade. (4 Marks)

- (i) A country enjoys access to wider variety of goods and services.
- (ii) A country is able to get what it does not produce.
- (iii) A country earns revenue from taxes from importers and exporters.
- (iv) A country is able to dispose off its surplus.
- (v) A country is able to create employment for its citizens.
- (vi) A country enjoys movement of factors of production across its borders.
- (vii) A country earns foreign exchange.
- (viii) A country is able to fully exploit its resources as there is wider markets.
- (ix) A country enjoys better and advanced technology imported from other countries.
- (x) A country enjoys peace and good relationship with trading partners.
- (xi) In times of calamities, a country can get financial aid and grants from trading partners.
- (xii) A country can specialize in areas in which they have comparative advantage in production.