**565/1/**

**BUSINESS STUDIES**

**PAPER 1**

***Kenya Certificate of Secondary Education***

**MARKING SCHEME**

1.  **Reasons why it is difficult to satisfy human wants.**

* They are habitual.
* Resources to satisfy them are limited/scarce.
* They are competitive.
* They are insatiable/endless/unlimited
* They are repetitive/recurrent.
* they vary with intensity/urgency/they change with time, age and gender
* they are complimentary

 **any 4x1=4mks**

2. **Consequences that may arise due to poor arrangement of goods in a warehouse.**

* Damage /breakages of goods.
* Pilferage / Theft of goods
* Wastage of time/delays one search for the required goods.
* Uneconomical /wastage of space in the warehouse.
* Possible /loss of government revenue in bonded warehouse
* Limits use of holding equipment’s machines in the warehouse
* Increased overhead costs/labor costs

 **Any 4x1=4mks**

3. **Positive outcomes of increased inflation from 5.8% to 9.4%.**

* Debtors may pay less in real terms.
* Sellers may earn more.
* Motivates people to work order to cope with rise in inflation.
* Better utilization of available resources .
* Increased production in order to maintain living standards.

 **Any 4x1=4mks**

4.

Kimbo traders

 Balance sheet

 As at 31stOctober 2016

|  |
| --- |
| ***Liabilities ksh.*** Creditors 26,000√Bank overdraft 15,000√Capital 100,000√ **141,000** |
|  |

***Current Asset ksh.***

Cash in hand 4,000√

Debtors 37,000√

Stock 28,000√

***Fixed Assets***

Fixtures 2,000√

Motor vehicle 70,000√

 **141,000**

NB. Order of liquidity **MUST** be followed to score. **8ticks @1/2= 4mks**

5. **Circumstances under which a manufacturer would find it necessary to carry out marks research.**

* Where he wants to determine the competition level and how to face it.
* Where there need to establish the best price that will suit the consumer.
* Where he intends to find out the best method of distributing the goods.
* Where he intends to establish appropriate quantity and packaging of the goods.
* Where the products is new.
* Where he intends to find one the changes in demand for the product.
* Where he intends to determine the suitable methods of promoting the product.

 **Any 4x1=4mks**

6. **Factors that determine the amount of revenue collected by Kenyan government through taxation.**

* Distribution of income /gap between rich and poor.
* Social and political factors.
* Honesty and efficiency of tax authorities.
* Citizens level of real incomes.
* Economic structure of the county. **Any 4x1=4mks**

7. **Recent treads in office management.**

* Office structure/prestigious landscape office plans.
* Automation which is the use of machine at place of work.
* Location of offices in the outskirts of towns.
* Merging duties.
* Employment identification. E.g use of badges/names tags.
* Out sourcing where businesses contract services from other business.
* Use of casual uniforms /branded uniforms on Fridays/weekends.

 **Any 4x1=4mks**

8.

 Amount of compensation that each will receive.

 Compensation= sum insured x loss

 Value of property

 8,000,000 x 6000,000√

 12,000,000

 4,000,000√

Mwikali = 8,000,000x4,000,000

 12,000,000

 = 2,666,666.7√

Theuri =4,000,000 x4,000,000 = 1,333,333.33

 12,000,000√

 **Any 4x1=4mks**

9. **Reasons why B demands more of commodity X at every price than A. (4mks**)

* B may be having more income than A.
* B may be having a large family than A
* B may be having a positive taste towards commodity X than A.
* B may be lacking substitute for commodity x while A has that substitute. **Any 4x1=4mks**

10. **Guidelines that may help an entrepreneur in identifying a viable business opportunity.**

* The environment.
* The current business situation.
* The target group.
* Resourses.
* Availability of other auxiliary services.
* Government policies.

 **Any 4x1=4mks**

11. **Factors that determine the amount of money that an individual may hold in order to meet unexpected expenses.**

* Level of income.
* Family status.
* Age of an individual.
* Number of dependants.
* Individuals temperament /attitude towards life.
* Duration between incomes /frequency of obtaining income.

**Any 4x1=4mks**

12. **Reasons why the Kenya government has been organizing seminars and workshops for training youth in business.**

* Exposure them to modern development in business.
* Education them on efficient methods of operating business.
* To impart proper business ethics.
* Inform them on the actions available profitable business opportunities.
* Expose them on government policy on business activities in the country.
* Expose them to problems facing them and the possible solutions.

**Any 4x1=4mk**

13. **Circumstances under which an entrepreneur may establish his/her business where other business already exists.**

* When he wants to benefit from the already existing or available trained and skilled labor force.
* When he want to benefit from the already available improved infrastructure.
* When he want to benefit from services such as banking and insurance that will be readily available.
* When he want to benefit from complementally industries /goods that will be readily available.
* If he want to benefit from joint research with other business.
* If he want to benefit from already available market /readily available market from other firms.
* If he wants to benefit from the joint disposal of wastes products with other firms.

