**MOKAS II JOINT EXAMINATION**

**Kenya Certificate of Secondary Education.**

**565/1 BUSINESS STUDIES Paper 1**

**MARKING SCHEME**

**August - September, 2022 – 2 hours**

**Name:** …………………………………………………… **Adm No.:** ……………… **Class** …………..

**Candidate’s Signature**: ………………………………... **Date**: ………………………………………

**Instructions to Candidates**

1. *Write your name and index number in the spaces provided above.*
2. *Sign and write the date of the examination in the spaces provided.*
3. *Answer* ***all*** *the questions.*
4. *All answers must be written in the spaces provided in this booklet.*
5. *Do not remove any pages from this booklet.*
6. ***This paper consists of 9 printed pages.***
7. ***Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.***

**For Teacher’s Use Only**

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| 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25**TOTAL****MARKS****M** |
|  |  |  |  |  |  |  |  |  |  |

1. Highlight **four** ways in which the internal environmental factors can lead to success of a business. (4mks)
* *A well laid out business structure*
* *Well trained /motivated manpower*
* *Adequate finance for its operations*
* *Established physical resources*
* *High level/appropriate technology/invention and invention*
* *A positive business culture*
* *Committed owner(s) of the business*
1. Identify **four** personal factors that one would consider when evaluating a business opportunity. (4mks)
* *Skills*
* *Commitment*
* *Interest*
* *Objectives*
1. Outline **four** benefits of multinational businesses to a country. (4mks)
* *Transfer of new technology to the country*
* *Training of local people in various skills*
* *Transfer of capital to the country/capital inflow*
* *Increased research in the countries’ economies on production and investment*
* *Employment to people of the country*
* *Provision of a variety of goods/services in the country.*
* *Markets of raw materials.*
* *Increased investments and saving in country.*
* *Revenues to Government in form of taxes*
1. State **four** circumstances under which downward communication may be used in an organization. (4mks)
* *When giving instructions to junior workers*
* *When giving directives to junior workers*
* *When explaining policies of the firm*
* *When disciplining the workers*
* *When promoting the workers*
* *When giving feed back to the workers on their performance*
* *When delegating duties*
* *When clarifying issues*
* *When motivating workers e.g. rewarding.*
1. Outline **four** for reasons for the increased use of internet in product promotion. (4mks)
* *It reaches the worldwide audience*
* *The delivery of the advert is instant*
* *It is long lasting*
* *The advert can be conveyed to a group of people simultaneously*
* *An immediate feedback can be got*
* *It combines the audio, visual and written elements necessary in advertisement for effective impact.*
* *It is cost effective*
1. State **four** channels that a dairy farmer may use to distribute milk to consumers. (4mks)
* *Farmer (Producer) marketing board retailer consumer.*
* *Farmer (Producer) co – operative society marketing board wholesaler retailer consumer.*
* *Farmer (Producer) marketing board wholesaler retailer consumer.*
* *Farmer (Producer) wholesaler retailer consumer.*
* *Farmer (Producer) retailer consumer*
* *Farmer (Producer) consumer*
1. Describe the procedure of balancing the ledger accounts. (4mks)
2. *Identify the account title*
3. *Find the total on each side.*
4. *Subtract the total of the smaller side from the total of the bigger side.*
5. *Insert the difference (account balance) on the side with the smaller total as a balance carried down ( c/d ) to make the two sides equal.*
6. *Confirm that the totals of the two sides are equal by writing the totals at the same level and double underscoring them.*
7. *The account balance should be recorded on the opposite side below the totals as balance brought down ( b/d)*
8. Outline **four** types of indirect taxes. (4mks)
* *Sales tax*
* *Value added tax (V.A.T.*
* *Export duty*
* *Import duty*
* *Excise duty*
1. Outline four components of business studies. (4mks)
* ***Commerce****-This is the study of trade and aids to trade*
* ***Accounting****- This is a systematic way of recording business transactions to be used in decision making*
* ***Economics****- This is the study of how human beings strive to satisfy their endless wants using the available scarce resources*
* ***Entrepreneurship****- This is the study of the activities involved in the process of identifying a business opportunity and acquiring the necessary resources needed to start and run a business.*
* ***Office Practice****- This refers to all activities that are carried out in an office e.g communication, filing, clerical work and reproduction of documents.*
1. Using the table given below identify the reward associated with the factor of production indicated. (4mks)

|  |  |
| --- | --- |
| **Factor of production** | **Reward** |
| Manager | Salary |
| Buildings | Rent |
| Loan from a bank | Interest |
| Owner of a business | profit |

