
KENYA NATIONAL EXAMINATION COUNCIL

KCSE 2007

BUSINESS STUDIES PAPER 1 MARKING SCHEME

Coordinated by KENPRO,
Macjo Arcade, 4th Floor, Suite 15E,
Off Magadi Road, Ongata Rongai | Tel: +254202319748 |
E-mail: infosnkenya@gmail.com | Website: www.schoolsnetkenya.com

24.18.1 Business Studies Paper 1 (565/1)

1.

- Poor quality of good and services /damaged
- Incorrect weights and measures.
- Unfair pricing.
- Poor hygienic conditions.
- Expired goods.
- Non-compliance to building regulations.
- Contra-band items/prohibited goods.
- Harmful goods.
- Hoarding.
- Misleading advertisement.
- Environmental Pollution.
- Technological side effects.
- Breach of Contract.

(4 x 1 = 4 marks)

2.

- (a) Vertical.
- (b) Informal.
- (c) Formal.
- (d) Horizontal

(4 x 1 = 4 marks)

3.

- Commands large financial resources.
- Re-insurance companies are empowered by law to insure other insurance companies. Government has stake in Re-insurance Company.
- Re-insurance company only deals with corporate insurance clients.
- Guarantee compensation.

(3 x 1 = 3 marks)

4.

- Target group: so as to reach the intended group.
- Availability of medium: convenient to use only the medium that is available.
- Cost of medium: savings in method used should be considered.
- Reachability/ geographical: how well the medium reaches the target group.
- Time of promotion: medium that can reach many intended group.
- Medium used by competitors: find the strengths and weaknesses to improve on.
- Speed/urgency.
- Flexibility.
- Quality of promotion medium.
- Physical characteristics of the medium.
- Legal requirements/government policy.
- Nature of the product.
- Duration of the promotion.

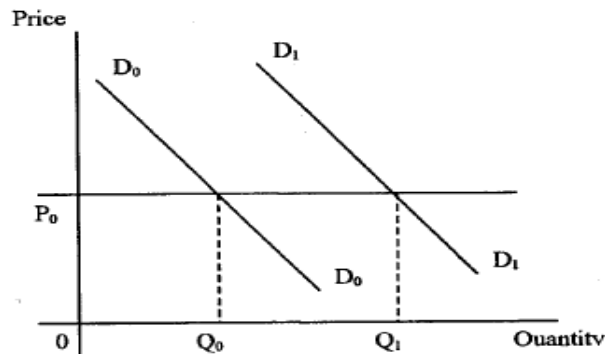
(4 x 1 = 4 marks)

5.

- (a) More cars will be demanded and this would increase the demand for petrol at the same price.

(2 marks)

(b)



More petrol will be demanded as shown by curve D_1D_1

(2 marks)

6.

- Air pollution: causes airborne diseases.
- Water pollution: causes waterborne diseases.
- Noise pollution : causes hearing problems.
- Solid waste pollution: causes many disease.
- Congestion: Congestion created as more people come to look for work (jobs).
- Pressure on available health facilities: demand for health facilities increase.
- Environmental degradation: This may lead to health problems.
- Social evils: Social immorality.
- Occupational hazards.
- Unhealthy production, for example: recycling food in hotels.

(4 x 1 = 4 marks)

7.

- Deficiency of an economically active labour/low labour supply/under utilization of resources.
- Increase in welfare costs (medication/pension).
- Need to import labour that affects the foreign exchange reserves.
- Dependency ratio increase.
- Rigidity to change/Geographical mobility.
- Fall in demand for goods and services required by the youth.
- Less progressive (low savings and low investment).

(4 x 1 = 4 marks)

8.

- (a) Savings Account.
- (b) Current Account.
- (c) Fixed Deposit Account.
- (d) Savings Account.

(4 x 1 = 4 marks)

9.

- (a) Catalogue.
- (b) Invoice.
- (c) Statement of Account.
- (d) Cash sale receipt

(4 x 1 = 4 marks)

10.

- (a) Equilibrium point/ $MC=MR$.
- (b) Marginal cost curve/ MC .
- (c) Average cost curve/ AC .
- (d) Marginal revenue = Average Revenue = Price/Demand.

(4 x 1 = 4 marks)

11.

- Urgency is of importance.
- Goods are perishable.
- Goods are of high value/expensive goods.
- Goods are to be transported over long distances.
- Goods are fragile.

- Where other means cannot be used.
- Where safety is crucial.
- Affordability.

(4 x 1 = 4 marks)

12.

MZALENDO TRADERS
Cash Book
For the month of January 2006

DR

CR

Date 2006	Particulars	Discount Allowed	Cash	Bank	Date 2006	Particulars	Discount Received	Cash	Bank
		Sh	Sh	Sh			Sh	Sh	Sh
Jan 01	Balance		1800	170000	Jan 10	ABM Traders	1000		2400
16	Sales	700	13300		31	Bank (c)		26100	
31	Cash (c)			26100	31	Balance c/d		5200	172100
		700	31300	196100			1000	31300	196100

(10 x ½ = 5 marks)

13.

