

Name: Index Number:

565/1
BUSINESS STUDIES
Paper 1
Oct./Nov. 2014
 2 hours

Candidate's signature:

Date:



THE KENYA NATIONAL EXAMINATIONS COUNCIL
Kenya Certificate of Secondary Education
BUSINESS STUDIES
Paper 1
 2 hours

Instructions to Candidates

- (a) Write your name and index number in the spaces provided above.
- (b) Sign and write the date of examination in the spaces provided above.
- (c) Answer **all** the questions.
- (d) All answers should be written in the spaces provided in this booklet.
- (e) This paper consists of 12 printed pages.
- (f) Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.
- (g) Candidates should answer the questions in English.

For Examiner's Use Only

Question	1	2	3	4	5	6	7	8	9	10	11	12	13
Candidate's Score													

Question	14	15	16	17	18	19	20	21	22	23	24	25
Candidate's Score												

TOTAL SCORE

1. The following are descriptions of features of human wants. Identify the features that relate to the descriptions in the spaces provided. (4 marks)

	Description	Feature
(a)	A person is unable to fully satisfy all wants.	.....
(b)	Once satisfied, they have a tendency of being felt again.	..... .....
(c)	Some wants are satisfied together	.....
(d)	The same want can be satisfied using different resources.	.....

2. Name **two** occupations that relate to each of the production activities given below: (3 marks)

(a)

(a)	Extraction	(i)	
		(ii)	
(b)	Construction	(i)	
		(ii)	
(c)	Direct services	(i)	
		(ii)	

3. Outline **four** tasks carried out by a receptionist in an office.

(4 marks)

a)

b)

c)

d)

4 Highlight **four** circumstances in which a cheque may be used as a means of payment. (4 marks)

a)

(b).

(c).

(d).

5 Highlight **four** activities that may be earned out in a stock exchange market. (4 marks)

a).
 (b).
 (c).
 (d).

6. Outline **four** features of liners in sea transport. (14 marks) a)

(b).
 (c).
 (d).

7. State **five** types of information that a manager may communicate to the juniors. (5 marks)

a)
 (b).
 (c).
 (d).
 e).

8. Explain the meaning of the following terms: (4 marks)

(a) Insured

(b) Insurance

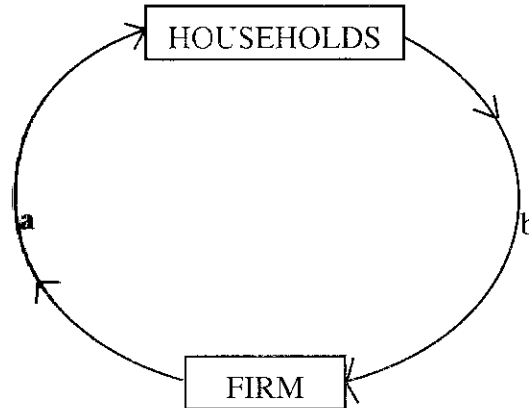
9. In the spaces provided below, indicate whether the following factors cause movement along the demand curve or a shift of the demand curve. (3 marks)

	Factor	Movement along or shift of
a)	Change in income	..... the demand curve.
b)	Change in price	..... the demand curve.
c)	Change in weather	..... the demand curve.

10. Highlight **four** roles played by the broker in the chain of distribution,

a).
 (b).
 (c).
 (d).

11. The following diagram represents the circular flow of income in a two sector closed economy.



Identify **two** factors represented by each of the arrows labelled a and b. (4 marks)

- (a) (i)
 (ii)
- (b) (i)
 (ii)

12. Fill in the missing figures in the table below: (4 marks;

	FA	CA	C	L
(a)	275,500	.....	315,000	115,500
(b)	182,000	108.700	.....	217,100
(c)	.....	76.400	123,100	91,900
(d)	313,450	211 340	189,170	.....

