

EMUHAYA SUB COUNTY CLUSTER I EXAMS

Kenya Certificate of Secondary education

565/1 - BUSINESS STUDIES - Paper 1

2hrs

JUNE 2025

MARKING SCHEME

Name: Index No

Class.....

Date:

Signature

Instructions to Candidates

- a) *Write your name and index number in the spaces provided above.*
- b) *Sign and write the date of the examination in the spaces provided above.*
- c) *This paper consists of six questions*
- d) *Answer any five questions in the spaces provided after question 6.*
- e) *All questions carry the same marks*
- f) *Non-programmable silent electronic calculators may be used.*
- g) *This paper consists of Printed pages*
- h) *Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing*
- i) *Candidates should answer questions in English*
- j) *All workings MUST be clearly shown*

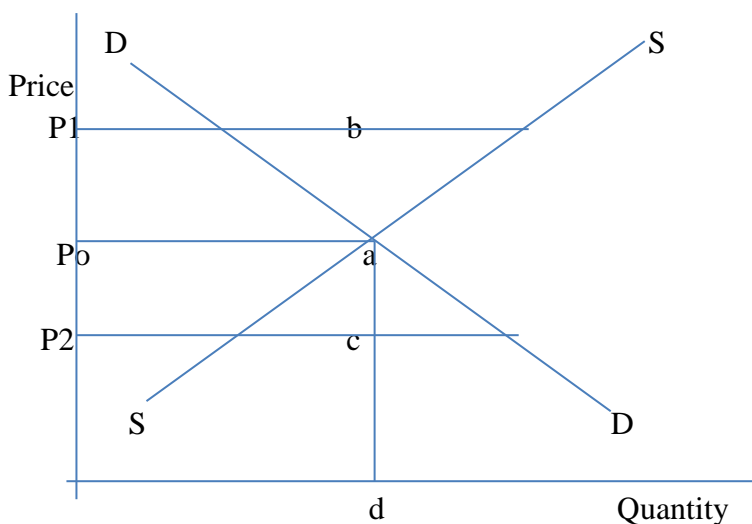
1. Outline four strategies put in place by the chain stores management so as to easily publicize their business. (4 marks)

- ❖ **Shops have the same interior layout and exterior design.**
- ❖ **Deals in similar commodities in all branches.**
- ❖ **Prices are standard for all their products in all branches.**
- ❖ **Products can be paid for in one branch and be collected in another branch.**
- ❖ **Standardized purchase....**

2. Apart from memorandum and articles of association, name four other documents required by the registrar of companies during the registration of a public limited company. (4 marks)

- ❖ **Prospectus.**
- ❖ **List of directors.**
- ❖ **Declaration.**
- ❖ **Statement signed by directors.**

3. Identify the parts labeled a,b,c and d. (4 marks)



a – Equilibrium point

b) Excess supply/surplus

c) Excess demand/shortages

d) Equilibrium quantity

4. Outline four ways in which commerce satisfies human wants. (4 marks)

- ❖ **Facilitates exchange which enables people to acquire what they don't have**
- ❖ **Facilitates storage of goods until the time they are needed**
- ❖ **Facilitates movement of goods to where they are needed**
- ❖ **Facilitates the conversion of goods to the right form**

5. State the purpose of the following terms as used in insurance:

i. "With average clause."

Protects/Discourages underinsurance of a property

ii. Grace period.

Allows insured to prepare to make payment of the first premium.

(1 mark)

(1

- iii. Assignment. (1 mark)
Allows the insured to transfer the policy to the new owner/policy holder.
- iv. Nomination. (1 mark)
To make it easy for the insurer to identify the beneficiary to compensate in the event of death of the assured.

