
KENYA NATIONAL EXAMINATION COUNCIL
REVISION MOCK EXAMS 2016
TOP NATIONAL SCHOOLS

MOI GIRLS ELDORET
BUSINESS STUDIES
THEORY
Paper 1
MARKING SCHEME

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MOI GIRLS ELDORET KCSE TRIAL AND PRACTICE EXAM 2016

BUSINESS STUDIES PAPER 1

MARKING SCHEME

1. Macro – Environmental factor

- (a) Legal – Political environment
- (b) Economic environment
- (c) Competitive environment
- (d) Cultural environment **(4 x 1 = 4mks)**

2. Reasons why discounts are granted

- (a) Influence the buyer to purchase goods in bulk
- (b) Providing profit margins to other traders
- (c) Encourage credit customers to pay their debts promptly
- (d) Encourage off-season purchase of goods or services. **(4 x 1 = 4mks)**

3. Factors considered before incurring public expenditure.

- (a) Whether the expenditure is sanctioned or approved by the relevant authority
- (b) Whether the expenditure provides maximum social benefit'
- (c) Flexibility of expenditure to meet prevailing economic situations
- (d) How economical the expenditure is to avoid wastage
- (e) Whether there is proper financial management / maintenance of proper records. **(Any 4 x 1 = 4mks)**

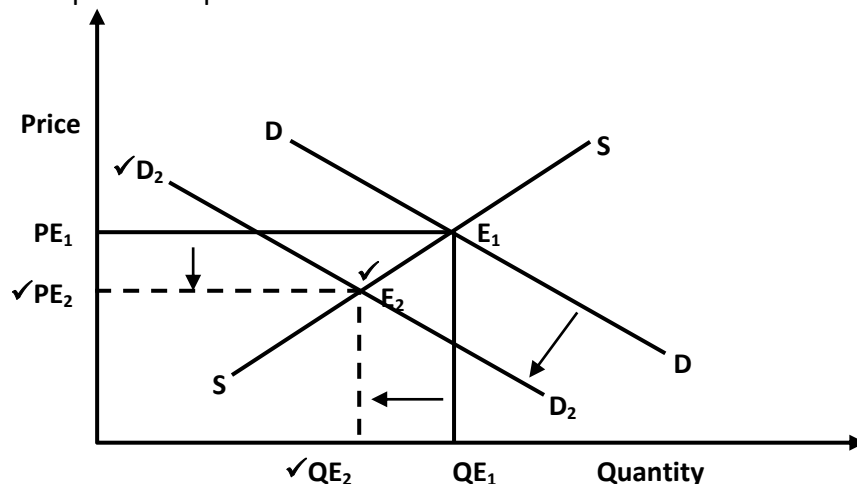
4. Measures taken to control cost push inflation

- (a) Reducing tax on production
- (b) Subsidizing production
- (c) Controlling wages and salaries
- (d) Price controls
- (e) Restricting imports **(Any 4 x 1 = 4mks)**

5. Characteristics of a partnership

- (a) Formed by a minimum of two partners and maximum of twenty partners
(professionals are allowed up to fifty partners)
- (b) Partners have unlimited liability with the exception of limited partners.
- (c) Has no perpetual existence
- (d) Share profits equally or in proportion to ones capital contribution
- (e) Contribute capital equally or as per agreement
- (f) Actions of a partner on behalf of others is binding
- (g) Controlled by the Partnership Act. **(Any 4 x 1 = 4mks)**

6. Effect on equilibrium position due to a decrease in demand.



(4 x 1 = 4mks)

7. Reasons why it is advisable to take an endowment policy instead of a whole life policy.

- (a) Premiums are paid only during an agreed period
- (b) Compensation is paid after the expiry of an agreed period
- (c) Assured benefits unless death preceeds the expiry of the agreed period
- (d) Acts as a saving plan for future investment (4 x 1 = 4mks)

8. Disadvantages of a long chain of distribution

- (a) Leads to increased prices of goods
- (b) There is likelihood of delay of goods
- (c) There are chances of damage of goods
- (d) Perishable goods go bad due to delay (4 x 1 = 4mks)

9. Differences between economic growth and economic development

	Economic growth		Economic development
a)	An increase in the size of a country's national income	a)	An increase in the size and quality of a country's national income.
b)	Number of people living in absolute poverty can increase despite increase in national income	b)	Number of people living in absolute poverty does not increase
c)	Increase in national income could be due to increase in incomes of only a few people.	c)	Increase in national income is attributed to general increase of incomes of majority of people in a country
d)	No tendency to bridge the gap between the rich and poor	d)	Tends to bridge the gap between the rich and the poor.

