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**KENYA NATIONAL EXAMINATION COUNCIL**  
**REVISION MOCK EXAMS 2016**  
**TOP NATIONAL SCHOOLS**

**MANG’U HIGH SCHOOL**  
**BUSINESS STUDIES**  
**THEORY**  
**Paper 1**  
**MARKING SCHEME**

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# **MANG'U SCHOOL KCSE TRIAL AND PRACTICE EXAM 2016**

## **BUSINESS STUDIES PAPER 1**

### **MARKING SCHEME**

1.
  - Number of employees
  - Volume of output
  - Floor area covered
  - Capital invested
  - Production method used
  - Market served
  - Sales volume
2.
  - Poor location
  - Insufficient capital
  - Stiff competition
  - Poor management
3.
  - Does not cater for illiterate
  - Message may be read only once because people are used to newspaper for that particular Place
  - May not reach the rural areas where transport system is very poor
  - Expensive to book a space in the newspaper
4.
  - Too many to satisfy
  - Limited resources
  - Problem of lending one to satisfy first
  - Habitual
  - Repetitive
  - Change with time
  - Age and gender
5.
  - Reliable
  - Fast / quick
  - Secure
  - Flexible
6.
  - Create employment
  - Outlet for new invention among the people
  - Income generation
  - To be own boss
  - Offering special services
  - Proper utilization of space time
7.
  - Make – up = 25%
  - Margin = 20%
  - $\text{Margin} = \frac{20}{100} \times 600,000$
  - G.P = SH 120, 000
8.
  - If the country is enclosed with a lot of natural resources
  - If it lacks sufficed production skills
  - To venture in to manufacturing
  - Where the natural resources (raw materials) set a high prices at the international market.
  - Incase it has good trade relationship with partners
  - If a strong indigenous culture exists favouring local extraction industries.
  - Where climatic factor favour a certain product.

9.

Commercial bank	NBF
<ul style="list-style-type: none"> <li>- Clear cheques</li> <li>- Give short-term loans</li> <li>- Give loans for variety of purpose</li> <li>- Offer current account facilities</li> <li>- Provides means of payment</li> <li>- Exchange foreign currency</li> </ul>	<ul style="list-style-type: none"> <li>- Do not clear cheques</li> <li>- Give long-term loans</li> <li>- Give loans for specific of purpose</li> <li>- No current account facilities</li> <li>- Do not Provides means of payment</li> <li>- Do not exchange foreign currency</li> </ul>

## **SECTION B**

10. - Paye must be named
  - Date for payment must be determined
  - Should be unconditional
  - Amount of money should be clearly indicates
  - Bear a revenue stamp
  - Should be signed by the drawer
11. - Food and drugs act
  - Trade description act
  - Consumer safety act
  - Weight and measure act
  - Setting standards for products
  - Public health act
  - Licensing
  - Price legislation
12. - A contract of indemnity
  - Has no surrender value
  - Premiums change depending on the degree of risk being covered
  - Short term contract
  - Can not be assigned to somebody else.
  - Compensation is pegged on the maximum value of the property
13. - Accessibility
  - Space
  - Electricity
  - Security
  - Availability of communication networks
14. - Minimises the risk of loss or damage
  - Saves time / labour in loading and offloading due to use of machines.
  - Special containers are available for goods requiring special attention
  - Insurance premiums are low for risks are less.
  - Reduce congestion on roads
  - Space is saved when containers are used
  - Containers are fitted with devices which make movement and handling easy.
15. - High price of production
  - Heavy taxation
  - Decrease in population
  - Decrease in price of substitutes
  - Decrease in consumer incomes.
16. - Raise revenue for government expenditure
  - Discourage consumption of harmful products
  - Protect local industries by discouraging importation of certain goods
  - Reduce income inequalities in the country
  - Control inflation by reducing money supply.

- Encourage delocalization of industries by taxation urban people more.
- Correct balance of payment by taxing inputs higher.

17. Munyasia store  
Balance sheet

	As at 15 <sup>th</sup>	April 2005	shs
Fixed assets		Capital	260,000
Buildings 200,000		Loan form	
Motoruan 35,000		HFCK	100,000
235,000		Creditors	24,000
Current Assets			
Stock 22,000			
Debtors 6,000			
Cash at bank 85,000			
Cash at hand 36,000			
149,000			
	<u>384,000</u>		<u>384,000</u>

18. - Minirial distribution of office workers by movement
- There is privacy to staff
  - Possible to separate office staff of various levels and status.
  - Makes easier to monitor use of office equipment
  - Gives organized appearance
19. - 48,000
- 193,450
  - 16.,031
20. - Language barrier
- Difference in weights and measurement leading to complication in transactions
  - Difference in currency value
  - Long distance involved
  - Immobility of factors of production
  - Restrictions and controls imposed by different countries eg quotas, tariffs and exchange controls.
  - Exporters and importers lacking knowledge of foreign markets.

21.

Dr	Cr
Bank	Cash
Salaries	Bank

22. - Difficult to obtain accurate figure peoples expenditure
- Difficulty in estimating expenditure of substance consumption
  - Difficulty in obtaining accurate figure on expenditure for citizens of a country who live abroad.
  - Difficult to estimate depreciation.
  - Problem of double unity
  - Fluctuation of exchange rate especially in evaluating inputs and exports.
  - Problem of differentiating intermediate and finished products.

23.

- |                  |                             |
|------------------|-----------------------------|
| -Source document | -Book of original entry     |
| -Invoice         | - Purchases returns journal |
| -Invoice         | -Purchases journal          |

24.

- Tertiary
- Primary

- Secondary
- Primary
- 25. - Encourage formation of multinational corporations
- Earns revenue to the government.
- Enables integration of important function eg production
- Unification and integration of industrial activities across the countries.
- Opens opportunities for business ownership by people in various countries.
- Enables collaboration of firms in different countries in respect to trade areas.
- Facilitates applications of better technology for improved and cheaper products.