

Confidential

565/1

BUSINESS STUDIES

PAPER 1

SEPT/OCT 2021

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KENYA CERTIFICATE OF SECONDARY EDUCATION
BUSINESS STUDIES
PAPER 1**

1. Advantages of a partitioned office layout to the office staff.

- ✓ There is confidentiality
- ✓ Self-esteem/ status symbol is upheld
- ✓ Minimal distraction of work
- ✓ Security of personal belongings is guaranteed
- ✓ Contagious diseases can be easily controlled
- ✓ Is not crowded/is easy to clean /look tidy
- ✓ Idle talk/ gossiping is avoided

4@1=4

2. Resource

- ✓ Farmyard
- ✓ Farm guards
- ✓ Farm owner
- ✓ Livestock

factor reward

- rent
- wage
- profit
- interest

4@1=4

3. Principles of insurance violated

- ✓ Principle of indemnity
- ✓ Principle of insurable interest
- ✓ Principle of proximate cause
- ✓ Principle of subrogation

4 @1 = 4

4. Reasons why business firms participate in conservation of the environment

- ✓ It's a government requirement
- ✓ It's a corporate responsibility
- ✓ It enhances safety of employees
- ✓ It earns a positive public image
- ✓ It enhances the natural beauty of the land
- ✓ It guards raw materials against rapid depletion

4@1=4

5. Measures that a county government may take to improve the quality of its services to the residents of the county

- ✓ Close supervision of the workforce
- ✓ Fair remuneration of employees
- ✓ Adequate staffing/hiring enough workers
- ✓ Hiring/ using qualified (trained) staff
- ✓ Dismissing errant staff
- ✓ Providing equipment/machine for use by the staff
- ✓ Drafting a code of conduct for staff
- ✓ Prompt remuneration of staff
- ✓ Outlawing corruption/fraud

4@1=4

6. Reasons that make human wants difficult to satisfy

- ✓ some are habitual/addictive
- ✓ They vary with time
- ✓ They are competitive
- ✓ They are complementary
- ✓ They occur repeatedly
- ✓ They require resources which are scarce
- ✓ They are unlimited

4@1=4

7. Types of small scale retail business that can be operated without shop

- ✓ Itinerant trading/hawking/peddling
- ✓ Use of automatic vending machine
- ✓ Roadside selling
- ✓ Open air market trading

4@1=4

8. NET PROFIT= CC-IC-I+D

$$=980,000-600,000-300,000+120,000$$

$$=110,000-900000$$

$$=Ksh. 200,000$$

6 @ ½ =3

9. a. Economic agents marked A and B

- I. A---firms
- II. B---households

b. expenditures represented by arrows X and Y

- I. X---expenditure on finished goods
- II. Y---factor reward/payments to factors

4@1=4

10. Advantages of a private warehouse to a manufacturer

- ✓ Any type of goods may be stored
- ✓ User is in full control of its use
- ✓ Procedure for receiving and releasing goods can be relaxed
- ✓ Is designed to appropriately suit the user
- ✓ No storage fee is paid
- ✓ Is located close to the user
- ✓ Goods are kept for as long as the user wishes

4@1=4

11. Disadvantages of using mobile phones for communication in an organization

- ✓ Are prone to abuse/misuse
- ✓ Are easily lost/ misplaced due to small size
- ✓ Have high maintenance cost
- ✓ Are prone to signal failure
- ✓ Are prone to power failure
- ✓ Messages can be tracked/spied

4@1=4

12. Differences between monopoly and oligopoly

Monopoly	Oligopoly
I. Has only one seller (firm)	I. Has a few firms (sellers)
II. Has barriers to entry and exit	II. May have freedom to entry and exit
III. Product promotion is absent/low	III. Product promotion is vigorous/intensive
IV. The firm is independent in its actions	IV. Firms are interdependent in their actions
V. Product sold has no close substitute	V. Products sold have close substitutes
VI. Has no competition for buyers	VI. There is competition for buyers

