***Marking scheme***

**NAME………………………………………….. INDEX NO…………………………**

**SCHOOL………………………………………….. DATE……………………………..**

**CLASS/STREAM ................................... SIGN……………………………**

**565/1**

**BUSINESS STUDIES**

**PAPER 1**

**JUNE 2022**

**TIME: 2 HOURS**

**MOMALICHE JOINT EXAMINATION**

**Kenya Certificate of Secondary Education (K.C.S.E)**

**INSTRUCTIONS TO CANDIDATES**

1. *Write your name and index number in the spaces provided*
2. *Sign and write the date of the examination in the space s provided above*
3. *Answer all questions*
4. *All answers must be written in the space provided in this booklet*
5. *Do not remove any pages from this booklet*

For Examiner’s Use Only

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Question | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| Marks |  |  |  |  |  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Question | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 |
| Marks |  |  |  |  |  |  |  |  |  |  |  |  |

1. ***State four features of basic human wants. (4mks)***
2. Necessary for survival
3. They are universal
4. They are felt needs
5. They cannot be postponed
6. ***Define the following terms appropriately.***  ***(4mks)***
7. Mortality rate - *Number of deaths within a given area over a period of time. Death rate per 1000 people in a population.*
8. Fertility rate - *average number of children per women in child bearing age. Productivity of a country’s population*
9. Life expectancy – *average age of death of people in a certain area.*
10. Infant mortality rate – *number of deaths of children aged one year and below per 1000 infant per year*.
11. ***Distinguish between the following (5mks)***

|  |  |
| --- | --- |
| Debentures | Preference shares |
| 1. *Is a loan caqpital* | 1. *Is a share capital* |
| 1. *Held by outsiders* | *b. Held by quasi owners* |
| 1. *get interest before preference* | *c. get dividends after debentures* |
| 1. *paid first incase of winding up* | *d. paid after debentures in case of winding up* |
| 1. *earn interest* | *e. earn dividends* |

1. ***State the type of document described below. (4mks)***

***Type of document***

1. Show from which country the goods *certificate of origin*

are coming from.

1. Written by an exporter authorizing his *letter of hypothecation*

bank to sell goods on his behalf

1. Allow importer to get goods on credit and cannot be *letter of credit*

changed by the importer without exporters permission.

1. Help in quicker clearance and it is issued *consumer invoice*

by country’s official abroad.

1. ***Indicate whether the following items are falling in real, nominal or private accounts. (3mks)***

***Account***

1. Sales *nominal*
2. Carriage inwards *nominal*
3. Fixture and fittings *real*
4. Stock *real*
5. Cash *real*
6. Capital *private*
7. ***Outline four characteristics of multiple shops (4mks)***
8. *Many shops in different locality - sell similar goods.*
9. *Shops have similar outward appearance.*
10. *Buying is centralised.*
11. *Selling is decentralised - goods not selling in one shop can be moved to another shop.*
12. ***Highlight four ways in which the central bank acts as a banker to the government. (4mks)***
13. *Received finance on behalf of the government.*

* *Undertake various government transactions for goods/ service*

1. *Advance loans to the government on behalf of the government.*

* *Repays foreign loans on behalf of the government*

1. *Safeguard goverment finance.*
2. ***State four negative effects of high taxation in Kenya. (4mks)***
3. *Defer savings*

* *Discourage work.*

1. *Humber investment*

* *May cause inflation.*

1. *May not be equitable*

* *Interfere with resource allocation*

1. *Can be expensive to collect.*
2. ***Write whether the following transactions will have an increase, decrease or no effect on the balance sheet totals. (4mks)***

***Transaction effect***

1. Withdrew stock for personal use *decrease*
2. Paid a creditor by cheque *decrease*
3. A debtor paid by cash *no effect*
4. Received a loan by cheque *increase*
5. ***Give Meshack four reasons why he should not introduce division of labour in his factory. (4mks)***
6. *Monotony of work.*

* *Work lose craftmaship*

1. *Bring a lot of dependence*
2. *Machines use may create unemployement.*
3. *Bring people together create social problem*
4. ***Highlight four roles played by personal secretary (4mks)***
5. *Receiving information.*
6. *Filing of information*
7. *Take minutes for the seniors*
8. *Maintain petty cash book*
9. *Receive calls for the boss*
10. *Make calls for the seniors.*
11. ***In a well labelled illustration, show a shift in the supply curve. (5mks)***