- The business maintains a continuous supply of goods.
- Customers are retained as they are sure of getting the goods on demand.
- Goods are safe from theft.
- Savings increase for not renting storage facilities.
- Goods can be processed in the warehouse.
- Has control over warehouse operations.
- It can be tailored to suit one's specifications.

(4 x 1 = 4 marks)

14.

- Sales Journal.
- Purchase Journal.
- Sales Returns Journal.
- Purchase Returns Journal.

(4 x 1 = 4 marks)

15.

KERUBO TRADERS
Trading, Profit and Loss Account
For the year ended 31 December 2005

Sh	Sh
Opening Stock <u>24,000</u>	Sales 442,500
Purchases 370,000	
Less: clg stock <u>40,000</u>	
354,000	
Cost of Goods sold	
Gross Profit <u>88,500</u>	
Carriage on Sales <u>442,500</u>	<u>442,500</u>
Other expenses (10% of G.P.) 8,850	Gross Profit b/d 88,500
Net Profit 67,650	
<u>88,500</u>	<u>88,500</u>

(10 x ½ = 5 marks)

16. Consumer price index for year 2001, 2001 and 2003

<i>Year</i>	<i>Consumer Price Index (Cpi)</i>	
▪ 2001	53/47x 100 = 112.77	
▪ 2002	62/47x 100 = 131.91	
▪ 2003	74/47x 100 = 157.45	(6 x ½ = 3 marks)

- 17.
- Instructing commercial banks to only lend in priority areas/selective credit control.
 - Practising domestic borrowing/open market operations.
 - Increasing interest rates on loans advanced by commercial banks/bank rates.
 - Requiring that commercial banks maintain a cash ratio.
 - Liquidity ratio.
 - Special/compulsory deposits.
 - Moral persuasion.
 - Direct Action (directives).
- (4 x 1 = 4 marks)

- 18.
- | | <i>Goods</i> | <i>Services</i> |
|-----|--|--|
| (a) | Goods are tangible. | Services are intangible. |
| (b) | Quality can be standardised. | Quality of services varies. |
| (c) | Goods can be stored. | Services cannot be stored. |
| (d) | Goods can be separated from the owner. | Services cannot be separated from the owner. |
| (e) | Goods are paid for ownership. | Services are paid for experience. |

(8 x ½ = 4 marks)

- 19.
- Different uses in which capital can be put into/degree of specialization.
 - Amount of capital available.
 - Skills and knowledge to operate capital.
 - Government Policy (regulations).
 - Government goodwill (support).
 - Time taken to modify.
 - Reward offered.
 - Nature of Capital (some are fixed or liquid).
 - Cost of moving capital.
 - Time capital has been in current use.
 - Infrastructure e.g. road transport etc.
- (4 x 1 = 4 marks)

- 20.
- Supervision enhanced.
 - Resources are evenly shared.
 - Savings on space.
 - Easier/cheaper to construct.
 - Inter-personal relationship.
 - Workflow made easy.
 - Service delivery enhanced.
 - Re-organisation is easier and cheaper.
 - Easier to communicate.
 - Cheaper to decorate.
 - Cheaper to maintain.
 - Optimum use of resources.
- (4 x 1 = 4 marks)

- 21.
- Ensuring that appointment for senior and technical posts are done on merit.
 - Exercising the supervisory role of the Government.
 - Continuous training of staff for development.
 - Setting performance targets to be achieved.
 - Establishing incentive systems for motivation.
 - Introducing modern technology.

- Creating public awareness.
 - Reducing political interference.
 - Restructuring the corporations (retrenching and rationalization).
 - Reducing monopolistic tendencies. (4 x 1 = 4 marks)
- 22.
- Exchange their surplus/ specialities.
 - Acquire goods they are unable to produce/services.
 - Enhance international relations.
 - Acquire much-needed foreign exchange.
 - Exchange skills and knowledge of producing certain goods.
 - Acquire variety of goods and services.
 - Acquire goods of improved quality.
 - When it is cheaper to import.
 - To create employment.
 - To exploit resources optimally as there is need.
 - Exchange mobility of factors to productions.
 - Wider market. (4 x 1 = 4 marks)
- 23.
- Saves time.
 - Withdrawals can be made at any time.
 - Conveniently placed.
 - Access to account balances/information.
 - Can pay utility bills.
 - Deposits can be made at anytime.
 - Some ATM cards can be used to buy goods/service.
 - Cheaper to operate.
 - Safe to use.
 - Highly portable.
 - Withdrawals can be made on one's behalf. (4 x 1 = 4 marks)
- 24.
- Industrialization.
 - Infrastructure/social amenities.
 - Research and development/planning.
 - Education and training.
 - Use of modern technology/capital.
 - Good medical facilities.
 - Good governance/ Government Goodwill.
 - Economic endowment/Natural resources.
 - Presence of a strong entrepreneurial culture (creation of employment). (4 x 1 = 4 marks)
- 25.
- Political.
 - Economic.
 - Social-cultural.
 - Technological.
 - Legal structures.
 - Geographical/physical.
 - Demographic/population.
 - Suppliers of raw materials.
 - Competitors.
 - Customers.
 - Intermediaries.
 - Publics, for example: media lobby groups. (4 x 1 = 4 marks)