

KENYA CERTIFICATE OF BASIC EDUCATION (K.C.B.E)

MARKING SCHEME

GRADE 10: BUSINESS STUDIES (Theory) – TERM 1 – JANUARY 2026

SECTION A (60 MARKS)

Answer all questions

1. Functions of money shown in the transaction

- i. **Medium of exchange** – the KSh 200 note is used to buy goods.
- ii. **Measure of value** – the price of the item is expressed in monetary terms.
- iii. **Store of value** – the note held value until it was used.
- iv. **Standard of deferred payment** – allows payments to be made when due.

2. Security features of modern Kenyan currency

- i. **Watermark portrait of a famous Kenyan personality.**
- ii. **Security thread running vertically through the note.**
- iii. **Raised print (tactile features) for the visually impaired.**
- iv. **Hologram images that change when tilted.**
- v. **Unique serial numbers.**
- vi. **Color-shifting ink on some denominations.**

3. Ethical practices by a mobile-money agent

- i. **Maintaining customer confidentiality** (not revealing PINs or balances).
- ii. **Issuing correct receipts and giving correct change.**
- iii. **Handling cash honestly** without theft or fraud.
- iv. **Treating customers respectfully and fairly.**
- v. **Avoiding unauthorized charges or deductions.**

4. Reasons for demanding money even with assets

- i. **To meet daily transactions** such as transport, food, utilities.
- ii. **To take advantage of immediate business opportunities.**
- iii. **To settle emergencies** like illness or accidents.
- iv. **To pay debts or obligations.**
- v. **For convenience** since money is easily divisible and transferable.

5. Roles of money in an economy

- i. **Facilitates buying and selling** (medium of exchange).
- ii. **Acts as a store of value** enabling saving.
- iii. **Serves as a unit of account** for setting prices.
- iv. **Used as a standard of deferred payments** for credit.

6. Factors determining the supply of money

- i. Central Bank monetary policy (printing, withdrawal, interest rates).
- ii. Commercial banks' lending activities.
- iii. Demand for loans by the public.
- iv. Government fiscal policy.
- v. Level of economic activity.

7. Reason for setting business goals

- ✓ To provide direction and purpose for business operations, enabling focus, planning, and progress measurement.

8(a). Financial goal formulation

Goal	Time Frame	Amount Required	Action Plan
Buy a smartphone	4 months	KSh 18,000	Save at least KSh 5,000 monthly, reduce unnecessary spending, keep savings in a mobile wallet

8(b). Benefit of setting financial goals

- ✓ Helps him stay disciplined and avoid overspending.
- ✓ Provides motivation to save consistently.
- ✓ Helps track progress easily.

9. Short-term goals for a small retail shop

- i. Increase daily sales by 10% within 2 weeks.
- ii. Restock fast-moving items weekly.
- iii. Improve shelf arrangement within a month.
- iv. Attract five new customers daily.

10. Unethical behavior related to use of money

- i. Bribery and corruption.
- ii. Counterfeiting or using fake money.
- iii. Failing to give correct change.
- iv. Overcharging customers intentionally.

11. Steps in setting financial goals

- i. Identify financial needs.
- ii. Set a realistic target amount.
- iii. Specify a time frame.
- iv. Develop an action plan (saving, cutting costs).
- v. Review progress regularly.

12. Functions of money when paying school fees

- i. Medium of exchange – paying for education.
- ii. Measure of value – school fees expressed in shillings.
- iii. Store of value – money saved until payment time.

13. Dangers of counterfeit money

- i. **Loss of income for businesses** accepting fake notes.
- ii. **Increase in inflation** due to unregulated money supply.
- iii. **Loss of public confidence in currency.**
- iv. **Legal consequences for innocent victims.**

14. Factors considered when setting business goals

- i. **Available resources** (time, capital, labor).
- ii. **Business environment.**
- iii. **Future business trends.**
- iv. **Business strengths and weaknesses.**

15. Importance of long-term business goals

- i. **Provide long-term vision and direction.**
- ii. **Help businesses plan for expansion.**
- iii. **Guide investment decisions.**
- iv. **Improve financial stability.**

16. Reasons people prefer electronic money

- i. **Convenience** – fast and easy to transact.
- ii. **Safety** – reduces risk of theft or loss.
- iii. **Record keeping** – digital receipts.
- iv. **Enables remote payments.**

17. Ways money facilitates economic development

- i. **Encourages trade and investment.**
- ii. **Promotes specialization and division of labor.**
- iii. **Improves savings and capital formation.**