(4 x 1 = 4mks)

10. Limitations of national income statistics in comparing standards of living in different countries.

- (a) Different currencies making conversion tedious
- (b) Different goods and services may be used in computing national income
- (c) Disparity in distribution of income
- (d) Different needs and tastes of people living in different countries may not give a true and fair picture of the standard of living. (4 x 1 = 4mks)

11. Features of Itinerant traders

- (a) Are very persuasive
- (b) Their prices are not controlled
- (c) Are found mainly in densely populated areas
- (d) Move around selling their goods (4 x 1 = 4mks)

12. Tax system

- (a) Proportional tax
- (b) Progressive tax
- (c) Regressive tax (3 x 1 = 3mks)

13. Document used in International trade

- (a) Certificate of origin
- (b) Consular invoice
- (c) Indent

- (d) Proforma invoice (4 x 1 = 3mks)
14. Advantages of a systematic arrangement of goods in a warehouse
- (a) Breakages of goods would be minimized
 - (b) Pilferage of goods would be reduced
 - (c) Space available would be properly utilized
 - (d) Easy to do stock taking
 - (e) Contamination of goods would be reduced
 - (f) Accessibility would be enhanced (any 4 x 1 = 4mks)
15. Determination of Gross profit and Rate of Turnover
- (a) Gross profit
- $$\text{Margin} = \frac{\text{Gross Profit}}{\text{Sales}}$$
- $$\left\{ \frac{25}{100} = \frac{\text{Gross Profit}}{\text{sh.900000}} \right\} \checkmark$$
- $$\text{Gross profit} = \frac{\text{sh.900,000}}{4} = \text{sh.225000} \checkmark$$
- (b) Rate of turnover = $\frac{\text{Cost of sales}}{\text{Average stock}}$
- Cost of sales = sales – Gross profit
= sh.900000 – sh.225000 = sh.675000 ✓
- $$\text{Average stock} = \frac{\text{Opening stock} + \text{closing stock}}{2} = \frac{\text{sh.75000} + \text{sh.25000}}{2}$$
- $$= \frac{\text{sh.100000}}{2} = \text{sh.50000} \checkmark$$
- $$\text{Rate of turnover} = \frac{\text{sh.675000}}{\text{sh.50000}} = 13.5 \text{ times} \checkmark$$
- (5 x 1 = 5mks)

16. Preparation of profit and loss account

East Traders
Profit and Loss Account
For the period ending 30.6.2011

Dr.			Cr.
Rent	7,500✓	Gross profit b/d	14,300✓
Bad debts	5,000✓	Rent received	4,200✓
Insurance	2,000✓	Commission received	3,500✓
Net profit c/d	7,500✓		
	<u>22,000</u>		<u>22,000</u>
		Net profit b/d	7500✓

(8 X ½ = 4mks)

17. Ways in which the government may promote local trade

- (a) Advising business people on matters such as legal formalities
- (b) Training business persons on appropriate ways of carrying out business
- (c) Offering business persons financial assistance to enable them to start and run their Businesses.

- (d) Providing incentives such as tax exemptions to encourage local businesses
 - (e) Organising shows, trade fairs and exhibitions through which local traders may promote their goods and services.
 - (f) Creating an enabling environment for businesses to thrive
- (Any 4 x 1 = 4mks)

18. Features of oligopoly

- (a) Industry is dominated by few large sellers
 - (b) There is interdependence between the firms/ mutually interdependent
 - (c) Products are usually differentiated or homogeneous
 - (d) Firms practice non-price competition
 - (e) There is usually collusion in industry
 - (f) There are barriers to entry
- (Any 4 x 1 = 4mks)

19. Book of original entry

- (a) Sales returns / Return inwards journal
 - (b) Purchases journal
 - (c) Purchase returns / return outwards journal
 - (d) General journal
- (4 x 1 = 4mks)

20. Circumstances under which sign language would be appropriate

- (a) Where there is no common verbal language
 - (b) Where one party is deaf or dumb
 - (c) Where there is a lot of noise / interruption
 - (d) Where silence must be observed
 - (e) Where there is need to emphasize / reinforce verbal communication
 - (f) Where meaning of the signs is well understood by the two parties.
 - (g) Where it is the only means of communication
- (Any 4 x 1 = 4mks)

21. Effects of an ageing population

- (a) Old people tend to provide a less mobile labour force
- (b) Low labour supply is likely as old people tend to be less productive
- (c) High dependence of old people on working population

(d) Society becomes less progressive as it lacks the input of the energetic youth

(e) May lead to unemployment due to fall in demand for goods and services required by the Youth (Any 4 x 1 = 4mks)

22. Factors that inhibit entrepreneurial development

- (a) Unfavourable government policy e.g high tax
 - (b) Poor infrastructure such as roads, power supply and water systems
 - (c) Lack of relevant education and skills
 - (d) Lack of market
 - (e) Lack of resources such as capital, human resources, physical resources and technology
 - (f) Unable to cope with competition
 - (g) Political instability
- (Any 4 x 1 = 4mks)

23. Unethical issues in product promotion

- (a) Cheating on permanence of the product
- (b) Cheating on ingredients of the product
- (c) Not disclosing side effects of the product
- (d) False pricing
- (e) Negative effects of the environment such as pollution

- (f) Social cultural conflicts (Any 4 x 1 = 4mks)
24. Incentives that encourage development of firms in a certain area
- (a) Offering free or cheap land
 - (b) Reduction of taxes
 - (c) Offering subsidies
 - (d) Offering direct financial assistance
 - (e) Improvement of infrastructure (Any 4 x 1 = 4mks)
25. Advantages of M-banking
- (a) Mobile phone airtime top up
 - (b) Mini-statement requisition
 - (c) Checking of account balances
 - (d) Paying utility bills without going to the bank
 - (e) Transferring money from the bank to the mobile phone
 - (f) Automatically know when salary has been entered into the account (Any 4 x 1 = 4mks)