

**KENYA NATIONAL EXAMINATION COUNCIL**

# **KCSE 2009**

**BUSINESS STUDIES**

**PAPER 1**

**MARKING SCHEME**

**AVAILABLE ONLINE AT:**

## **Schools Net Kenya Consultancy**

**P.O. Box 8076 – 00200 Nairobi, Kenya | Tel: +254202319748**

**E-mail: [infosnkenya@gmail.com](mailto:infosnkenya@gmail.com) | [www.schoolsnetkenya.com](http://www.schoolsnetkenya.com)**

**1. Factors that may affect the geographical mobility of labour include:**

- i. Unfavourable climatical conditions
- ii. Language barriers
- iii. Job security
- iv. Relocational costs
- v. Inadequate information about job opportunities elsewhere
- vi. Social tips/relatives/family
- vii. Security of the place
- viii. Political stability
- ix. Government policy (immigration rules)
- x. Age
- xi. Social amenities (Schools, hospitals)
- xii. Cost of living
- xiii. Availability of infrastructure
- xiv. Rewards (salaries) any 4x1= 4 mks

**2. Commercial attaches promote trade in the following ways:**

- i. Assisting business people to participate in external trade fairs/2 x hibitions
- ii. Conducting market research for local products
- iii. Looking for new markets
- iv. Educate local traders on trade opportunities
- v. Organize educational tours to abroad
- vi. Inform exporters on the standards/price of goods/services
- vii. Promote good relationships among trading countries

- viii. Publish and advertise their countries export
- ix. Keep statistics of products
- x. Make detailed report in commercial activities
- xi. Select buyers/agents/distributors of country
- xii. Carry out market research
- xiii. Improve the company's image

3. **Measures that may be taken to reverse declining sales include**

- i. Ensure that the product reaches the target market
- ii. Redesign the salient product features
- iii. Improve the quality of the product
- iv. Provision of information on alternative uses
- v. Lower the price of the product
- vi. Ensure that the product meets the taste and preference of target group
- vii. Review the production strategy
- viii. Diversify the use of product

4. **The type of demand represented by statements are:**

- i) Derived demand
- ii) Joint demand/complimentary

5. **Determination of Net worth of Saku traders**

Net worth = Total assets- Total liabilities

$$X = (300,000 + 123,700) - (125,000 + 84,500)$$

$$X = 423,700 - 209,500$$

$$\text{Net worth} = 214,200$$

(4x1= 4 mks)

6. **Type of journals referred to are:**

- i. Sales Returns journal/returns immunnals
- ii. Purchases Journal/Creditors Journal /bought journal
- iii. Crash receipt/Journal proper
- iv. General journal/Journal proper

7. **Reasons why it is beneficial to borrow from non-bank financial institutions**

- i. Gives long term loans
  - ii. Provides finance for capital development/specific projects
  - iii. Low interest rates
  - iv. Assist in management of the project.
  - v. Accept lowers vollateral values
  - vi. Give a longer grace period
- Any 2 x2 = 4mks)

8. **Items that may appear on the credit side of the current account of a country**

**Include:**

- i. Receipts from export of goods/visible export
  - ii. Receipt from export of services/invisible exports
  - iii. Receipt from investment abroad
  - iv. Deficit balance.
- 4 x1= 4 mks

9 **Benefits that may accrue from political stability include:**

- i. High probability of achieving set goals (increased sales/increased production)
- ii. Easy to obtain capital for expansion
- iii. Cost of operation of business is low

- iv. Accessibility to the market is enhanced
- v. Continuous production activities
- vi. Easy to invest anywhere in the country/local or foreigner's
- vii. Accessibility to raw materials

**10. Measures to stop emission of toxic wastes into neighborhood include:**

- i. Publicize the malpractice
- ii. Take legal action/sue the firm
- iii. Report to national environmental Management Authority(NEMA/Relevant authority
- iv. Education the neighbours on their rights.
- v. Boycott the firms products
- vi. Carry out demonstrations against the firm

**11. Factors to consider in the choice of a means for transporting perishable goods**

- i. Unit value of the product/cost of goods
- ii. Distance to cover/destination/speed
- iii. Specialized facility
- iv. Cost of transport
- v. Urgency required at the destination/speed
- vi. Volume/quantity
- vii. Availability of the means. (1 x4=4 mks)

**12. Circumstances under which face to face communication may be ineffective.**

- i. Where there is age difference
- ii. Where the language has semantic problems/different languages

- iii. Where there exists a difference in frame of reference
- iv. Where the credibility of the communicating parties is in question/negative attitude/bias/prejudice
- v. Where the receiver has a problem in hearing/hearing intransparent
- vi. Unfamiliar/difficult terminologies
- vii. Noise
- viii. Poor listening
- ix. Pronunciation problems
- x. Timing
- xi. Inability to understand gestures
- xii. Emotional responses shyness/ fear etc

**13. Benefits that accrue to a firm located near existing firms:**

- i. Enjoyment of existing infrastructure
  - i. Access to labour
  - ii. Access to raw materials
  - iii. Collaboration with existing firms' e.g. research & development
  - iv. Auxiliary services
  - v. Access to markets
  - vi. Access to security
  - vii. Social amenities

(4x1= 4mks)