18. Indicators of proper use of money

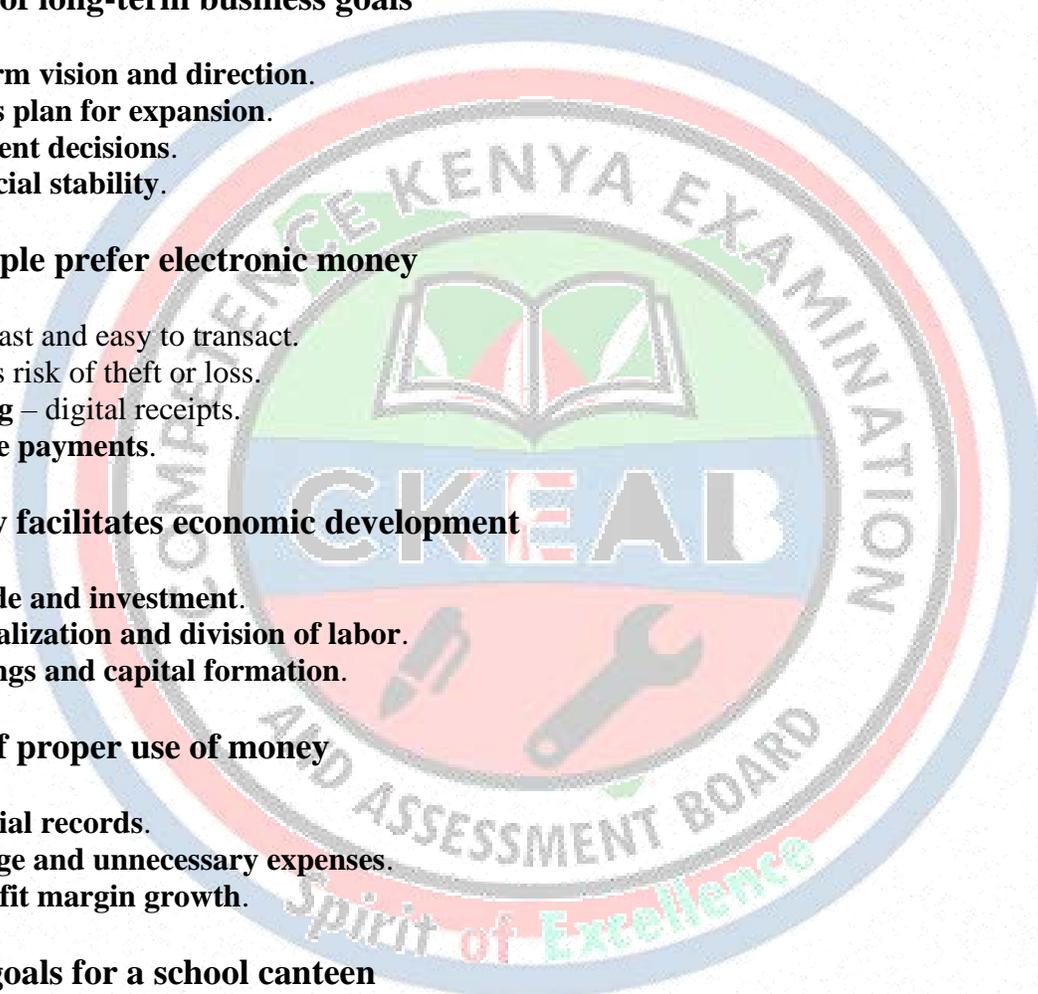
- i. **Accurate financial records.**
- ii. **Reduced wastage and unnecessary expenses.**
- iii. **Consistent profit margin growth.**

19. Long-term goals for a school canteen

- i. **Expanding premises to serve more students.**
- ii. **Buying a large fridge or cooking equipment.**
- iii. **Opening branches in nearby schools.**

20. Reasons increasing demand for money in Kenya

- i. **Increase in population** leading to more transactions.
- ii. **Economic growth and increased trade.**
- iii. **Higher cost of living.**
- iv. **Seasonal activities like school opening.**



SECTION B (40 MARKS)**Answer ALL questions****21. Kimani's Electronics Shop****(a) Functions of money demonstrated**

- i. **Medium of exchange** – customers pay for goods using money.
- ii. **Measure of value** – prices of electronics are expressed in money.
- iii. **Store of value** – money received can be saved for future use.
- iv. **Standard of deferred payment** – used for lay-by or installment plans.