6. From the following statements, identify the suitable characteristic of an entrepreneur. (4 Marks)

Statement	Characteristic
a) Entrepreneurs are achievers who work towards set goals.	Goal oriented
b) Entrepreneurs can sense opportunities in the future by observing world trends.	Future oriented
c) Entrepreneurs are committed to their work	Hardworking
d) Entrepreneurs do not give up easily	Persistent

7. The following balance sheet relates to Sue Yu on 13th, March, 2025:

SUE YU
BALANCE SHEET
AS AT 13TH, MARCH, 2025

	Shs	shs		Shs	shs
<u>Fixed Assets</u>					
Motor Vehicle	612 000		Capital	842 500	
Furniture	270 720	882 720	Add Net profit	96 720	
			Net Capital		939 220
<u>Current Assets</u>			<u>Long term liabilities</u>		
Stock	72 000		Bank Loan		250 000
Debtors	244 000		<u>Current liabilities</u>		
Electricity prepaid	4 000		Creditors	216 000	
Bank	50 000		Accrued rent	3 500	219 500
Cash	156 000	526 000			1 408 720
		1 408 720			1 408 720

Use the above information to determine the following:

a. Capital owned (1 mark)

$$842,500 + 96,720 = 939,220/=$$

b. Capital Borrowed (1 mark)

$$250,000/=$$

c. Capital Employed (1 mark)

$$939,220 + 250,000 = 1,189,220/=$$

d. Working Capital (1 Mark)

$$526,000 - 219,500 = 306,500/=$$

8. George Omollo an account holder with Kenya Commercial Bank, Limuru Branch issued MNC company ltd with a Cheque of 50 000 in full settlement of his debt.

From this illustration identify

(3 marks)

- (a) The Drawee **Kenya Commercial Bank**
- (b) The Payee **MNC Company LTD**
- (c) The Drawer **George Omollo**

9. Given below is a cashbook extract from the books of Kanja

Date	Details	Folio	Disount Allowed	Cash	Bank
1/06/08	Bal.	B/d		11,000	60,000
5/06/08	Furniture				10,000
24/06/08	Cash	C			75,000
29/06/08	Ndereba		6000	114,000	
30/06/08	Wairimu		4000		16,000

In relation to the entries appearing in the cashbook extract, state the transactions that took place on each of the following dates:

(4 marks)

a) 05th, June, 2008

Sold furniture worth KES 10,000 receiving payment by cheque.

b) 24th, June, 2008

Withdrew KES 75,000 from the bank for business use.

c) 29th, June, 2008

Settled Dereba's account of KES 120,000 in cash less 5% cash discount.

d) 30th, June, 2008

Wairimu settled her account of KES 20,000 by cheque of 16,000

N/B: ACCEPT ANY OTHER CORRECT INTERPRETATION

10. Identify any four units of carriage that can be used to transport containers. (4 marks)

- Lorries
- Ship
- Aeroplane
- Trailer

11. State five ways in which employees may contribute to the success of an organization. (5 marks)

- ✓ **Qualified/skilled/trained employees will produce/offer quality goods/services**
- ✓ **Employees who have skills that match the job requirements lead to minimal wastage**
- ✓ **Proper time management by employees will enable the business to offer timely delivery of services/goods**
- ✓ **Employees who treat customers well. Improves the image of the business**
- ✓ **Disciplined / obedient employees do not need a lot of supervision /are responsible/lead to reduced operational costs**
- ✓ **Offering their labour for continuity of production**
- ✓ **Quality/good/proper decisions made in the interests of the business.**
- ✓ **Pass (positive) feedback (from customers) for improvement of the business.**
- ✓ **Innovative /creative employees lead to better /new goods/services**
- ✓ **Committed /hardworking employees lead to increased productivity**
- ✓ **Loyalty/positive attitude protects the interests of the business**
- ✓ **Teamwork which leads to harmony/synergy/cooperation**
- ✓ **Goal oriented which leads to meeting of targets/objectives of the business**
- ✓ **Self-driven/ self-motivated employees that perform tasks with minimal/no supervision/without coercion**
- ✓ **Practicing integrity /ethical behaviour since they are able to do the right thing even when not observed /supervised.**

12. For each of the following transactions, state the source document and the book of original entry in which the transactions would be recorded. (4 marks)

