

JULY /AUGUST 2025
BUSINESS STUDIES PAPER 1 565/1
MARKING SCHEME

1. Factors of production
 - (i) Entrepreneurship
 - (ii) Labour
 - (iii) Capital
 - (iv) Land

4 x 1 = 4mks
2. Ways in which the government creates an enabling environment
 - (i) Giving economic incentives e.g low taxes subsidies, cheap land etc
 - (ii) Putting up and improving infrastructure e.g roads, communication, water electricity.
 - (iii) Ensuring law and order
 - (iv) Providing credit /loans on easy terms
 - (v) Development of social amenities eg. Hospitals and schools.
 - (vi) Enacting favourable laws and regulations
 - (vii) Facilitating the use of appropriate technology

4 x 1 = 4mks
3. Ways in which office documents can be reproduced
 - (i) Photocopying
 - (ii) Carbon copying
 - (iii) Duplicating
 - (iv) Printing

4 x 1 = 4mks
4. Ways of making verbal communication effective
 - (i) Using common language
 - (ii) Proper listening/attention
 - (iii) Positive attitude between the communicating parties
 - (iv) Proper timing
 - (v) Use of appropriate media
 - (vi) Avoidance of pre-judgement
 - (vii) Absence of noise
 - (viii) Emotional control

4 x 1 = 4mks
5. Opening capital = Total assets – Total liabilities
 $350,000 \checkmark + 45,000 \checkmark + 25,000 \checkmark + 7,500 \checkmark - 48,000 \checkmark = 379,500 \checkmark$

 $379,500 \checkmark + 24,000 \checkmark + 34,500 \checkmark - 20,000 \checkmark = 418,000 \checkmark$
 12 x 1/3 = 4mks
6. Types of internal economies of scale
 - (i) Financial economies
 - (ii) Buying/purchasing economies
 - (iii) Marketing economies
 - (iv) Risk bearing economies
 - (v) Managerial economies

- (vi) Research economies
 - (vii) Welfare economies
 - (viii) Technological economies
- 4 x 1 = 4mks

7. Sources of monopoly power

- (i) Where a firm has total ownership of right of production
 - (ii) Where the firm controls an important factor of production /raw material
 - (iii) Where the firm commands a substantial market share
 - (iv) Where the capital outlay/invested is large
 - (v) Where a group of firms combine to form a new business
 - (vi) Where the firm enjoys greater internal economies of scale.
- 4 x 1 = 4mks

8. Circumstances under which a private company can be dissolved

- (i) Where a company acts ultra –vires
 - (ii) Where the shareholders decide to dissolve it
 - (iii) Where the court orders the company to be dissolved
 - (iv) Where the company merges with another company
 - (v) Where the company runs bankrupt
 - (vi) Where a company fails to commence business within one year after registration
- 4 x 1 = 4mks

9. Source documents

- a) Incoming invoice/purchases invoice
- b) Cash sale receipts
- c) Credit note issued/outgoing credit note
- d) Sales invoice/outgoing invoice

4 x 1 = 4mks

10. Why government imposes tax within a country

- (i) Discouraging consumption of certain goods
- (ii) Discouraging importation of certain goods
- (iii) Reducing inequality in income distribution
- (iv) Controlling inflation
- (v) Correcting unfavourable balance of payments

4 x 1 = 4mks

11. Factors that determine the choice of an appropriate channel of distribution

- (i) Nature of the product
- (ii) Nature of the market
- (iii) Marketing risk
- (iv) Government policy
- (v) Resources/size of the firm
- (vi) Level of competition

4 x 1 = 4mks

12. Measures that may be applied by central bank to reduce money supply in the economy

- (i) Increase bank rate
- (ii) Adopt and increase compulsory deposits
- (iii) Sell more government securities and freeze the proceeds
- (iv) Increase the cash ratio/liquidity ratio

