**Name:…………………………………………….....................AdmNo:………........Stream:…………**

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

**Index no:………………………………………………**

**565/1**

BUSINESS STUDIES

PAPER1

DECEMBER - 2021

Time: 2 Hours

**SAMIA JOINT EXAMINATION**

*Kenya Certificate of Secondary Education*

***MARKING SCHEME***

**FOR EXAMINER’S USE ONLY**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Questions  | 1 | 2 | 3 | 4 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| Marks  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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

 **TOTAL MARKS**

1. Mr. Odhiambo has started a Kiosk in Nambale Town. Outline **FOUR** functions that he will perform as the owner of the business. (4mks)

 **Starts the business**

 **Makes decisions**

 **Runs the business**

 **Earns profits**

1. Indicate the type of journal in which each of the following transactions could be recorded. (4mks)

|  |  |  |
| --- | --- | --- |
| **NO.**  | **TRANSACTION**  | **TYPE OF JOUNAL** |
|  | Bought a computer on credit  | **General Journal**  |
|  | Returned goods previously bought on credits  | **Returns outwards journal** |
|  | Sold goods on credit | **Sales journal** |
|  | Bought shares in a company | **General journal** |

1. Taaka a retailer had a capital balance of sh. 320,000 as at 30th June, 2008. During the year ended 30th June 2009, the business made a net profit of sh.80, 000. Mokaya the proprietor made drawings of 4,000 each month for his personal use. Compute the business capital as at 30th June2009. (4mks)

**F,C =1. C+I.N.V +P-L-D- 1mk**

**F,C = 320,000 + 80,000 – ( 4,000 \*12) 1mk**

 **F,C = 400,000 – 48,000 1mk**

 **F,C = 352,000 1 mk**

1. Give **FOUR** differences between a public limited company and private limited company. (4mks)

|  |  |
| --- | --- |
| **PUBLIC COMPANY**  | **PRIVATE COMPANY**  |
| Formed by a minimum of 7 shareholders and no set maximum  | Formed by 2 -50 shareholders  |
| Managed by 2 -3 directors  | Managed by 1- 2 directors  |
| There are free transfer of shares  | Restricts transfer of shares  |
| Advertises shares to the public  | Does not advertise the shares to the public |

1. State **FOUR** reasons why iterant traders are becoming increasing popular in Kenya. (4mks)

**Requires less capital to start**

**No premises are required**

**Sell fast moving goods**

**Few legal formalities required**

**Located along busy streets thus more sales**

1. Given below is a cash book extracted from the books of accounts of Patel Enterprises. (4mks)

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **2009**  |  |  | **sh** | **sh** | **sh** | **2009** |  |  |  |  |  |
| 1/12 | Balance b/d  |  |  | 1500 | 90,000 | 14/12 | Bank  | C | 30,000 |  |  |
| 2/12 | Rono  |  | 2000 | 38,000 |  | 20/12 | Equipment  |  |  |  | 80,000 |
| 14/12 | Cash  | C |  |  | 30,000 | 30/12 | Drawings  |  | 7,000 |  |  |

In relation to the entries appearing in the cash book extract, state the transaction that took place on each of the following dates. (4mks)

1. 2nd December 2009 **Rono Traders settled his account of 40,000 and was allowed 2,000 cash discount**
2. 14th December 2009 **Withdrew 30,000 from the bank for office use**
3. 20th December 2009 **Bought office equipments worth 80,000 and paid by cheque**.
4. 30th December 2009 **The owner took cash worth 7,000 for personal use**
5. State **FOUR** reasons for increase in popularity of micro-finance institutions. (4mks)
6. **They require less capital to operate**
7. **They offer small loans which are easily payable.**
8. **Less security for loans are require.**
9. **They use digital platforms which attract more clients.**
10. **They do not consider CRB restrictions**
11. A successful manufacturing firm has been constantly releasing toxic waste into a nearby river. Outline **FOUR** measures that consumers can take to stop the firm from such malpractices. (4mks)
12. **Report the incidence to the authorities.**
13. **Boycott products from the firm**
14. **Advocate for their rights through human rights activists**
15. **Form consumer organization to champion for their rights**
16. Highlight **FOUR** disadvantages of using machines in an office. (4mks)
17. **May cause unemployment**
18. **Some cause noise pollution**
19. **Breakdown of machine may cause stoppage of production**
20. **Most machines are expensive to acquire.**
21. **Most machines require skilled personnel**
22. State **FOUR** factors that a person would consider when hiring a warehouse. (4mks)
23. **Adequate space**
24. **Specialized machines for handling goods.**
25. **Good transport and communication**
26. **Skilled record keeping**
27. State FOUR ways f determining the prices of commodities in the market. (4mks)
28. **Price mechanization**
29. **Government intervention**
30. **Bargaining /haggling**
31. **Tendering**
32. **Auctioneering.**
33. State whether each of the following transactions will increase, decrease or have no effect on balance sheet totals. (4mks)