13. Mheshimiwa Ltd. had the following ledger account balances as at 31st May 2010:

Details	Shs.
Purchases	3,880
Sales	3,350
Returns outwards	150
Returns inwards	160
D. Simola (Debtor)	2,550
P. Mwendu (Creditor)	3,100
Wages	800
Cash	960
Capital	1,750

Required: Prepare Mheshimiwa's trial balance as at 31st May 2010. (5 marks)

18. List **four** levels of inflation. (4 marks)
a)
(b).
(c).
(d).

19. Many countries in Africa, Latin America and Asia are considered to be under-developed. Outline **four** characteristics they have in common. (4 marks)
a)
(b).
(c).
(d).

20. Madam Emoro operates a matatu business. State **four** factors in the internal environment that may influence the business. (4 marks)
(b).
(c).
(d).

21. Highlight **four** reasons for which businesses should observe ethical practices. (4 marks)
(a).....
(b).....
(c).....
(d).....

22. State **four** merits of promoting products through personal selling. (4 marks)
(a).
(b).
(c).
(d).

23. The following information relates to Kiboko Traders as at 31st December 2010.

Details	Shs
Total drawings	400,000
Added investments	800,000
Capital on 31 st Dec 2010	7,000,000
Profit	3,100,000

Calculate Kiboko's initial capital. (3 marks)

24. Outline **four** positive implications of a youthful population to an economy. (4 marks)
a)
(b).
(c).
(d).

25. PQ Ltd had the following balances as at 31st December 2012.

	Shs
Sales	23 498 000
Stock 1/1/2012	57 140
Returns Inwards	27 200
Purchases	16290000
Stock 31/12/2012	86340

Prepare PQ's Trading Account for the year ended 31st December, 2012.

(5 marks)

Name Index Number/.....

565/2
BUSINESS STUDIES
Paper 2
Oct./Nov. 2014
2½ hours

Candidate's Signature

Date



THE KENYA NATIONAL EXAMINATIONS COUNCIL
Kenya Certificate of Secondary Education
BUSINESS STUDIES
Paper 2
2½ hours

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.
- (e) Write your answers in the spaces provided after question six.
- (f) All questions carry equal marks.
- (g) This paper consists of **16 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 the questions in English.

For Examiner's Use Only

Question	Maximum Score	Candidate's Score
	20	
	20	
	20	
	20	
	20	
Total Score		

1. (a) Explain **five** benefits that a firm may enjoy by preparing a business plan. (10 marks)

(b) Explain **five** demerits that a country may suffer when the government becomes a major investor in business. (10 marks)

2.(a) On first January 2012, Ndovu Traders had shs 30,000 in cash and shs 75,000 at the bank. During the month, the following transactions took place:

January 2nd: Bought goods in cash worth shs 15,500

5th: Received cash from Chui shs 23,750 after allowing 5% cash discount.

8th : Withdrew shs 8,900 from the bank for personal use.

11th: Maro, a debtor settled her account of shs 16,800 by a cheque of shs 16,000

15th: Sales amounted to shs 24,250 in cash.

17th : Paid Furaha traders shs 29,100 in cash in full settlement of their account less 3% cash discount.

20th : Withdrew shs 15,000 from the bank for business use.

22nd: Koko a debtor, settled her account of shs 40,000 by cheque less 2.5% cash discount.

25th: Paid wages shs 21,000 in cash.

Required:

Prepare a duly balanced three column cash book. (12 marks)

b) Explain **four** reasons for which traders observe ethical practices in product promotion. (8 marks)

3a) Explain **five** objectives that may be achieved by establishing firms in different parts of the country (10 marks)

b) Describe **five** accounting documents that are used in home trade. (10 marks)

4. (a) The following information relates to Bahati enterprises:

Details	Shs
Stock 1 st January 2012	430,000
Purchases	930,000
Sales	1,155,000
Carriage outwards	25,000
Carriage inwards	10,000
Returns outward	20,000
Returns inwards	30,000
General expenses	100,000
Insurance	25,000
Stock 31 st December 2012	470,000

Calculate:

- | | |
|-----------------------------|-----------|
| (i) Turnover | (1 mark) |
| (ii) Rate of Stock Turnover | (3 marks) |
| (iii) Mark up | (2 marks) |
| (iv) Margin | (2 marks) |
| (v) Net profit | (2 marks) |

b) Explain **five** guidelines that should be followed by the government in its expenditure. (10 marks)

5. a) Explain **five** disadvantages that a developing country may suffer by liberalizing foreign trade. (10 marks)

b) Explain **five** features of monopolistic competition. (10 marks)

6.a) Apart from selling shares, explain **five** sources of finance for a public limited company.(10 marks)

b) There has been a decline in the demand for wooden furniture. Explain **five** factors that may have caused this trend. (10 marks)

PAPER1
MARKING SCHEME
OCT/NOV2014

KENYA NATIONAL EXAMINATION COUNCIL
Kenya certificate of secondary education

BUSINESS STUDIES

Paper 1

MARKING SCHEME
(CONFIDENTIAL)

THIS MARKING SCHEME IS THE PROPERTY OF KENYA NATIONAL EXAMINATION COUNCIL AND IT MUST BE RETURNED TO THE KENYA NATIONAL EXAMINATION COUNCIL AT THE END OF THE MARKING.

1. Features of human wants as described are:

- (a) Insatiable. / Unlimited / endless
- (b) Recurrent / Repetitive.
- (c) Complementary.
- (d) Competitive. / Require resources

(4 x 1 = 4 marks)

2. Occupations that relate to the production activities are:

- (a) Extraction:
- (i) mining.
 - (ii) fishing.
 - (iii) lumbering.
 - (iv) farming.
 - (v) ~~hunting~~ / ~~skinning~~
 - (vi) Quarrying

(any 2 x $\frac{1}{2}$ = 1 mark)

- (b) Construction:
- (i) bridge making
 - (ii) road construction.
 - (iii) ship building.
 - (iv) masonry. / House building
 - (v) Carpentary
 - (vi) Plumbing

(any 2 x $\frac{1}{2}$ = 1 mark)

- (c) Direct services:
- (i) hairdressing.
 - (ii) teaching.
 - (iii) health care.
 - (iv) entertaining.
 - (v) Pastoral care
 - (vi) Legal Services

(any 2 x $\frac{1}{2}$ = 1 mark)

(Total = 3 marks)

3 x 1 = 3

3. Tasks that may be carried out by a receptionist in an office include:

- (a) Receiving visitors to the organization. / attending to customers
- (b) Receiving and routing telephone calls.
- (c) Taking and passing messages.
- (d) Dealing with simple petty cash for purchase of newspapers, tea etc.
- (e) Supervising messengers and porters
- (f) Keeping simple records. (of visitors and staff attendance)
- (g) Distributing publications by the organization.
- (h) Re-routing telephone calls
- (i) Directing visitors
- (j) Handling appointments for the organisation

(any 4 x 1 = 4 marks)

Circumstances in which a cheque may be used as a means of payment include:

- (a) When the amounts involved in the transaction are high.
- (b) When the seller insists on payment by cheque. *Business Policy*
- (c) When evidence of payment is required.
- (d) When payment is to be directed into the payee's account.
- (e) When the terms of sale is cash with order.
- (f) When there is need to ensure safety of the money being transferred.
- (g) When using credit transfer means of payments. *(any 4 x 1 = 4 marks)*
- (h) When the drawer does not want to travel to the bank.
- (i) Government policy.

Activities that may be carried out in a stock exchange market include:

- (a) Buying ~~and selling~~ ^{of shares} of shares. *(i) Monitor performance of Quoted Cos*
- (b) Mobilising savings for investment. *(j) Holding variety of securities*
- (c) Listing of companies. *(k) Transfer of securities*
- (d) Issuing of new securities / raising capital. *(l) Delisting of companies*
- (e) publication of statistical information. *(used by investors, Quoted companies and govt)*
- (f) Advising investors.
- (g) Selling of shares. *(any 4 x 1 = 4 marks)*
- (h) Fixing price of securities.