**Any 4x1=4mks**

14. **Difference between a public limited company and a partnership.**

|  |  |  |
| --- | --- | --- |
|  | **Public limited company** | **partnership** |
|  | Formed by a minimum of shareholders and no maximum. | Formed by between 2 to 20 partners except for special partnership. |
|  | Shareholders have limited liability | Partners have unlimited liability except for the limited partners. |
|  | Its operations are governed by the article &memorandum of association. | Its operations are guided by the partnership deed /act. |
|  | Must file annual returns and publish their accounts. | Are not required to file annual returns or publish their accounts. |
|  | Managed by a board of directors. | Managed by partners themselves. |
|  | Shares are freely transferred become a shareholder /no need for consent for the exist shareholders. | Admission of new partners is through consen of other partners. |
|  | Invites public to subscribe/by its share through the security exchange  | Does not invite public to subscribes its shares. |
|  | Has perpetual life | Has limited life /death of a partner/insanity of a partner offers the life of partnership |

 **Any 4x1=4mks**

***Differences MUST match to score***

15. **Measures that a government may take to correct a balance of payment deficit in the county.**

* Export promotion.
* Import restriction.
* Devaluation of a county’s currency.
* Diversification of exports.
* Encouraging foreign investment into the county.
* Restricting capital outflow

**4x1=4mks**

16.

**Cash a/c**

Dr. cr.

**02/2/2017 b/d 500,000**√

 **5/2/2017 motor vehicle 200,000**√

**James a/c (debtor)**

Dr. cr.

3/2/2017 bank 20,000√

**Bank a/c**

Dr. cr.

 2/2/2017 bal. b/d 50,000√

 3/2/2017 James 20,000√

 **Motor vehicle a/c**

Dr. cr.

 5/2/2017 cash 200,000√

 5/2/ 2017shah motors 100,000√

**Shah motors a/c )**

Dr. cr.

5/2/2017 motor vehicle 100,000√

 **8ticks x1/2=4mks**

17. **ways in which the nature of a product influences the choice of distribution channel.**

* Perishable goods require shortest channel than durable products .
* Bulky products require shorter channels.
* Highly valuable goods require short channels.
* Technical goods require shorter channels.
* Heavy goods require short- channel than light goods.

**4x1=4mks**

18. **Circumstances under which a retailer may return goods to a wholesaler.**

* Incase they are damaged.
* Incase the quality is different from the one requested for /incase of poor quality than expected.
* Incase they are of the wrong type / where the description /order differs from what has been supplied.
* Incase excess quantity being supplied.

**4x1=4mks**

19. **Reasons why billboards are popular in product promotions.**

* They are positioned at strategic positions where they can read by many people /accessed by many potential consumers.
* The advertising message in not heavily wounded thus making it possible to be under stored and remembered easily.
* They convey message for a long time since they are relatively permanent.
* They are conspicuous and hence attractive to the audience.

**4x1=4mks**

20.

Calculate:

1. Stock turnover rate. ( R. O.S.T)

Rate of stock turn over = cost of sales

 Average stock

 cost of Sales= opening stock +purchase –return outwards- closing stock

 = 45,000+159,000-3,000-33,000

 = 168,000

Average stock= Opening Stock +Closing Stock

 2

 = 45,000+33,000

 2

 = 39,000

 R.O.S.T. = 168,000√

 39,000

 = 4.3076

 = **4 TIMES√**

 **2ticks x1=2mks**

1. Return on capital (R.O.C) = NET profit

 Capital invested

**NP= GP-EXPENSES**

5400=67000-13000

ROC = 54000√ =**18**√ **or 0.72:1 or 18:25 or 72%**

 75000 **25**

 **2ticks x1=2mks**

21. **Ways in which legal political environment may improve business performance.**

* Improved infrastructural network may attract more businesses.
* Improvement/favorable political stability may make it attractive.
* Increased subsidies lower costs of production and subsequently consumers may enjoy lower prices for goods.
* Reduced taxes may attracts more business and lower production costs.
* Abolishing price controls enable business to compete and enjoy better profit margins.
* Favorable legislation/low amake it attractive to new and existing business to operate /reducing beauticratical procedures in licensing /operating business.

**4x1=4mks**

22. **Distinguish between :**

 i) Producer goods and consumer goods.

* Producer goods are goods which are used in the creation production of other goods e.g machinery /traders while consumers goods are goods that already satisfy needs and wants of a consumer /they are meant for immediate consumption e.g drinks, clothes,books . **1x2=2mks**

 ii) **Intermediate goods and finished goods.**

* Intermediate goods are goods that are not ready for use before they are further processed. E.g sugarcane /wood/wheat/skins/while finished goods are final products that come out of production in the required from (output)e.g ugali from maize flour/furniture from timber.

 **1x2=2mks**

23.

 (i) Y = Ksh 40,000

 (ii)P= ksh. 54,000

 (iii)Q= ksh.80,000

 (iv)R= ksh170,000

 **4x1=4mks**

24. **Benefits that may be enjoyed by a country that is experiencing over- population.**

* Wide market for goods /services.
* Better utilization of resources .
* Creates a pool of labour supply /skilled labour force.
* Enhance creativity and innovation.
* Stimulates investments.
* Promotes labour mobility.

 **4x1=4mks**

25. **Four fundamental elements of transport.**

* Units (s) of carriage.
* Methods of propulsion.
* Ways
* Terminals(terminuses)

 **4x1=4mks**