***Kenya certificate of Secondary Education***

**565/1**

**BUSINESS STUDIES**

**PAPER 1**

**MARKING SCHEME**

1. **Factors that you would consider before extending credit facilities to a customer.**
	* Frequency of buying.
	* Availability of stock.
	* Credit worthiness.
	* Type of goods needed. ***Any other relevant @ 1 x 1 Mark = 4 Marks***
2. **Characteristics of human wants.**
	* Insatiable.
	* Competitive.
	* Some are universal.
	* Complimentary.
	* Habitual. ***Any other relevant @ 1 x 1 Mark = 4 Marks***
3. **The figures represented by a, b, c, and d**
4. shs. 200,000.
5. shs 400,000.
6. shs. 350,000.
7. shs 420,000. ***Any other relevant @ 1 x 1 Mark = 4 Marks***
8. **Principles that govern the operations of co-operative societies in Kenya.**
	* Voluntary membership.
	* Democratic administration.
	* Education for members.
	* Limited interest on share capital.
	* Dividend to members. ***Any correct 4 @ 1 Mark = 4 Marks***
9. **Limitations posed by the use of national income statistics as a way of comparing the living standards of people for different countries.**
	* Use of different currencies
	* Varied preferences and tastes
	* Varied distribution.
	* Inaccurate statistics ***Any 4 correct points x 1 = 4 Marks***
10. **Merits associated with internal borrowing.**
	* No strings attached.
	* Can also solve inflation problems.
	* Maintains sovereignty.
	* Is flexible. ***Any 4 correct points x 1 = 4 Marks***
11. **Measures you would advice the government of Kenya to apply so as to curb theinflationary tendencies the country is currently experiencing**.
	* Open Market operations.
	* Selective credit control.
	* Moral suasion.
	* Raising lending rates.
	* Waive duty on affected items. ***Any 4 relevant points 4 x 1 = 4 Marks***
12. **Factors that may influence the price elasticity of demand of a commodity.**
	* Availability of close substitutes.
	* Durability.
	* Degree of necessity.
	* Proportion of one’s income spend on the commodity.
	* Time taken to adjust. ***Any 4 relevant points x1 = 4 Marks***
13. **Factors that may contribute to a case of an abnormal demand curve.**
	* Incase of giften goods.
	* Ostentatious goods.
	* Incase of inferior goods.
	* Incase of future expectations of a further price increase. ***Any four relevant points1 x4 = 4 Marks***
14. **Determine Kimeu’s capital as at 31st Dec 2010**

Closing capital = opening capital + investment + profit – drawing

 = 100,000 + 25,000 + 40, 000 – 45, 000

 = 165, 000 – 45, 000

 = 120, 000

 ***Note: correct answer only 4 Marks***

1. **Features of labour as a factor of production**
	* Mobility.
	* Can’t be separated from the labourer.
	* Human i.e. it’s human.
	* Can be improved.
	* A basic factor of production.
2. **Some documents used in home trade.**
3. Debit Note
4. Letter of inquiry
5. Advice note
6. Profoma invoice ***1 x 4 = 4marks***
7. **Reasons why governments participate in business.**
	* Provide essential goods / services.
	* Generate revenue.
	* Protect consumers against exploitation.
	* Invest in ventures needing large capital outlay. ***Any relevant points @ 1 Mark 4 x 1 = 4 Marks***
8. **Four features of an oligopolistic type of Market**
	* Few firms.
	* Interdependence of firms.
	* Experiences a kinked demand curve.
	* Firm are relatively large. ***Any four correct points @ 1 Mark x 4 = 4 Marks***
9. **Entering transactions in the relevant ledger accounts.**

 **Capital A/c**  **Bank A/c**

 Dr Cr Dr Cr

 150,000 150,000

 **Purchases A/c** **Cash A/c**

 Dr Cr Dr Cr

 10,000 10,000

 ***4 x 1 = 4 Marks***

1. **Possible errors that may not be detected by a trial balance.**
	* Compensating error.
	* Complete error.
	* Error of principle.
	* Error of original entry.
	* Error of commission. ***Any correct four @1 Mark = 4 Marks***
2. **Circumstances under which a producer would opt to sell his goods directly to hiscustomers.**
	* If perishable.
	* If technical in nature needing demonstration.
	* If the market is small.
	* If the market is concentrated in one area. ***Any correct point @ 1 Mark x 4 = 4 Marks***
3. **Balance sheet of Kazu Traders as at 30th June 2010.**

**KAZU TRADERS**

 **BALANCE SHEET √ 1 mk**

**AS AT 30TH JUNE 2010**

**ASSETS SHS CAPITAL & LIABILITIES SHS**

Furniture 20, 000 **√ 1 mk** Capital348, 000 **√ 1 mk**

Debtors 30, 000 **√ 1 mk** Less loss 45, 000 **√ 1 mk**

Cash in hand 25, 000 **√ 1 mk** Net loss 303, 000 **√ 1 mk**

Delivery van 280, 000 **√ 1 mk** Liabilities

Stock 50, 000 **√ 1 mk** Creditors 42, 000 **√ 1 mk**

Cash at bank 60, 000 **√ 1 mk** Bank loan 120, 000 **√ 1 mk**

 465, 000 465, 000

 ***Total ticks 12/3 = 4 Marks***

1. **Groups in the Market that may provide an opportunity to an entrepreneur.**
	* Insufficient / few products.
	* High prices.
	* Poor quality goods.
	* Untapped market. ***Any four correct point @ 1 Mark x 4 = 4 marks***
2. **Reasons why an insured may not be compensated despite an insured riskoccurring.**
	* Wrong claiming procedure.
	* Cause of the risk was deliberate.
	* Late / delayed reporting.
	* Insurer had no funds / bankrupt.
	* Had lied. ***Any 4 correct points @ 1 Mark x 4 = 4 Marks***
3. **Circumstances under which an office manager would think of replacing an existingmachine with a modern one.**
	* To improve efficiency.
	* Reduce production costs.
	* Counter competitions from other firms.
	* To improve on the quality of goods. ***Any four correct points @ 1 Mark x4 = 4 Marks***

 ***Note: answer should start with if or when***

1. **Ways through which a consumer may be exploited.**
	* Through high pricing / prices
	* Underweight goods
	* Expired goods.
	* Stock hoarding
	* Less measurement etc ***Any four correct points @ 1 Mark x 4 = 4 Marks***
2. **Give four differences between an ordinary share and a preference share**

|  |  |
| --- | --- |
| **ORDINARY SHARE** | **PREFERENCE SHARE** |
| 1. Paid dividend after preference shares
 | 1. Paid dividends before ordinary share
 |
| 1. Have voting rights
 | 1. No voting rights
 |
| 1. Are not cumulative in nature
 | 1. May be cumulative nature
 |
| 1. Possers own the company
 | 1. Possers are not owners of the co
 |

 ***Any four good differences @ 1Mark x 4 = 4 Marks***

1. **The amount Kim should get from the insurer.**

Compensation = sum assured x loss

 Actual value

 = 800,000 x 800,000

 Sh. 1,000, 000

 = Sh. 640, 000 ***Correct answer only 4 Marks***

1. **Ways through which the piece of a commodity may be determined.**
	* Auctioneering
	* Haggling
	* Price mechanism
	* Tendering
	* Price controls ***Any correct four @ 1 Mark x 4 = 4 Marks***