Features of liners in sea transport include:

- (a) Ferry passengers or cargo.
- (b) Follow a regular time table / schedule.
- (c) Call at ports at regular intervals.
- (d) Follow a regular route.
- (e) Form associations / conferences to protect themselves against unfair competition.
- (f) Charge fixed freightage and fare regardless of demand.
- (g) Liners call at specific ports. *(any 4 x 1 = 4 marks)*

7. Types of information that a manager may pass to the juniors include:

- (a) Instructions ~~and~~ directions.
- (b) (Explain) policies of the organization.
- (c) (Give) procedures to be followed in carrying out duties.
- (d) Information on performance of juniors (evaluation) / appraisal.
- (e) Invitation to meetings.
- (f) Allocation / delegation of duties.
- (g) Motivating / inspiring juniors.
- (h) (Giving) solutions to juniors' issues. *plvia / clarification of issues*
- (i) Information on discipline (reprimand). *(any 5 x 1 = 5 marks)*
- (j) Induction orientation and training.
- (k) Communicating any changes in the organization.
- (l) Communicatory appointments / interviews of new employees.

3. Meaning of terms:

(a) Insured:

Insurance Cover

Is an individual or business unit that signs an insurance contract to be covered against a risk of loss and can therefore be compensated in the event of the loss occurring. 2

(b) Insurance:

an agreement

Is an arrangement (contract) in which the insured pays premiums to the insurer so as to be compensated in case of loss occurring as a result of insured risk (protection against a risk). 2

(2 x 2 = 4 marks)

9. Indicating whether factors cause movement along the demand curve or a shift of the demand curve:

(a) Shift of the demand curve.

(b) Movement along the demand curve.

(c) Shift of the demand curve.

(3 x 1 = 3 marks)

10. Roles played by the broker in the chain of distribution include:

(a) Linking the buyer ^{and} to the seller.

(b) Bargaining for the principal.

(c) Passing information between the principal and the client.

(d) Facilitating access to a variety of goods and services to the buyer.

(e) Providing an avenue for the seller to access many buyers.

(f) Giving advice to buyers and sellers on market trends.

(any 4 x 1 = 4 marks)

11. Factors represented by the arrows labelled a and b are:

(a) (i) Payment for factor inputs.

(ii) Goods ^{and} services.

(2 x 1 = 2 marks)

(b) (i) Payment for goods and services

(ii) Factor services / inputs / factors of production.

(2 x 1 = 2 marks)

(Total = 4 marks)

Mark the answers in spaces or diagram if no answers provided.

12. Missing figures:

- (a) CA = 155,000
- (b) C = 73,600
- (c) FA = 138,600
- (d) L = 335,620

(4 x 1 = 4 marks)

13.

Mheshimiwa's
Trial Balance as at 31st May 2010

Details	Dr Shs	Cr Shs
Purchases	3,880 ✓	
Sales		3,350 ✓
Returns outwards		150 ✓
Returns inwards	160 ✓	
D Simola (Debtor)	2,550 ✓	
P Mwendu (Creditor)		3,100 ✓
Wages	800 ✓	
Cash	960 ✓	
Capital		1,750 ✓
	<u>8,350</u>	<u>8,350</u> ✓

10 x 1/2

(10 x 1/2 = 5 marks)

1. The columns:

- V is Folio
- W is Discount allowed
- X is Cash
- Y is Bank

(4 x 1 = 4 marks)

promotes *Long term growth in I-T eg* removal of trade barriers
 stabilizing exchange rates
 actions of the International Bank of Reconstruction and Development include:
 Advances money to finance *B.O.P* deficits
 Discuss economic challenges and recommends solutions
 Provision of finance to member countries to foster economic development. / grants / Aid
 Issuance of loans to developing countries at concessionary rates for project development.
 Provision of personnel to facilitate project appraisal. *Manufacture* (1) Guarantees loans from other lenders from
 Provision of experts to implement and manage identified projects. *the lenders*
 Training of local personnel in project appraisal and implementation.
 Supervise member countries' management of public finance.
 Advancing and recommending economic policies to (any 4 x 1 = 4 marks) by name
 countries eg *SAPC*
 Approving development plans for member countries / Funding
 Advantages of barter trade include:

