

FORM FOUR END OF SECOND TERM EXAM

Kenya Certificate of Secondary Education

BUSINESS STUDIES

Paper - 565/1

July - 2018

MARKING SCHEME

1. Ways in which a firm can increase productivity of its human resources. (4 marks)

- Giving job security.
- Giving job descriptions as per ones' qualification.
- Organizing staff parties.
- Respecting workers' rights such as trade union membership
- According workers good working conditions.
- Giving workers good remuneration.
- Giving workers relevant tools and equipment.
- Providing appropriate training.

(4×1 = 4 marks)

2. Possible consequences of poor arrangement of goods in a warehouse. (4 marks)

- Wastage of space.
- Time wasting when goods are to be released.
- Possible damage and breakages of goods.
- Hard to detect loss of goods through theft.
- Hinder free movement of labour.

3. W = 155,000
X = 73, 600
Y = 138, 600
Z = 335, 620

(1 mark each max 4)

4. Reasons why consumers have to make a choice when satisfying competing wants. (4 marks)

- Scarcity of resources / Limited resources.
- Differences in prices of products.
- Consumers have different tastes / preferences / fashions.
- Government policy on consumption of

goods.

- Human wants are unlimited.
(4×1 = 4 marks)

5. Factors influencing amount of money individual may hold for transaction. (4 marks)

- Individual level of income.
- Individual spending habits.
- Product prices.
- Credit availability.
- Interval between receiving of incomes.
(4×1 = 4 marks)

6. Circumstance in which insurance may refuse to compensate. (4 marks)

- When loss arise due to acts of nature e.g earthquakes.
- When insured did not have insurable interest.
- Where there was no utmost good faithy.
- Incace of late claim not done within stipulated time.
- Where loss occur by deliberate action of insured.
- Where loss did not arise directly from insured risks thus no proximate cause.
(4×1 = 4 marks)

7. Errors not affecting balancing of trial balance. (4 marks)

- Error of total omission.
- Error of commission.
- Error of original entry.
- Error of principle.
- Error of complete reversal of entries.
- Compensating errors.
(4×1 = 4 marks)

8. **Functions of KEBS.** (4 marks)
- Set national quality standards and ensure commodities sold meet the standards through regular inspections.
 - Prosecute / take to court traders who violate standards.
 - Carry out testing of measuring and weighing equipment to ensure they are accurate.
 - Put stamps of approval on products that meet set standards.

9. **Kambo Traders Trading account for the year ended 31 May 2016**

	Sh	Sales	✓ 400,000
Opening stock	✓ 75,000		
+ purchases	✓ 260,000		
	335,000		
+ carriage on purchases	✓ 12,500		
Cost of goods available for sale	347,500		
- closing stock	✓ 27,500		
Cost of sales	✓ 320,000		
Gross profit c/d	✓ 80,000		
	✓ 400,000		
		Gross profit b/d	80,000

$\frac{1}{2} \times 10 = 5 \text{ marks}$

10. **Differences of monopoly and monopolistic competition.**

Monopoly	Monopolistic competition
a) Single seller/supplier	a) Many sellers
b) Price discrimination possible	b) Price discrimination not possible
c) Has barriers to entry of new firms	c) Free entry and exit of firms in the industry
d) Products do not have close substitutes	d) products are differentiated and close substitutes
e) Firms earn supernormal profits in the long run	e) firms earn normal profits in the long run
f) Does not engage in competition and only do informative adverts	f) Engage in price competition and spend highly on persuasive adverts.

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

11. **Equipments used to reproduce documents.** (3 marks)

- Photocopier / photocopying machine.
- Stencil duplicator.
- Printer.

$3 \times 1 = 3 \text{ marks}$

12. **Why Saccos are becoming popular .** (4 marks)

- Encourage members to save.
- Provide loans to members and at a low interest rates.
- Provide dividends to members.
- Loans written off incase a member dies.
- Members' savings doubled and paid to beneficiaries incase a member dies.
- Some Saccos have front office service where they provide banking facilities to members.
- Advice / educate members on the rights and cooperative activities.

