**MARKING SCHEME**

**BUSINESS STUDIES PAPER - 565/1**

**ARISE AND SHINE EXAMINATION**

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

**FORM FOUR TRIAL 1 –MARCH/APRIL – 2023**

1. Identify the environmental factor affecting business operations as described by the following statements. (4 marks)

|  |  |  |
| --- | --- | --- |
| **S.no** | **Statement** | **Factor** |
| a | Skills and methods used by workers in production. | **Technology** |
| b | Affects buyer’s ability to buy products offered by a business | **Economic environment** |
| c | Firms selling similar products trying to outdo each other in their efforts to maximize profits | **Competitive environment** |
| d | Formal arrangement of activities carried out by employees at various levels in an organization. | **Business structure** |

2. Give **four** items of information that can be found in an insurance policy. (4 marks)

1. **Name of the insured (policy holder)**
2. **Policy number**
3. **Sum insured/assured**
4. **Risk(s) insured against**
5. **Period/duration of the policy**
6. **Amount of premium to be paid**
7. **Conditions for compensation**

3. Highlight **four** factors considered when planning the location of an office. (4 marks)

1. **Accessibility**
2. **Availability of space for future expansion**
3. **Security**
4. **Cost**
5. **Infrastructure**
6. **Auxiliary services**

4. Outline **four** reasons for collapse of small scale business units. (4 marks)

1. **Poor location**
2. **Insufficient capital**
3. **Stiff competition**
4. **Poor management**
5. **Unfavourable government policies e.g. high taxation**
6. **Due to insufficient capital they may not be able to employ skilled labour**

5. Many changes have taken place in the transport sector. Identify any four of such changes. (4 marks)

1. **Introduction of speed governors**
2. **Introduction of safety belts**
3. **Use of unleaded petrol and low Sulphur diesels**
4. **The effect of the ever rising global fuel prices**
5. **Outlawing of matatu cartels**
6. **Establishment of express way**
7. **Expansion of roads to dual carriage ways**
8. **Introduction of SGR**
9. **Introduction of electric vehicles**

 6. Mention **four** costs that are incurred by middlemen while distributing goods. (4 marks)

1. **Cost of buying goods**
2. **Storage costs**
3. **Transport costs**
4. **Advertising costs**
5. **Insurance costs**
6. **Operation costs e.g. salaries**
7. **Preparation costs e.g. branding, packing etc.**

7. For each of the following transactions indicate in the appropriate columns the source documents and the books of original entry in which the transactions should be recorded (4 marks)

|  |  |  |  |
| --- | --- | --- | --- |
|  | Transaction | Source document | Book of original entry |
| (a) | Goods returned by a customer | **Outgoing credit note** | **Purchases returns journal** |
| (b) | Purchase of goods on credit | **Incoming invoice** | **Purchases journal** |

8. Outline **four** circumstances when high population is desired in a country (4 marks)

1. **In case of need to increase labour supply**
2. **When there is need for increased market demand**
3. **If there is need to advance technology**
4. **When there is need to have varied talents**
5. **In case there is need to enhance proper utilization of resources**
6. **When there is need to increase competition in production for quality goods**
7. **Incase there is need to increase security due to numerical strength.**

9. Globalization is a term often used to denote business ownership and spread. Outline four merits of

 (4 marks)

1. **Globalization of business units.**
2. **Encourage formation of multinational corporations**
3. **Earns revenue to the government**
4. **Enables integration of important function e.g. production**
5. **Unification and integration of industrial activities across the countries**
6. **Opens opportunities for business ownership by people in various countries**
7. **Enable collaboration of firms in different countries in respect to trade areas**
8. **Facilities applications of better technology for improved and cheaper products.**

10. Give the term that best suit each of the statements described below. (3 marks)

|  |  |  |
| --- | --- | --- |
|  | Statement | Term |
| a | List of wants starting from most pressing to the least pressing |  |
| b | Limited or not enough in supply of something |  |
| c | Value of the best next forgone alternative |  |

11. The following assets and liabilities belong to Longisa Traders as at 31.12.20

Stock sh. 90,000

Equipment sh. 130,000

Creditors sh.65,000

(a). Work out the net worth of Longisa Traders (1 mark)

**Capital = Assets - Liabilities = 220,000 - 65, 000**

**= sh 155, 000√ (1)**

**Longisa Traders**

**Balance sheet√**

**As at 31/1/21**

|  |  |
| --- | --- |
| Equipment 130, 000√Stock 47, 000√Cash 49, 300√226, 300 | Capital 155, 000√Add net profit 6, 300√ 161, 300Creditors 65, 000√226, 300 |

 8 x ½ = 4 marks

12. The following balance were extracted from the books of Bomet East traders on 31st July 2022

|  |  |
| --- | --- |
| Items | Amount |
| CapitalCash in handBuildingsFurnitureMotor vehicleCreditorDebtorsbank | 500000200002000025000137000800036000100000 |

Required: Prepare Bomet East traders trial balance as at 31st July 2022. (5marks)

Bomet East

Trial Balance

As at 31st July 2022

|  |  |  |
| --- | --- | --- |
| CapitalCash in handBuildingsFurnitureMotor vehicleCreditorsDebtorsbank |  20 000 200 000 25 000 13 7000 36000 100000 |  500000 18000 |
|  |  518000 |  518000 |
|  |  |  |

13. The following balances were extracted from the books of Suswa Traders on 31st December 2001

**Suswa Traders**

**Profit and loss Account**

**For period ended 31st Dec, 2001**

|  |  |
| --- | --- |
| Salaries 160, 000√Telephone 40,000√Commission 30, 000√Repairs 15, 000√Net profit c/d 171, 000√416, 000 | Gross profit b/d 400, 000Commission received 16, 000 416, 000 |

 Net profit b/d 171, 000 (8 x ½ = 4mks)

Shs.