- Lack of double coincidence of wants.
- Indivisibility of some goods.
- Perishability of some goods. / *Lack of store of value*
- Difficult to measure value. *some goods (bulky, heavy, fixed etc)*
- Problems of portability of fixed items like land.
- Lack of a standard for making deferred payments.
- Lack of specialization. *Unit of account*

(any 4 x 1 = 4 marks)

Journal recording transactions into the general ledger.

Date	Particulars	Folio	Dr	Cr
2010			Shs	Shs
10	✓ K Likia ✓ Stationery ✓ (sale of stationery on credit) ✓		3,000 ✓	3,000 ✓
23	✓ Motor vehicle ✓ Onjwaria Motors ✓ (purchase of motor vehicle on credit) ✓		700,000 ✓	700,000 ✓

$12 \times \frac{1}{3} = 4$

$12 \times \frac{1}{3}$

(4 x 1 = 4 marks)

3 of inflation are:

- Hyper inflation / *Run away inflation*
- Galloping inflation. / *Rapid inflation*
- Stagflation.
- Creeping inflation. / *Mild / Moderate / gradual / Persistent*

2. Missing figures:

- (a) CA = 155,000
- (b) C = 73,600
- (c) FA = 138,600
- (d) L = 335,620

(4 x 1 = 4 marks)

13.

Mheshimiwa's
Trial Balance as at 31st May 2010

Details	Dr Shs	Cr Shs
Purchases	3,880 ✓	
Sales		3,350 ✓
Returns outwards		150 ✓
Returns inwards	160 ✓	
D Simola (Debtor)	2,550 ✓	
P Mwende (Creditor)		3,100 ✓
Wages	800 ✓	
Cash	960 ✓	
Capital		1,750 ✓
	8,350 ✓	8,350 ✓

10 x 1/2 = 5 marks

4. The columns:

V is Folio

W is Discount allowed

X is Cash

Y is Bank

(4 x 1 = 4 marks)

Long term growth in I.T eg removal of trade barriers
 exchange rates

The International Bank of Reconstruction and Development include:

1 money to finance B.O.P deficits
 economic challenges and recommends solutions
 provision of finance to member countries to foster economic development. / grants / Aid

provision of loans to developing countries at concessionary rates for project

management.

provision of personnel to facilitate project appraisal. / *Manufacture (1) Guarantizes loans from other lenders*

provision of experts to implement and manage identified projects.

employment of local personnel in project appraisal and implementation.

assistance to member countries' management of public finance.

advice on ^{determination of} economic policies to *(any 4 x 1 = 4 marks)* by member countries eg SAPs
 development plans from member countries / Funding
 of barrier trade include:

1 double coincidence of wants.

2 divisibility of some goods.

3 durability of some goods. / *Lack a store of value*

4 difficulty to measure value. *some goods (bulky, heavy, fixed etc)*

5 lack of portability of fixed items like land.

6 lack of a standard for making deferred payments.

7 lack of specialization. *Unit of account*

(any 4 x 1 = 4 marks)

Journal

posting transactions into the general ledger.