(b) Reasons customers demand money before purchases

- i. **To meet daily needs** (food, transport, bills).
- ii. **To take advantage of business opportunities** such as discounts.
- iii. **To make purchases conveniently.**
- iv. **To settle debts or emergencies.**

(c) Ethical practices Kimani must observe

- i. **Keeping customers' transactions confidential.**
- ii. **Ensuring accuracy when giving change.**
- iii. **Being honest and avoiding cheating.**
- iv. **Using official receipts.**

(d) Negative effects of counterfeit money

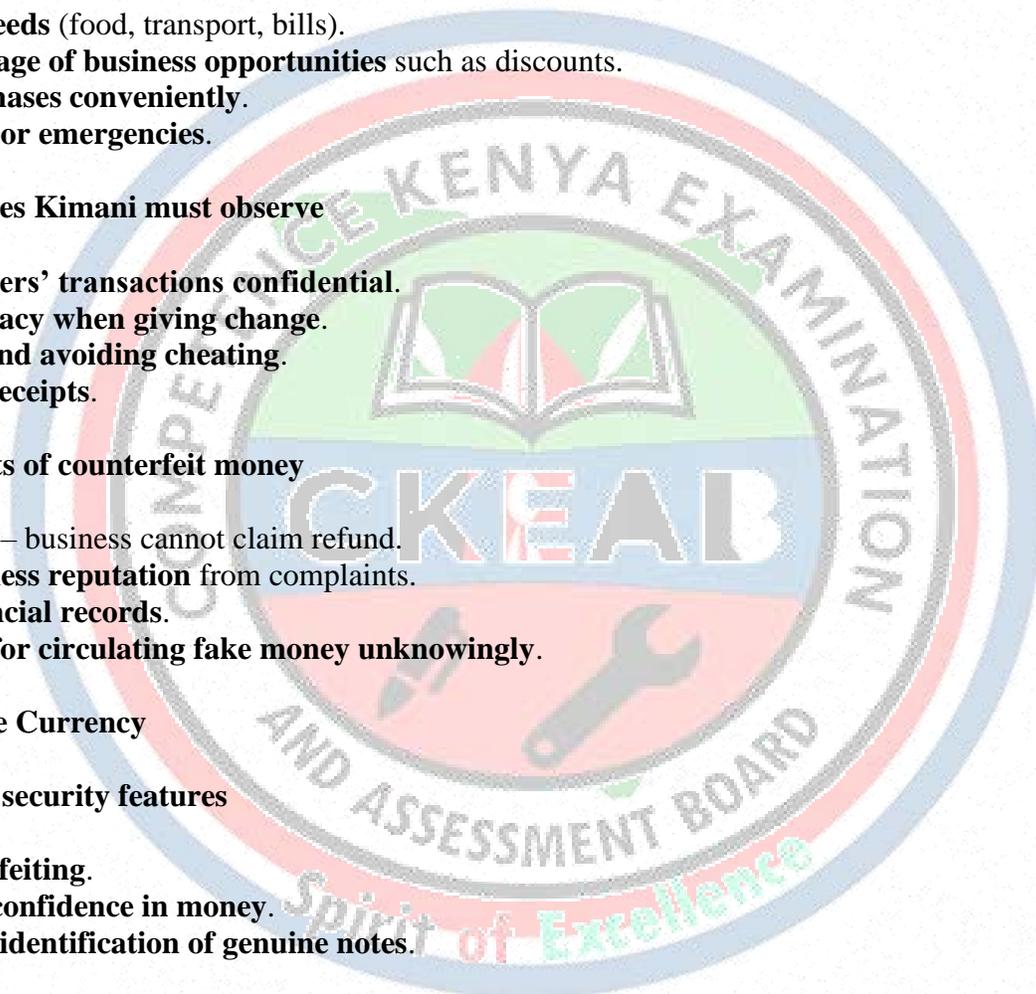
- i. **Loss of revenue** – business cannot claim refund.
- ii. **Damaged business reputation** from complaints.
- iii. **Distorted financial records.**
- iv. **Risk of arrest for circulating fake money unknowingly.**

22. Detecting Fake Currency**(a) Importance of security features**

- i. **Prevent counterfeiting.**
- ii. **Protect public confidence in money.**
- iii. **Facilitate easy identification of genuine notes.**

(b) Security features on Kenyan banknotes

- i. **Watermark portrait of a Kenyan hero.**
- ii. **Holographic band.**
- iii. **Raised / tactile printing.**
- iv. **Security thread with text.**
- v. **Serial numbers.**
- vi. **Glowing features under UV light.**



(c) Dangers of failing to recognize fake currency

- i. **Businesses suffer financial loss** when fake notes are rejected later.
- ii. **Circulation of fake currency increases inflation.**

(d) Ways public ensures they use genuine currency

- i. **Checking for security features before accepting cash.**
- ii. **Using banks and ATMs as sources of genuine notes.**
- iii. **Reporting suspicious currency to authorities.**

23. Money Supply and Economy

(a) Definition of money supply

Money supply is the total amount of money circulating in an economy, including currency in public possession, bank deposits, and electronic money.