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

13. **Documents described.** (4 marks)

- Proforma invoice
- Bill of lading.
- Certificate of origin
- freight note

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

14. **Njogu Enterprises Balance sheet as at 31st Dec. 2017**

Assets	sh	Capital and liabilities	sh
<u>Fixed assets</u>		Initial capital	✓ 248,000
Land	400,000	- drawings	✓ 48,000
<u>Current assets</u>		Final capital	✓ 200,000
Stock	20,000	<u>Liabilities</u>	
Debtors	✓ 40,000	<u>Short term liabilities</u>	
		Bank overdraft	✓ 160,000
		Accrues electricity bill	✓ 100,000
	460,000		460,000

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

15. Non tax internal sources of revenue to government. (4 marks)

- a. Fines imposed by court on offenders.
- b. Rent and rates paid for use of government property.
- c. License fee paid by businesses.
- d. Profits and dividends from government investments.
- e. interests earned on loans advanced by government.
- f. Proceeds from sale of government property.

4 × 1 = 4 marks

16. Market gaps resulting to business opportunity. (4 marks)

- a. Product gap when needed products are not available at all.
- b. Quantity gap when needed products are not enough.
- c. Price gap when consumers are overcharged.
- d. Poor quality gap when poor quality products are being sold.
- e. Poor service gap where poor services are being rendered.

4 × 1 = 4 marks

17. Circumstances of using air transport.

- a. Where goods are urgently required.
- b. Where goods are perishable.
- c. If goods are fragile.
- d. If the distance is long.
- e. If air transport is affordable.
- f. Where goods are expensive/ highly valued.
- g. Where safety is crucial.
- h. Where there are no other means of transport.

4 × 1 = 4 marks

18. Uses of national income statistics.

- a. Measure standard of living.
- b. Compare standard of living in different years and in different countries.
- c. Influence investment decisions.
- d. Help to plan the economy.
- e. Attract foreign aid

4 × 1 = 4 marks

19. Features of mail order shops.

- a. Operate from a designated office with a warehouse.
- b. Receive orders from customers through mail.
- c. Pack goods and deliver them to customers through mails.
- d. Customers make payments through cash with order.
- e. Usually no contact between seller and buyer
- f. Advertise their goods through distributing catalogues to public and through mass media.
- g. Customers are spread in and outside the country.

4 × 1 = 4 marks

20. Reasons why a firm may choose to remain small.

- a. Owners decision to remain small.
- b. If target market is limited or small.
- c. Inadequate appropriate technology.
- d. Small firm is flexible.
- e. Depending on nature of product offered.
- f. Due to limited production capacity.

4 × 1 = 4 marks

21. Limitations of using internet as means of communication.

- a. Expensive to operate / access
- b. Requires constant charging of gadgets used.
- c. Affected by lack of network link.
- d. Prone to attacks by fraudsters / hackers.
- e. Requires knowledge and skills to operate.
- f. Most hardwares used are expensive to acquire.

4 × 1 = 4 marks

22. Distinguishing between:

- a. Immigration and emigration.
Immigration is moving in to an area while emigration is moving away from an area. (2 marks)
- b. Declining population and under population.
Declining population is a population that is continuously reducing while under population is (2 marks)
a population that is below optimum population.

23. Outlining why ethical practices are necessary in product promotion.

- a. Improves business image.
b. Maintain morality of society.
c. Ensure fair competition among business.
d. Protect the environment from degradation.
e. Ensure business comply with the law.
f. Ensure that consumers' interests are protected.

(4 × 1 = 4 marks)

24. Problems that Kenya may experience in implementing development plans.

- a. Over ambitious plans
b. Lack of political good will.
c. Lack of adequate and skilled personnel.
d. Inflation
e. Lack of cooperation among the executing parties.
f. Reliance on donor funding.
g. Failure to involve local people in planning.
h. Natural calamities e.g. floods, droughts, epidemics e.t.c.
i. Lack / Inadequate skilled personnel.
j. Insufficient / Lack of enough funds.

(4 × 1 = 4 marks)

25. Factors that can cause demand pull inflation.

- a. Increase in money supply due to credit creation.
b. Increase in disposable income due to less taxes or high wages.
c. Increase in exports at the expense of domestic supply.
d. Increase in population.
e. Shortage caused by bad weather conditions or hoarding.
f. Decrease in imports due to restrictions.
g. Prolonged industrial unrest leading to low output.
h. Increase in government spending.
i. Increased community spending due to high speculations or advertising.

(4 × 1 = 4 marks)