3@

=3

13. Measures that the central bank can take to reduce inflation in the country

- ✓ Selling government securities to the public
- ✓ Extending/postponing maturity period for government securities held by the public
- ✓ Increasing the size of legal cash reserves of banks
- ✓ Increasing the size of collateral/security for loans
- ✓ Raising the cash/liquidity ratio of banks
- ✓ Lowering the credit ceiling for borrowers
- ✓ Instructing banks to issue loans for only specified enterprises/ purpose
- ✓ Persuading banks to avoid being too generous to borrowers
- ✓ Raising the rate of interest on loans

4@1=4

14. Reasons why government impose revenue on incomes

- ✓ To raise its revenue
- ✓ To redistribute income/wealth equitably
- ✓ To discourage unnecessary/ harmful consumption
- ✓ To reduce inflation/ purchasing power
- ✓ To suppress monopoly in production

4@1=4

15. Circumstances under which a supply curve would shift from S1S1to S2S2 (decrease in supply)

- ✓ When technology used is obsolete/lower
- ✓ When there is an outbreak of natural calamities (drought/diseases/pests)
- ✓ When the cost of farming increases
- ✓ When the price of alternative product is higher
- ✓ When the number of farmers decreases
- ✓ When the government policy is unfavorable
- ✓ When the market is not easily accessible

4@1=4

16.	DR.	CR.
	I. Drawings a/c	purchases a/c
	II. Debtors a/c	sales a/c
	III. Rent a/c	bank a/c
	IV. Cash a/c	bank a/c

8@1/2 =4

17. Disadvantages of pipeline transport

- ✓ It cannot convey solid goods
- ✓ Its unidirectional/ has no reverse journey
- ✓ Initial cost/ cost of construction is high
- ✓ Leakages cannot be detected easily

- ✓ Its inflexible in terms of route
- ✓ Only a single commodity can be transported at a time
- ✓ It reduces chances of employment
- ✓ It's an easy target by enemies during war 4@1=4

18. Salesshs.....1,500,000
 Opening stock..... shs 250,000
Purchases..... shs1,300,000
Mark up25%

i. Mark up $\frac{25}{100}$
 Margin $\frac{25}{100+25} = \frac{25}{125}$
 Gross profit $\frac{25}{125} \times 1,500,000 = \text{Ksh. } 300,000$ 6 @1/2 = 3

ii. Cost of sales = net sales - gross profit
 $1,500,000 - 300,000 = \text{Ksh } 1,200,000$ 4@1/2 = 2 max 5

19. Methods that can be used by Mrs. Obote to increase the volume of sales

- ✓ Attractive display of stock
- ✓ Handling customers well
- ✓ Giving discounts to customers
- ✓ Selling to customers on credit
- ✓ Providing after sale services
- ✓ Providing free gifts
- ✓ Providing free samples 4@1=4

20. Types of unemployment described

- ✓ Hidden unemployment
- ✓ Frictional unemployment
- ✓ Residual unemployment
- ✓ Disguised unemployment

4@1=4

21. Population characteristics of a country that is economically under-developed

- ✓ High birth rate
- ✓ High death rate
- ✓ High population growth rate
- ✓ Low life expectancy
- ✓ Rapid rural-urban migration
- ✓ Low literacy level
- ✓ Low standards of living
- ✓ A declining type of population

4@1=4

22. Reasons why some producer firms carry out production close to the product market

- ✓ It lowers the cost of distributing the product
- ✓ It reduces breakages for fragile products
- ✓ It reduces spoilage for perishable products
- ✓ It enable the producer to exert influence on the market

4@1=4

23. Circumstances under which a manufacturer would not require the services of middlemen

- ✓ When the products are highly fragile
- ✓ When the products are highly perishable
- ✓ When the manufacturer has own retail outlets
- ✓ When production is carried out close to the market
- ✓ When products are sold through tender
- ✓ When products are produced on order (have a ready market)
- ✓ When production is on a small- scale
- ✓ When the products are technical in nature

4@1=4

24. Ways used to classify partners in a business

- ✓ Age of the partner
- ✓ Participation/activities of the partner
- ✓ Contribution of capital
- ✓ Liability borne by the partner

4@1=4

25.

i. P Ksh. 250,000

ii.	Q	Ksh.	180,000
iii.	R	Ksh.	150,000
iv.	S	Ksh.	400,000
v.	T	Ksh.	40,000

5@1=5