(b) Factors determining money supply

- i. **Central Bank policies** (interest rates, printing).
- ii. **Commercial bank lending.**
- iii. **Government borrowing and spending.**
- iv. **Public demand for loans.**

(c) How money supply affects business operations

- i. **High money supply increases customer spending** → higher sales.
- ii. **Low money supply reduces purchasing power** → reduced profits.
- iii. **Influences interest rates**, affecting borrowing costs.

(d) Reasons government regulates money supply

- i. **To control inflation.**
- ii. **To maintain economic stability.**
- iii. **To encourage investment and growth.**

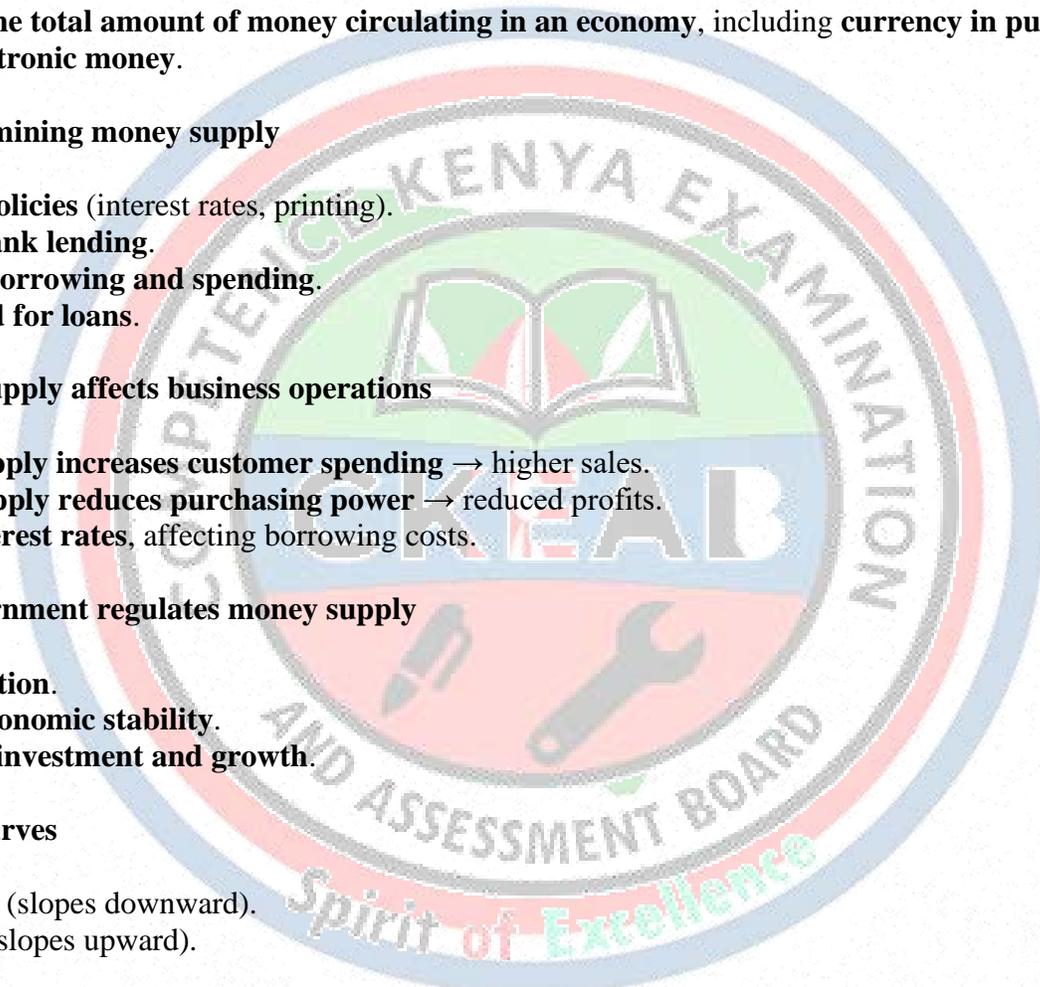
(e) Identify the curves

- A: **Demand curve** (slopes downward).
- B: **Supply curve** (slopes upward).