1. Highlight four characteristics of mail order stores. (4mks)
* *Goods are dispatched, mostly on cash with order or cash on delivery basis*
* *Transactions are carried out online*
* *They advertise through means such as the print media, electronic media, journals and cinemas*
* *Customers do not visit the selling premises*
* *They have their own warehouse*
1. Highlight **four** reasons why a trader may prefer to transport goods by railway rather than using road. (4mks)
* *Trains are safe since their minimal cases of accidents.*
* *Trader can plan for the transport of his/her goods as trains follow a fixed time table*
* *They have shunting facilities which help deliver the goods conveniently.*
* *They are relatively cheaper when transporting large quantities due to economies of scale.*
* *Trains are economical for transporting heavy and bulky goods over long distances due to their large carrying capacity.*
* *They are not affected by traffic congestion hence no delays*
1. Describe the following policies as used in insurance. (4mks)
* ***Endowment insurance policy*** *-This is a life assurance policy where the assured is required to pay regular premiums for a specified period of time and the sum assured is paid at maturity. In case the assured dies before the expiry of the period, the sum assured is paid to his/her beneficiaries*
* ***Fidelity guarantee policy****- This is a policy that protects one against losses arising from activities of his/her dishonest employees.*
* ***Marine hull policy****- This policy covers the ship against loss or damage as a result of risks at sea*
* ***Composite policy****- This policy applies where several insurance companies have insured a particular ship against the same risk*
1. Give **four** differences between Oligopoly and Monopoly market structures. (4mks)

|  |  |
| --- | --- |
| **Oligopoly** | **Monopoly** |
| a). There exists few but large firms  | There is one single seller |
| b). Products offered have close substitutes | Products offered do not have close substitutes |
| c). There is no price discrimination | Price discrimination may be possible in different markets |
| d). Non price competition exists e.g  product differentiation | There is no competition |
| e). Prices are determined by price  wars/collusion/cartel/kinked demand  curve | They are determined by the seller |

1. Debtors 8,000-2,000 = 6,000

 Bank 14,000-12,000 = 2,000

 Capital 30,000-3,000 = 27,000

 Cash 18,000- 3,000+ 2,000 = 17,000

 Creditors 10,000+5,000 = 15,000

 Purchases 5,000

 Furniture 12,000

**Utumishi traders**

**Balance sheet**

**As at August 21, 2022**

|  |  |
| --- | --- |
|  **Shs** |  **Shs** |
| Furniture 12,000 | Capital 27,000 |
| Cash 17,000 |  |
| Bank 2,000 |  |
| Debtors 6,000 | Creditors 15,000 |
| Stock 5,000 |  |
|  **42,000** |  **42,000** |

.

1. Identify the books of original entry associated with the following source documents. (4mks)

|  |  |
| --- | --- |
| **Source documents** | **Journal** |
| Invoice received | *Purchases Journal* |
| Receipt issued | *Cash receipts Journal* |
| Credit note received | *Return outwards Journal* |
| Invoice issued | *Sales Journal* |

1. .

*i). Margin*

 *COGS 100,000+520,000-80,000=540,000*

*GROSS PROFIT 800,000-540,000= 260,000*

$$\frac{260,000}{800,000} ×100=32.5\%$$

*II). Mark up*

$$\frac{260,000}{540,000} ×100=48.15\%$$

*III). Rate of stock turn over*

*Average stock =* $\frac{100,000+80,000}{2}=90,000$

*ROSTO =* $\frac{540,000}{90,000}=6 times$

1. Characteristics of services,
2. *Are intangible.*
3. *Cannot be stored,*
4. *Quality cannot be standardized.*
5. *Inseparable from provider.*
6. *Cannot be seen.*
7. In the space provided name the office equipment used to perform each of the following tasks.