**14. Steps that can be taken to minimize expenditure on petrol include:**

- i. Pooling people who are traveling to same direction

- ii. Use of alternative sources of energy/footing/bicycled
- iii. Encourage public service vehicles with higher carrying capacity/fuel saving engine
- iv. Encourage use of vehicle/machines with a lower engine capacity /fuel saving engine
- v. Set maximum price legislation
- vi. Reduce tax on the product/subsidies
- vii. Improve road networks
- viii. Increase tax on complementary goods
- ix. Encourage machine maintenance
- x. Swift off when not in use

**15. Reasons why an increase in per capita income may not lead to a rise in standard of living include:**

- i. Per capita income is an average and hence a mere statistics
- ii. Per capita figures may be high but income may be unevenly distributed.
- iii. Those not involved in the generation of the national income are also included in the calculation
- iv. Generation rise in the price of commodities/inflation may affect the purchasing power of the citizen.
- v. High taxes may erode the real value of per capita income
- vi. May be obtained through a strain on people's health
- vii. Expenditure pattern by the government/individual serving debts.

**16. Purchases for the year.**

Total Creditors a/c

		Sh.	Sh
Discount received	12,000	Balance b/d	465, 000
Returns outwards	25,000	Purchases	1,712,000
Cash paid	1,500,000		
Balance c/d	640,000		
	<u>2,177,000</u>		<u>2,177,000</u>
Credit purchases	1,712,000		
Cash purchases	<u>800,000</u>		
Total Purchases	<u>2,512,00</u>		

10x ½ 5 mks

**17. Circumstances which would make an office manager to replace an existing machine with a modern one include:**

- i. Obsolescence- has outlived its usefulness
- ii. Where a faster machine is required
- iii. Where maintenance a costs are higher than cost of acquiring modern machine
- iv. Where there is need for increased production
- v. Where training skills have changed
- vi. Where high quality works is required
- vii. Where he wants to save on labour
- viii. Where there is need to improve image of company



- ix. If the new one is capable of multiple use
- x. If the new machine will save on space/storage
- xi. If the machine is capable of reducing fraud

**18. Reasons for popularity of hypermarkets in Kenya include:**

- i. Easily accessible
- ii. One stop shop-A range of goods and services may be obtained
- iii. Parking space is available of auxiliary services
- iv. Operates for longer hours
- v. Accept debits/Credit cards
- vi. Attractive & convenient to shop in
- vii. Saves on land rates/ space
- viii. They offer sales services
- ix. Security guaranteed
- x. Located away from city hassles
- xi. Availability of auxiliary services. 4 x 1 =(4 mks)

**19. Factors that may have contributed to the trend between S and T include:**

- i. Improved health facilities/health education
- ii. Lower mortality rate/death rates
- iii. Improved standard of living
- iv. Improved fertility rate /birth rates
- v. Improvement in diet and nutrition
- vi. Immigration from other countries
- vii. Early marriages

- viii. Negative attitude towards family planning
- ix. In affective family planning method
- x. Cultural/religious practice favour of many children
- xi. Absence of calamities epicones, wars/politics
- xii. Absence of calamities epicones, wars /politics
- xiii. Ignorance/ lack of family planning methods
- xiv. Establishment of policies that increase population.

20.

Kazim's

#### Petty Cash Book for the first week of April

Receipts	Date	Details	Total	Cleaning	Stationery	Bus fare
2570	2007 April 1	Sh Balance b/d	Sh	Sh	Sh	Sh
	2	Cash				
	3	Cleaning Materials	3070			
	4	Bus fare	2000			2000
	6	Stationery	2200		2200	
			7270	3070	2200	2,200
			5730			
1300			13,000			

10 x ½ =5 mks

-Emphasis on details

- 13000-must appear to balance

21. Circumstances under which business enterprises may choose to merge:

- i. Where persistent decline in profitability exists
- ii. Where there is intention to venture into new line
- iii. Where there is need to expand capital base
- iv. Where there is need to bring on board new skills/competences
- v. Where there is need to share research information
- vi. Control output
- vii. Control a wider market /increase sales
- viii. Lower the cost of production (e.g. raw materials labour etc)
- ix. Either to face emergencies /kibken
- x. When there is too much competition
- xi. Diversification

22. i) Capital employed = CE = FA +CA – CL

$$= 400,000 + 120,000 - 60,000 = \text{sh. } 460,000$$

$$\text{Return on CE} = \frac{\text{NP}}{\text{CE}} \times 100 (= \frac{100,000}{460,00} \times 100) = 21.7\%$$

ii) Current Ratio =  $\frac{\text{Current Assets}}{\text{Current liabilities}}$

$$= \left( \frac{20,000}{60,000} \right) = 2:1$$

**23. Factors before incurring public expenditure**

- i. Maximum social benefit/equity
- ii. Waste must be discouraged/economy
- iii. Flexibility/elasticity – possibility to vary expenditure according to the circumstances.
- iv. Sanctions-expenditure must be determined by a certain authority

- v. Sound financial administration-accuracy and systematic/certain

(4 mks)

24. **Benefits of privatization of public corporations**

- i. Government obtains revenue from proceeds/ sale of shares
- ii. Offers opportunities for private citizens to participate in business
- iii. To enhance efficiency in the management
- iv. Reduce government expenditures
- v. Obtain revenue from taxes
- vi. Attain foreign aid
- vii. Attract foreign investment

25. Compensation claims

$$\frac{\text{Sum insured} \times \text{loss}}{\text{Actual value}}$$

$$\frac{\text{Shs. } 800,000 \times 1,000,000}{\text{Shs. } 1,000,000}$$

$$= 800,000$$

(4 mks)