24. Mary's Tailoring Shop

(a) Importance of setting goals

- i. **Provides direction and purpose.**
- ii. **Helps measure progress.**
- iii. **Motivates business performance.**
- iv. **Facilitates decision-making and planning.**



(b) Factors Mary should consider

- i. **Availability of resources.**
- ii. **Her business skills and abilities.**
- iii. **Customer needs and market trends.**
- iv. **Time available.**

(c) SMART features for her income goal

- i. **Specific** – clearly define the target income.
- ii. **Measurable** – can be tracked monthly.
- iii. **Achievable** – realistic based on capacity.
- iv. **Relevant** – supports business growth.
- v. **Time-bound** – within six months.

(d) Examples of long-term goals

- i. **Opening a larger boutique.**
- ii. **Buying industrial sewing machines.**
- iii. **Launching an online clothing store.**

25. Youth Group Poultry Project**(a) Steps in setting financial goals**

- i. **Identify the financial needs.**
- ii. **Set target amounts.**
- iii. **Determine the time frame.**
- iv. **Develop action plans.**
- v. **Review progress regularly.**

(b) Reasons demand for money rises

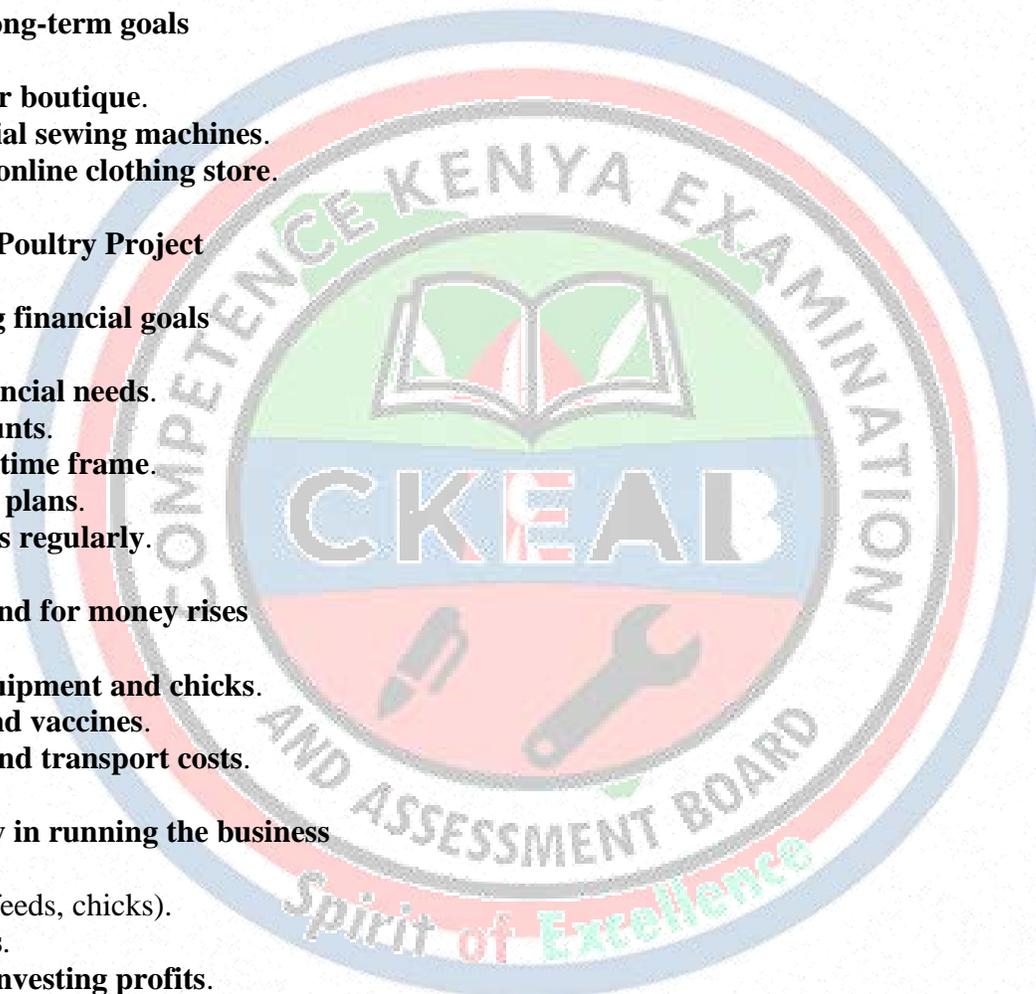
- i. **To purchase equipment and chicks.**
- ii. **To buy feeds and vaccines.**
- iii. **To pay labor and transport costs.**

