

**MARKING SCHEME**  
**BUSINESS STUDIES**

Paper 1 (565/1)

**1. Four components of business studies**

- Economics
  - Commerce
  - Entrepreneurship
  - Office practice
  - Accounting
- 4 x 1 = 4mks**

**2. Four parties to which business is socially responsible**

- Public /community
  - Government
  - Employees
  - Suppliers
  - Consumers
- 4 x 1 = 4mks**

- a) Technology
- b) Economic
- c) Competitive
- d) Demographic

**3. Four types of machines**

- a) Computer
  - b) Franking machine
  - c) Photocopier
  - d) Paper shredder
- 4 x 1 = 4mks**

**4. Four terms**

- a) GNP
  - b) GDP
  - c) NNP
  - d) NDP
- 4 x 1 = 4mks**

**5. Four business gaps**

- Poor service s
  - unaffordable prices
  - poor quality of products
  - in availability of products
  - insufficient quantities
- 4 x 1 = 4mks**

**6. Four characteristics of a viable tax system**

- simple
  - elastic
  - equitable
  - convenient to collect
  - flexible
  - hard to evade
- 4 x 1 = 4mks**

**7. Classification**

- a) producer
  - b) consumer
  - c) producer
  - d) consumer
- 4 x 1 = 4mks**

**8. Four benefits of a balance sheet**

- shows solvency or insolvency
  - shows whether funds are invested well or not
  - used for taxation by government
  - used to compare performances/decision making
  - used by investors to know which shares to buy
- 4 x 1 = 4mks**

**9. Four effects of fixing price at P1**

- demand increases/excess demand
  - supply decreases
  - shortage in the market
  - hoarding of goods
  - black market may arise/smuggling
  - price discrimination
- 4 x 1 = 4mks**

**10. Four contents of memorandum of association**

- name clause
  - objective clause
  - location clause
  - declaration clause
  - capital clause
  - liability clause
- 4 x 1 = 4mks**

**11. Four consequences of poor arrangement of goods in a warehouse**

- loss of goods /theft
  - damage of goods
  - time wastage
  - wastage of space
  - spoilage of space
  - expiry of goods
- 4 x 1 = 4mks**

**12. Four functions of advertising agencies**

- designs trade marks, logos, etc
- booking space - airtime in media

- advertising on behalf of clients
  - chooses appropriate medium for clients
- 4 x 1 = 4mks

**13. Four features of economic development**

- decrease in poverty
  - improvement in technology
  - reduction in illiteracy
  - better health care
  - agriculture to manufacturing
  - bridging of gap between rich and poor
- 4 x 1 = 4mks

**14. Masaku Enterprises Traders**  
Account for the period ended

31st December 2005

Open stock	100,000✓	Sale	1000000✓
			s
Purchases	<u>900000</u> ✓✓		
Gas	1000000		
Less closing Stock	<u>200000</u> ✓		
Cost of sales	800000✓✓		
Gross profit	200000✓		
	1000000		1000000

8 x 1/2 = 4mks

**15. Four ways in which government creates enabling business environment**

- incentives eg tax holidays
  - subsidies eg cheap finance
  - protection from foreign competition
  - loan guarantees eg when borrowing from international institution
  - security
  - infrastructure eg roads
- 4 x 1 = 4mks

**16. Ledger books**

- General
  - General/Private/nominal
  - Purchase
  - Cashbook
- 4 x 1 = 4mks

**17. Four importance of insurance to individuals**

- employment creation
  - creating confidence in investment
  - spreading risks in investment
  - encourages savings
- 4 x 1 = 4mks

**18. Four services of central Bank to government**

- receives revenues/incomes
  - advances loans to government
  - undertakes transactions on behalf of government
  - keeps custody of all government revenues
  - pays loans on behalf of government
- 4 x 1 = 4mks

**19. Four adverse effects of inflation in Kenya**

- low standard of living
  - loss of confidence in our currency
  - conflict between employees and employers
  - decline in economic growth
  - adverse BOP
- 4 x 1 = 4mks

**20. Four circumstances that will make a trader not to give credit**

- uncreditworth customers/unreliable customers
  - when stock levels is too low
  - where customer has doubtful characters
  - when it is the business policy
  - where rate of turnover is low
- 4 x 1 = 4mks

**21. OC/IC = EC + L + D - I✓**

$$= 85000 + 6000 + 13000 - 33000✓$$

$$= 71000✓✓$$

4 x 1 = 4mks

**22. Four channels of distributing local agricultural products**

- Farmer →consumers
  - Farmer →Retailer →consumer
  - Farmer →wholesaler →retailer→ consumer
  - Farmer →co-operative society → wholesalers →retailer→ consumer
- 4 x 1 = 4mks

24.

Dr	Cr
a) Cash	Capital
b) Purchases	Creditors
c) Bank	Sales
d) Bank	Debtors

4 x 1 = 4mks

23.

MONOPOLY	MONOPOLISTIC COMPETITION
a) One seller	Many sellers
b) No competition	Stiff competition
c) Barriers to entry	Free entry exit
d) Similar products	Differentiated products

25. Four benefits to Kenya as a member of East Africa Community (EAC)

- Wider market
  - encourages specialisation
  - high quality goods and services
  - creates employment
  - promotes peace with our neighbours
- 4 x 1 = 4mks*