|  |  |  |
| --- | --- | --- |
| **NO.** | **TRANSACTION**  | **EFFECT** |
|  | Paid a creditor in cash  | **Decrease**  |
|  | Bought a motor van on credit  | **Increase**  |
|  | A debtor paid by cheque  | **No effect**  |
|  | Owner  | **Decrease** |

1. Outline **FOUR** classifications of goods and services produced in an economy. (4mks)
2. **Producer and consumer goods**
3. **Public and private goods**
4. **Materials and non-materials goods**
5. **Durable and perishable goods**
6. **Finished and intermediate goods**
7. Highlight **four** benefits that accrue to a country that has a very high population. (4mks)
8. **Provides wider markets for goods**
9. **Produces large labour force**
10. **Increased invention and innovation**
11. **.Growth of jua Kali Industries**
12. Give **FOUR** fiscal measures that a government may use to control inflation. (4mks)
13. **Increase direct taxes**
14. **Reduce government expenditure**
15. **Increase subsidies**
16. **Increase indirect taxes to reduce purchasing power.**
17. Give **FOUR** situations when oral communication may be used in an office. (4mks)
18. **Where immediate feedback is required**
19. **In case of a meeting**
20. **Where information is confidential**
21. **Where gestures are to be used.**
22. **Where clarification is needed.**
23. State **FOUR** uses of a business plan. (4mks)
24. **It is a motivating factor**
25. **Allocation of resources**
26. **Helps to know strengths and weaknesses of the business**
27. **It’s a required by financiers**
28. Outline FOUR circumstances under which a manufacture would prefer to sell his products directly to consumers instead of selling through intermediaries. (4mks)
29. **Where the market is concentrated**
30. **Where production is on an order.**
31. **Where the product is highly perishable**
32. **Where the manufacturer has means of distributing**
33. Highlight **FOUR** principles which guide the government in its expenditure. (4mks)
34. **Sanction**
35. **Maximum social benefit**
36. **Economical**
37. **Financial management**
38. **Flexibility**
39. Highlight **FOUR** factors that hinder expansion of railway transport in Kenya. (4mks)
40. **Lack of political good will**
41. **Poor management**
42. **Lacks flexibility**
43. **It’s expensive to construct**
44. **Trains are costly**
45. Give **FOUR** roles of ethical practices in Business. (4mks)
46. **Ensures that rights of employees are upheld.**
47. **Ensures consumers are not exploited**
48. **Ensures conservation of environment**
49. **Ensures fair play during completion**
50. Two following diagrams represent the circular flow of income between firms and household in an economy. Identify the flows labeled A, B, C and D and list them in the space provided. (4mks)

HOUSEHOLDS

 b a c d

FIRMS

1. **Provision of factors of production**
2. **Payment for the factors of production**
3. **Provision of goods and services**
4. **Payment for the goods and services**
5. Mention **FOUR** circumstances under which an insurance company may re-insure. (4mks)
6. **Where it is a government policy**
7. **There is the need to spread risks**
8. **Where the value of the property is too high**
9. **Where the company has covered many risks.**
10. The following information relates to Kizito traders for the year ended 31st December 2009.

|  |  |
| --- | --- |
| Gross Profit  | 140,000 |
| Salaries  | 20,000 |
| Electricity charges  | 8,000 |
| Discount allowed  | 6,000 |
| Discount received  | 26,000 |

 Prepare a profit and loss account for Kizito Traders for the year ended 31st December 2009. (4mks)

Kizito Traders

Profit and loss account

For the period ended 31st December 2009

|  |  |
| --- | --- |
| **Expenses**  | **Incomes**  |
| Salaries 20,000Electricity charges 8,000Discount allowed 6,000Net Profit c/d 132,000 **166,000** | Gross profit b/d 140,000Discount received 26,000 166,000Net profit b/d 132,000 |

1. State **FOUR** features of indirect production. (4mks)
2. **Production is carried out on large scale**
3. **Commodities are mainly for sale**
4. **Modern technology is applied**
5. **Encouraged division of labour and specialization**
6. **High quality products are produced.**
7. **There surplus production**