TRANSACTION	SOURCE DOCUMENT	BOOK OF ORIGINAL ENTRY
a) Goods worth 760,000 which had been bought from Andika wholesalers ,in cash, were found defective and were returned.	Credit note issued	Return Outwards Journal
b) Stock of goods worth 138,000 was sold to Juma on credit.	Original invoice	Sales journal
c) Paid Creditor Masafu 980,000 shillings cash	Receipt recieved	Cash disbursement journal
d) Bought machinery worth 800,000 on credit	Incoming invoice/Invoice recieved	General Journal/The journal/Journal proper

13. Kenya's total Budget for the 2023/2024 financial year is KES 3.68 trillion shillings. The budget deficit is 718 Billion out of which 586.5 Billion will be sourced locally and the rest externally. Advise the Kenyan government on various local and external sources it should turn to in order to finance her deficit budget. (4 marks)

- ❖ **Borrowing from central bank through overdrafts, short term loans etc.**
- ❖ **Borrowing from international financial institutions such as the world bank and IMF**
- ❖ **Borrowing from capital markets e.g. AFC.**
- ❖ **Borrowing from domestic money markets such as commercial banks, the public through the sale of treasury bills and bonds**
- ❖ **Borrowing from other countries**
- ❖ **Getting grants or donations from mother countries, agencies and individuals**
- ❖ **Printing currencies not backed by production of goods and services**
- ❖ **Imposing additional or new taxes on selected goods**
- ❖ **Sale or lease of government assets**
- ❖ **Putting in place cost-cutting measures to reduce government expenditure**

14. Outline four ways in which the government gets involved in business activities (4 marks)

- ❖ ***Regulation***
- ❖ ***Licensing***
- ❖ ***Trade Promotion***

- ❖ ***Enabling environment***

a

15. Positive effects of inflation

- ❖ **Increase in production**
- ❖ **Inflation makes people work hard in order to satisfy their needs, as they work, production increases**
- ❖ **Utilization of available resources**
- ❖ **Inflation makes to make optimum use of the available resources in order to generate more incomes and satisfy their needs**
- ❖ **Motivates works**

- ❖ To cope with the effects of inflation, workers will be forced to work harder in order to earn more incomes and maintain their living standards
- ❖ Benefits sellers
- ❖ Sellers may earn more profits as a result of increase in market prices
- ❖ Benefits debtors
- ❖ In situations of inflation, sellers tend to benefit since the amount of money they pay back is less in value than what they borrowed.

16. Outline any four factors that ABC company ltd will consider when choosing a means of product promotion. (4 marks)

<i>Nature of the product</i>	<i>Government Policy</i>
<i>Cost of the medium</i>	
<i>Flexibility of the medium</i>	
<i>The target group</i>	
<i>Availability of the medium</i>	
<i>Medium Used by competition</i>	

17. Outline any four ways in which the government may use to entice foreign investors to the country

- ❖ Developing infrastructure e.g roads
- ❖ Improving security.
- ❖ Providing subsidies..
- ❖ Offering incentives such as tax holidays...
- ❖ Reducing direct government investments which would scare away investors
- ❖ Removing the bureaucracy when licencing foreign investors
- ❖ Advertising investment opportunities to potential foreign investors through the department of external trade.

18. Outline four differences between savings account and fixed deposit accounts. (4 marks)

Fixed deposit accounts	Savings accounts
Money is not withdrawn until the contract is over	Money is withdrawn after an agreed interval
Can be used as a security for a bank loan	Can be used as a security for a bank overdraft
The account remains in force for a specific period of time	The account is in force as long as the minimum balance is maintained
A large amount of money is required to open the account	A small amount of money is required to open the account
A separate account is required for each deposit	All deposits can be made in the same account
A certificate of deposit is issued once money is deposited in the account	A passbook or a bank card is issued when deposits are made into the account
Interest earned is high	Interest earned is low

