

KAPSABET HIGH SCHOOL

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

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

10. New Balance Sheet for NyakwarAtiyo traders

Workings:

$$\text{Stock} = \text{Shs. } 7,750 - 750 = 7,000$$

$$\text{Drawings} = \text{Shs. } 750$$

$$\text{Creditors} = \text{Sh. } 45,000 - 2,000 = 43,000$$

$$\text{Bank} = \text{sh } 25,375 - 2000 = 23,375$$

$$\text{Capital} = \text{Sh. } 65,000 + 200,000 = \text{Sh. } 265,000$$

$$\text{Added investment} = \text{Sh. } 200,000$$

$$\text{Motor Vehicle} = \text{Sh. } 200,000$$

NyakwarAtiyo Balance Sheet As at 30.6.2000			
<u>Fixed assets</u> Kshs. Ksh.			
Machinery	45,000✓	Capital	65,000✓
Motor vehicles	<u>200,000</u> ✓	Add additional capital	200,000✓
	245,000	Less Drawings	<u>750</u> ✓
<u>Current assets</u> Kshs. Short term liabilities	Ksh.	264,250	
Stock	7,000✓	Creditors	2,500✓
Debtors	1,375✓	Short term bank loan	<u>10,000</u> ✓ <u>12,500</u>
Bank	<u>23,375</u> ✓ <u>31,750</u>		
<u>276,750</u>	<u>276,750</u>		

10 ticks $\times \frac{1}{2} = 5$ marks

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

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

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

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

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

- (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	Dr	Cash a/c	Cr
2015		2015	2015	

April 1 Cash 150,000

April 1 Capital 150,000 April 3 Purchases 40,000

„ 6 Bank 60,000

Dr	Purchase A/c	Cr
2015		
April 3 Cash	40,000	

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

Dr	Office Machine A/c	Cr
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	Copy of the Credit note/Retained credit note
b) Making of payment to casual workers at the end of the week	Cash payment voucher
c) Bought goods for sale from Gilanis Supermarkets on credit	Purchase/Received/Original Invoice
d) A customer, Adhiambo, send a cheque for goods she bought earlier on credit	Copy/Retained Cash Receipt

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
2011	375

$$\text{CPI} = \frac{\text{Price in the Year 2011}}{\text{Price in the Year 2010}} \times 100\%$$

$$= \frac{375}{300} \times 100 = 125\%$$

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