Gross profit 400,000

Salaries 160,000

Returns outwards 4,500

Telephone 40,000

Commission received 16,000

Sales 200,000

Commission 30,000

Repairs 15,000

Prepare a profit and loss account for the period ended 31st December 2001. (4 marks)

14. Outline **four** essentials of a bill of exchange. (4marks)

1. **Payee must be named**
2. **Date for payment must be determined**
3. **Should be unconditional**
4. **Amount of money should be clearly indicated**
5. **Should bear a revenue stamp**
6. **Should be signed by the drawer**

15. On 2nd November 2022 Ongengo received an invoice of Ksh. 12000. Terms of payment were: Trade discount of 5% and cash discount of 10%. If payment is made within 30 days. Determine the amount paid if payment was made on 27th November 2022. (8 x ½ =4 marks)

**Invoice price 12000**

**Less trade discount 12000x5% = 600√**

**11400√**

**Less cash discount 11 400x10% = 1140√**

**10260√**

16. Identify the product promotion method described by each of the statement below. (4 marks)

|  |  |  |
| --- | --- | --- |
|  | Statement | Method |
| a | Selling a product below its market price so as to entice customers to enter the shop. | **Loss leader** |
| b | Process of passing information with a view of creating and promoting a favourable image of the organization to the public | **Public relations** |
| c | Paid form of impersonal presentation of a product through mass communication media. | **Advertising** |
| d | Reduction in the sales price of a product by the seller so that the buyer ends up paying less. | **discount** |

17. Highlight any **four** services offered by commercial banks to their clients. (4 marks)

1. **Accepting deposits**
2. **Lending money**
3. **Providing financial advice to customers**
4. **Safe custody of valuable items**
5. **Transfer of money services**
6. **Offer forex services**
7. **Acting as trustees**
8. **Acting as guarantors and referees**
9. **Issuing letters of credit**

18. State **four** emerging trends in communication. (4 marks)

1. Use of internet
2. Use of E-mail
3. Use of mobile phone
4. Transformation of language
5. Increase use of paperless office

19. Give **four** characteristics of oligopoly market structure. (4 marks)

1. **Differentiated products are close substitute**
2. **Firms face kinked demand curve/price rigidity**
3. **There is a high competition for buyer**
4. **Barriers to entry into the market**
5. **Existence of non-price competition**
6. **There are few large scale sellers**
7. **Possible price discrimination**
8. **Firms rivalry where each firm tries to outdo each other**

20. The diagram below shows equilibrium price and quantity.

Draw a new demand curve on the diagram above showing a decrease in demand and the effect on:

(4 marks)

(a). Equilibrium price (Pe)

(b). Equilibrium quantity (Qe)

(c). Equilibrium point (E)



21. Highlight **four** reasons why a country would rely more on primary level of production. (4 marks)

1. **If the country is endowed with a lot of natural resources**
2. **If it lacks sufficient production skills to venture in to manufacturing**
3. **Where the natural resources raw materials attracts high prices at the international market**
4. **Incase it has good trade relationship with partners**
5. **If a strong indigenous culture exists favouring local extraction industries**
6. **Where climatic factors favour a certain product.**

22. State **four** importance of computing national income statistics in a country such as Kenya. (4 marks)

1. **Measures the income per capital e.g. living standards of its citizens**
2. **Planning purposes by the government**
3. **Basis of investment decisions**
4. **Means of inter-country comparisons**
5. **Basis for equitable distribution of income**

23. From the transactions below, state the accounts to be debited and to be credited. (4 marks)

|  |  |  |  |
| --- | --- | --- | --- |
|  | Transactions | Debit | Credit |
| i | Begun a business with Ksh 10,000 in the bank | **Bank a/c** | **Capital a/c** |
| ii | Bought equipment by cheque for Ksh. 8,000 | **Equipment a/c** | **Bank a/c** |
| iii | Transferred Ksh 60,000 to the bank from the cash till | **Bank a/c** | **Cash a/c** |
| iv | Took cash Ksh.7,000 to pay hospital bill | **Drawings a/c** | **Cash a/c** |

24. Outline four advantages of a systematic arrangement of goods in a warehouse. (4 marks)

1. **Breakages of goods would be minimized**
2. **Pilferage of goods would be reduced**
3. **Space available would be reduced**
4. **Easy to do stock taking**
5. **Contamination of goods would be reduce**
6. **Accessibility would be enhanced**

25. Name four factors considered when determining size of the firm. (4 marks)

1. **Amount of capital invested**
2. **Number of workers**
3. **Volume/quantity of raw material**
4. **Size of plant/ ground area covered**
5. **Volume level of output**
6. **Size of market/number of clients/buyers**