(c) Roles of money in running the business

- i. **Buying inputs (feeds, chicks).**
- ii. **Paying workers.**
- iii. **Saving and reinvesting profits.**
- iv. **Setting prices and keeping records.**

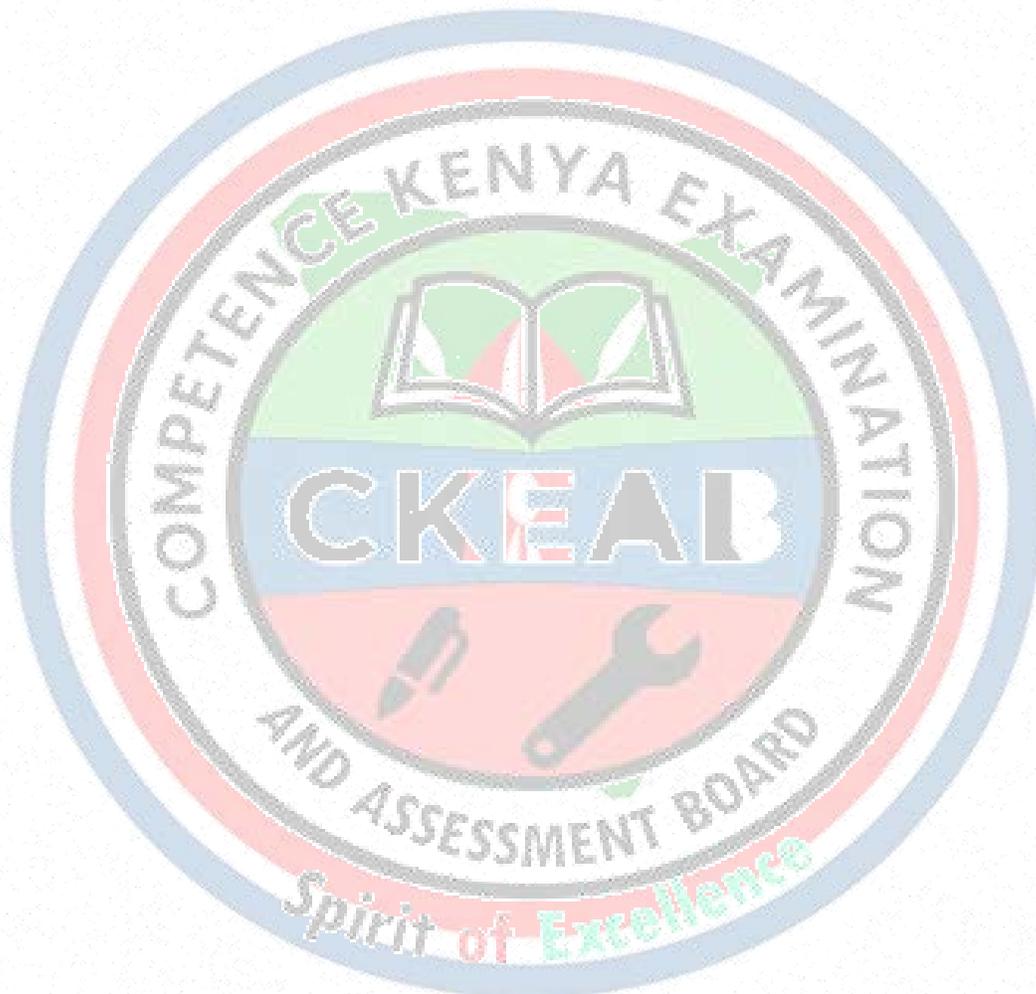
(d) Short-term financial goals

- i. **Raising capital for buying chicks.**
- ii. **Saving for constructing a chicken house.**
- iii. **Purchasing feeders and drinkers.**
- iv. **Marketing the poultry products.**



NOTE TO FACILITATORS (TEACHERS):

The marking scheme provided is not exhaustive. Facilitators are advised to use their professional judgment when awarding marks. Any correct, relevant, and scientifically or contextually acceptable answer that demonstrates understanding of the concepts should be credited. Where examples are required, learners may provide other valid examples apart from those listed in the scheme.



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