19. State four differences between Oligopoly and perfect competition market. (4 marks)

Oligopoly	Perfect competition
<i>Comprises few but large sellers</i>	<i>Comprises many sellers</i>
<i>Products may be differentiated under differentiated oligopoly</i>	<i>Products are homogeneous</i>
<i>Barrier to entry into the market</i>	<i>Freedom of entry into the market</i>
<i>Possesses a kinked demand curve</i>	<i>Possesses a normal demand curve</i>
<i>There's price rigidity</i>	<i>There's no price rigidity</i>

20. Outline four circumstances under which sign language can be the most appropriate means of communication. (4 mark)

- ❖ **When communicating to someone who has a hearing problem.**
- ❖ **If one wishes to pass a coded/secret language.**
- ❖ **If both the sender and receiver are far apart but can see each other.**
- ❖ **In case there is a language barrier between the communicating parties.**
- ❖ **Where the communicating parties are in an environment where there is a lot of noise or physical interference to other forms of communication.**
- ❖ **Where both the sender and the recipient understand the signs.**

MUST USE IF, WHEN, WHERE OR INCASE OF

21. State four ways in which consumers may protect themselves from exploitation against unscrupulous traders. (4 marks)

- ❖ **By forming/joining consumer associations so that they can voice their concerns as a group.**
- ❖ **Buying products from consumer associations.**
- ❖ **Boycotting buying from traders who exploit them.**
- ❖ **Reporting traders who exploit them to the authority.**
- ❖ **Complaining through the press whenever they are exploited.**
- ❖ **Taking their exploiters to court.**
- ❖ **Promoting consumer education so as to inform consumers about their rights.**
- ❖ **Informing vigilant groups to fight against exploitation.**

22. Briefly describe four types of oligopoly markets other than duopoly. (4 marks)

- ❖ **Perfect or pure oligopoly - This is an oligopoly that is made up of firms dealing in identical products e.g. firms selling petroleum products**

- ❖ **Imperfect or differentiated oligopoly - This is an oligopoly that is made up of firms dealing in close substitutes i.e. similar products that are made to appear different e.g. bread**
- ❖ **Collusive or cooperative oligopoly - This is an oligopoly where firms cooperate with each other in determining price or output or both**
- ❖ **Non-collusive or non-cooperative oligopoly - This is an oligopoly market where firms compete with each other.**

23. List any four details that are contained in a well written cheque. (4 marks)

- ❖ **Name of the drawer**
- ❖ **Name of the pay**
- ❖ **Name of the bank and the branch where it is issued**
- ❖ **Amount to be paid in figures and words**
- ❖ **Account number of drawer**
- ❖ **Signature of the drawer**
- ❖ **Cheque number and bank code**
- ❖ **Appropriate revenue stamps.**

24. The following information Elimu traders for the year 2022:

Turnover 270,000
 Mark up 20%
 Rate of Stock turnover 6 times

Required:

a) Gross Profit. (1 mark)

$$\text{Mark up} = 1/5$$

$$\text{Margin} = 1/6$$

$$1/6 = \text{Gross Profit} / 270,000$$

$$\text{Gross Profit} = (270,000/6) \\ = 45,000$$

b) Cost of goods sold. (1 mark)

$$\text{Mark up} = \text{Gross Profit} / \text{Cost of Sales}$$

$$1/5 = 45,000 / \text{Cost of Sales}$$

$$\text{Cost of Sales} = 45,000 \times 5 \\ = 225,000$$

c) Opening Stock. (1 mark)

$$\text{Rate of Stock Turnover} = \text{Cost of Sales} / \text{Average Stock}$$

$$6 = 225,000 / \text{Average Stock}$$

$$\text{Average Stock} = 37,500$$

$$\text{Average Stock} = (\text{Opening Stock} + \text{Closing Stock}) / 2 \\ (37500 \times 2) - 25,986 = 49,014$$

25. Outline four disadvantages of personal selling. (4 marks)

- ❖ **It is an expensive method of product promotion as it involves....**
- ❖ **Require skilled personnel**
- ❖ **Time wasting to...**
- ❖ **Sales person manages a small geographical area**

ACCEPT ANY OTHER