S2

SO

S1

S2

*price* SO

S1

*Quantity*

1. ***Given the following information of Elisha Traders***

Land and Building. 490,000

Machinery 300,000

5 year loan 110,000

2 year loan 80,000

Creditors 90,000

Debtors 100,500

Stock 75,600

Cash 40,000

Bank overdraft 69,900

***Calculate,***

1. Working capital = CA – CL

216100 – 159900

= 56200

1. Current ratio (1mk)

CA : CL

216100: 159900

= 1.35: 1

1. Capital employed (1mk)

= FA + WC or CO + BC

= 49000+ 300000+ 56200

= 846200

1. Capital owned (1mk)

= A- L

1011100 – 349900

= 661200

1. Borrowed capital (1mk)

= 110000 + 80000

= 190000

1. ***Outline four trends in forms of business units.***  ***(4mks)***
2. *Globalization*
3. *Privatization*
4. *Unit trusts*
5. *Franchising*
6. *Cartels*
7. *Holding companies.*
8. ***State four reasons that can lead to the termination of an insurance policy. (4mks)***
9. *Lapse of time*
10. *Surrendering of the policy*
11. *Insured fails to pay premiums*
12. *Occurrence of a risk and compensation*
13. *Death of the insured*
14. *Maturity of the policy failure to be truthful*
15. *For property insurance e.g car disposal or sell of the property to another party.*
16. ***State four essential elements in communication. (2mks)***
17. *Sender*
18. *Message*
19. *Channel*
20. *Receiver*
21. *Get back*
22. ***Record the following transaction in the appropriate book of original entry.***

June 1st bought furniture on credit from Wahu traders 25,000/=

June 2nd exchange a motor van book value 240,000 for a machine valued at 280,000/=

June 3rd sold furniture valued at 15,000 on credit to Erick for 13,400/=

June 4th bought a van from c.m.c worth 390,000 paing 300,000 cash the rest to be paid later. (4mks)

**DATE DETAILS DEBIT CREDIT**

June 1st furniture 25000

Wahu 25,000

(Purchase of furniture on credit)

Jun 2nd Machine 280,000

Motor Van 240,000

Gain on exchange 40,000

(Exchange of motor van for machine)

Jan 3rd Erick 13,400

Lesson on disposal 1,600

Furniture 15,000

(Sale of furniture at a loss)

June 4th Motor van 390,000

Cash 300,000

c.m.c 90,000

(Van bought party by cash)

1. ***State four disadvantages of delocalization of firms. (4mks)***
2. *Spread of population*
3. *Depletion of resources in rural areas*
4. *Use of alot of resources to develop rural areas*
5. *Such areas may lack some amenities*
6. *Security in such areas may not be guaranteed*
7. ***State four assumptions of circular flow of income in a two sector economy (4mks)***
8. All incomes earned by firms are spent on factors services
9. All incomes earned by household are spent on goods and services
10. Economy is closed (no international trade)
11. Existence of only two sectors in the economy
12. No government intervention
13. ***Highlight four roles of advertising agencies in product promotion (4mks)***
14. Product promotion
15. Advertise on behalf of their clients
16. Design logos, trade marks etc
17. Advise their clients on selling techniques
18. Choose appropriate media of advertising
19. ***Outline four benefits of commercial production (4mks)***
20. Earns revenue to the government
21. Earns foreign exchange
22. High output
23. Encourage specialization
24. High quality products
25. ***Outline four reasons for one to hire* *human porterage instead of a pick-up to transport goods.* (4mks)**
26. Cheaper than a pick-up
27. Carrier small language
28. Convenient over short distance
29. Flexible
30. ***Highlight four features of perfect competitive market. (4mks)***
31. Wide knowledge of market
32. Homogeneous goods
33. No transport cost
34. No government intervention/interference
35. ***Name four documents that originate from the seller in the home trade. (4mks)***
36. Catalogue
37. Qutation
38. Acknowledgement note
39. Invoice
40. Credit note
41. Debit note
42. ***State four limitations of trial balance. (4mks)***
43. Error of commission
44. Compensating errors
45. Complete reversal of entries
46. Error of principle