 (4marks)

 **Functions Equipment**

 a) Printing stamp impression on envelopes franking machine *Franking Machine*

 b) Cutting paper into required sizes guillotine *Guillotine*

 c) Pinning papers together stapler *Stapler*

 d) Recording, processing, sorting & retrieving information *Computer*

1. Reasons for government training include;
* *To expose business persons to modern developments in management.*
* *Introduce modern technology and skills in management*
* *Educate the business people on efficient methods of operating a business e.g., effective methods of advertising and keeping books of accounts.*
* *Expose business people to problems/ challenges facing them and their possible solutions for example, problems of raising capital and identifying investment opportunities.*
* *Impart proper business ethics e.g. good customer relations and honesty.*
* *Creating awareness of the available profitable business opportunities in their environment.*
* *Expose business people to government policies regarding business activities in the country.*
* *Educate business people on how to use available resources to minimize costs and maximize profits.*
* *Expose people to other opportunities that exist in the import and export market*
* *Expose them on environmental conservation measures/need*
1. Highlight four ways in which a warehouse is useful to a trader. (4marks)
* *A trader can look for market while goods are in the warehouse*
* *Goods can be prepared for sale*
* *Goods can be sold while in the warehouse*
* *Goods are protected from damage*
* *Goods can improve in quality hence improving the selling price*
1. Outline the following terms. (4marks)
2. Economies of scale - Benefits accruing to a business due to expansion
3. Delocalization - *This is establishments of firms in different parts of the country.*
4. Firm - *A single unit of business organization that brings together factors of production to produce*

 *a given commodity*

1. Industry - *It consist all firms producing the similar products.*
2. Using the balance sheet equation, fill the missing figures. (4mks)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Fixed assets** | **Current Assets** | **Liability** | **Capital** |
| (a)  |  40,000 | 30,400 |  …(i)…. |  35,000 |
| (b) | 100,000 | …(ii)…. |  20,000 | 160,000 |
| (c) |  50,920 | 50,000 |  73,000 | …(iii)…. |
| (d) |  …(iv)…. | 70,000 |  0 | 240,000 |

*(i) sh. 35,400*

*(ii) sh. 80,000*

*(iii) sh. 27,920*

*(iv) sh 170,000*

1. On January, 2021, Mingi traders had sh. 130,200 in cash and bank credit balance of sh. 56,000. The following transaction took place during the month.

 Jan 2: Cash sales sh. 12,000

 7: Took sh. 2,000 cash for his personal use

 12: Paid Mwangi a creditor sh. 8,200 cash.

 17: Sold goods to Jambo traders on credit worth sh.20,000

 18: Deposited sh.20, 000 into the business bank account from the cash till.

 31: Paid rent sh.7, 500 by cash

 Record the above information in a two column cash book. (4mks)

***MINGI TRADERS***

***TWO COLUMN CSH BOOK***

***FOR THE MONTH OF JANARY 2021***

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ***Date 2002*** | ***Particulars*** | ***folio*** | ***Cash*** | ***Bank*** | ***Date*** | ***Particulars*** | ***Folio*** | ***Cash*** | ***Bank*** |
| *01/1/2021**02/1/2021**18/1/2021* | *Bal**Sales**Cash (c)* |  | *130,200* *12,000* | *20,000* | *01/1/2021**07/1/2021**12/1/2021**18/1/2021**31/1/2021* | *Balance b/d**Drawings**Mwangi**Bank (c)**Rent* |  |  *2,000* *8,200**20,000* *7,500* | *56,000* |

1. Highlight four characteristics of a saving account. (4mks)
* *There is minimum initial deposit that varies from bank to bank.*
* *A minimum balance is maintained at all times.*
* *The withdrawals are up to a certain maximum within a given period. Withdrawal above this maximum will require notice.*
* *Account holders are issued with a pass book or a debit card (ATM card) for deposits and withdrawals.*
* *Overdraft facilities are not allowed.*
* *Ordinarily, withdrawals across the counter can only be done by the account holder.*
* *The balance on the account above a certain minimum earns some interest*