Particulars	Folio	Dr	Cr
		Shs	Shs
Likia ✓ Stationery ✓ (purchase of stationery on credit) ✓		3,000 ✓	3,000 ✓
Motor vehicle ✓ Onjwaria Motors ✓ (purchase of motor vehicle on credit) ✓		700,000 ✓	700,000 ✓

12 x 1 / 3 = 4

(4 x 1 = 4 marks)

Types of inflation are:

1 Demand-pull inflation / *Runaway inflation*

2 Cost-push inflation. / *Rapid inflation*

3 Structural inflation.



19. Characteristics of underdevelopment that are common among countries in Africa, Latin America and Asia include:

- (a) Low per capita income. (L) Large income disparity
- (b) High population growth rate. (M) Low levels of labour productivity/skills
- (c) Poor standards of living/Poverty (N) Poor Governance
- (d) Low literacy levels. (O) Overreliance on foreign aid
- (e) High levels of unemployment. (P) Underutilisation of resources
- (f) Poor health care. (Q) Low levels of savings and investment
- (g) Low life expectancy. (R) Outdated cultural practices
- (h) Over reliance on primary level of production. (S) High subsistence levels of production
- (i) Low life expectancy. High dependency ratio
- (j) Poor infrastructure
- (k) Poor/Low technological levels/Low productivity levels

(any 4 x 1 = 4 marks)

20. Factors in the internal environment that may influence the operations of a matatu business include:

- (a) The management styles/Business structure
- (b) Employees.
- (c) Capital/finances/Business resources
- (d) The owner. eg (Objectives)
- (e) Marketing strategy/handling of customers.
- (f) Research and development.
- (g) Condition of the vehicle.
- (h) Business culture
- (i) Technology eg cartack, cashless payment

(any 4 x 1 = 4 marks)

21. Reasons for which businesses should observe ethical practices include:

- (a) To ensure fair competition.
- (b) To protect consumers.
- (c) To protect the environment.
- (d) To protect the rights of employees.
- (e) To promote social responsibility.
- (f) To maintain a positive image.
- (g) To abide by the country's laws.
- (h) To maintain suppliers
- (i) To promote positive cultural practices
- (j) To avoid discrimination in business

(any 4 x 1 = 4 marks)

22. Merits of promoting products through personal selling include:
- (a) Enhances personal appeal ^{locus} between the buyer and the seller.
 - (b) Can effectively counteract customers negative attitudes towards the product.
 - (c) Questions and complaints from customers are channelled directly to employees of the company and not middlemen. *(One is able to clarify issues)*
 - (d) Demonstration on the use of the goods can easily be done.
 - (e) Flexibility in presentation to suit customer needs. *(eg Negotiate new terms of sale)*
 - (f) Provide immediate feedback from and to the clients. *(M) Takes care of illiterate and illiterate customers*
 - (g) Effective in conducting market research.
 - (h) *One is able to persuade and convince customers*
 - (i) *can be directed to a specific target group*
 - (j) *Enhances customers loyalty to future sales*
23. Calculating Kiboko's initial capital:

$$\begin{aligned}
 IC &= CC + D - P - AI \\
 &= 7,000,000 + 400,000 - 3,100,000 - 800,000 \\
 &= \text{Shs } 3,500,000
 \end{aligned}$$

6 x 1/2 = 3
(6 x 1/2 = 3 marks)

24. Positive implications of a youthful population to an economy include:
- (a) Less expenditure on social security and pension.
 - (b) Wider market for goods meant for the youth like clothing.
 - (c) Guaranteed continuous supply of labour.
 - (d) Flexibility and adaptability to technological changes, which improve production.
 - (e) Faster growth of some sectors, like the music, fashion and fast food industries.
 - (f) Increased innovation due to their adventurous nature. *encourage entrepreneurial culture*
 - (g) Highly mobile labour force *(any 4 x 1 = 4 marks)*
25. *(h) Availability of diverse talents*
(i) Energetic and highly productive team

Trading Account
for the year ended 31 December 2012

	Shs			Shs
Opening stock	57,140	Sales		23,498,000
Add: Purchases	16,290,000	Less: Returns in		27,200
GAFS	16,347,140	<u>NET Sales</u>		<u>23,470,800</u>
Less: Closing stock	86,340			
COGS	16,260,800			
GP c/d	7,210,000			
	<u>23,470,800</u>			<u>23,470,800</u>

Gross Profit 8/10 *7,210,000* (5 marks)