- (v) Appeal to financial institutions to limit/restrict lending
 - (vi) Direct action, when central bank orders commercial banks to suspend lending
 - (vii) Apply selective credit control measures
- 4 x 1 = 4mks

$$13. \text{ ROSTO} = \frac{\text{COGS}}{\text{Average stock}}$$

$$4 = \frac{\text{COGS}}{150,000}$$

$$\text{COGS} = 600,000$$

$$\text{Since margin} = 20\% \left(\frac{1}{5}\right) \text{ then mark up} = 25\%$$

$$\text{Gross profit} = \frac{25}{100} \times 600,000 = 150,000$$

$$\text{Sales} = 150,000 + 600,000 = 750,000$$

$$140,000 + \text{purchases} - 160,000 = 600,000$$

$$\text{Purchases} = 600,000 + 160,000 - 140,000$$

$$= 620,000$$

Mose Traders

Trading account

For the year ended 31/12/2015

Opening stock	140,000✓	Sales	750,000✓
Add purchases	620,000✓		
COGAS	760,000✓		
Less closing stock	160,000✓		
COGS	600,000✓✓		
Gross profit c/d	150,000✓		
	750,000		750,000
		Gross profit b/d	150,000

$$8 \times \frac{1}{2} = 4\text{mks}$$

14. Factors that would lead to rightward shift of the demand curve

- (i) Increase in population
 - (ii) Increase in consumers income
 - (iii) Increase in price of substitutes
 - (iv) Decrease in price of compliments
 - (v) Favourable change in taste, fashion and preferences
 - (vi) Favourable government policies
- 4 x 1 = 4mks

15. Advantages of a large population

- (i) Large market for goods and services

- (ii) It is a source of labour/large labour supply
 - (iii) Leads to inventions and innovations
 - (iv) A country is able to exploit her resources
 - (v) Source of security
- 4 x 1 = 4mks

16. Essentials of transport

- (i) The way
 - (ii) Terminals
 - (iii) Method of propulsion
 - (iv) Unit(s) of carriage
- 4 x 1 = 4mks

17. Characteristics of basic human wants

- (i) They are necessary for survival
 - (ii) They are felt needs
 - (iii) They cannot be postponed
 - (iv) They are satisfied before secondary wants
- 4 x 1 = 4mks

18. Functions of advertising agencies to an advertiser

- (i) Choosing appropriate media
 - (ii) Offer advisory services on selling techniques
 - (iii) Book space/airtime on media
 - (iv) Design logo/trade marks
 - (v) Design advert
- 4 x 1 = 4mks

19. Compensation = $\frac{\text{sum insured}}{\text{value of property}} \times \text{Loss}$

$$= \frac{300,000 \sqrt{x} \times 250,000 \sqrt{x}}{500,000 \sqrt{x}}$$

$$= 150,000 \sqrt{x}$$

$$4 \times 1 = 4\text{mks}$$

20. Services offered by retailers to consumers

- (i) Credit facilities
 - (ii) After sales services
 - (iii) Variety of goods
 - (iv) Advisory services
 - (v) Availing goods
 - (vi) Breaking bulk
- 4 x 1 = 4mks

21. Functions of an entrepreneur as a factor of production

- (i) Controls the business
- (ii) Makes decisions ie he/she is the policy maker
- (iii) Starts the business
- (iv) Bears all the risks and enjoys profits

- (v) Owns the whole project
 - (vi) Acquires and pays for all other factors of production
 - (vii) Pays for expenses eg. Electricity, water, stationery etc.
- 4 x 1 = 4mks

22. Causes of cost –push inflation

- (i) Rise in wages and salaries
 - (ii) Increase in taxes
 - (iii) Reduction in subsidies
 - (iv) Increase in cost of inputs other than labour
 - (v) Increase in profit margin
 - (vi) Increase in cost of land in form of rent or lease
- 4 x 1 = 4mks

23. Measurement approaches

- a) Income approach
 - b) Expenditure approach
 - c) Expenditure approach
 - d) Output approach
- 4 x 1 = 4mks

24. Account debit

- a) Cash a/c
- b) Cash a/c
- c) Purchases a/c
- d) Drawings a/c

Account Credit

- Rent income a/c
- Bank a/c
- Lion Traders a/c
- Bank a/c

8 x ½ = 4mks

25. Types of business environments

- (i) External business environment
- (ii) External business environment
- (iii) Internal business environment
- (iv) External business environment

4 x 1 = 4mks