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

**ALLIANCE GIRLS HIGH SCHOOL**  
**BUSINESS STUDIES**  
**THEORY**  
**Paper 1**  
**MARKING SCHEME**

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# **ALLIANCE GIRLS SCHOOL KCSE TRIAL AND PRACTICE EXAM 2016**

## **BUSINESS STUDIES PAPER 1**

### **MARKING SCHEME**

1. Limitation of direct production.
  - ✓ Possible in limited sectors e.g. agriculture
  - ✓ Poor quality products
  - ✓ No income generation
  - ✓ Limited employment opportunities
  - ✓ Quantity supplied is low
2. Roles of an entrepreneur to the economy.
  - ✓ Produce goods or service
  - ✓ Promote both local and international trade
  - ✓ Promote development of infrastructure
  - ✓ Create wealth and reduce poverty levels
  - ✓ Create employment opportunities
  - ✓ Promote use of technology
  - ✓ Satisfaction of human wants
  - ✓ Resource mobilization.
3. Functions of a computer in a modern office.
  - ✓ Data recording
  - ✓ Data processing
  - ✓ Communication
  - ✓ Internet access
  - ✓ Printing of documents
4. Reasons for the importance of Mau escarpment as a natural resource.
  - ✓ Water catchment
  - ✓ Forest cover
  - ✓ Habitat for wildlife
  - ✓ Tourist attraction
  - ✓ Generation of hydro-electric power
  - ✓ Human settlement
  - ✓ Economic activities e.g. farming
5. Importance of financial records to a business
  - ✓ Helps to calculate profits or losses made
  - ✓ Helps to determine credit worthiness of a debtors
  - ✓ Important in attracting investors
  - ✓ Used by the government to calculate tax payable
  - ✓ Used by lenders to determine suitability of a firm in a loan applications.
  - ✓ Used to determine growth of an enterprise
  - ✓ Used for comparison with competitors
  - ✓ Used in decision making by management
6. Purpose of the following documents.

<b><i>Document</i></b>	<b><i>Purpose</i></b>
Delivery note	To indicate goods received in good order
Debit note	To correct an undercharge
An invoice	To request payments for goods delivered
Statement of account	Summary of monthly transactions between a buyer and a seller.

7. Benefits of joining a savings and credit cooperative
  - ✓ Encourages savings

- ✓ Encourages investments e.g. buying a vehicle or land
- ✓ Earns dividends every year
- ✓ Provides education to its members
- ✓ In case of bereavement, caters for the family members.
- ✓ Gives normal loans and emergency loans and other forms of credit
- ✓ Interest charged on the loans is cheaper compared to commercial banks.

8.

KIP'S  
Balance sheet  
As at 31. 8. 2010

a	<u>F.A</u>				ksh
	KSH			Capital	40700
	Computers	87500		LTL	
				Coop loan	50000
	<u>C.A</u>				
	Stock	12,200		STL	
	Debtors	12,000		Creditors	18000
	Cash	19,000		Bank overdraft	22000
		43200			
		<u>130700</u>			<u>130700</u>

9.

Measures taken by producers to ensure that consumers are protected.

- ✓ Writing instructions
- ✓ Giving a caution
- ✓ Indicating ingredients used
- ✓ Indicating expiry date
- ✓ Giving contacts, address and phone numbers
- ✓ Indicating stamp of approval from Kenya bureau of standards
- ✓ Prepare goods from the factory fit for consumption
- ✓ Indicate retail price on the packet

10.

Benefits of a public warehouse to a consumer.

- ✓ Ensure a continuous supply of a product
- ✓ Enables stocking of a variety enabling exercise of choice
- ✓ Stocking when in excess and releasing to the market gradually ensures price stability
- ✓ Enables to respond to large orders from a consumer
- ✓ Quality of some products may increase while in storage e.g. wine.

11.

Advantages of using E-mail for communication.

- ✓ It is fast in sending messages
- ✓ It allows for immediate feedback
- ✓ It has a record for future reference
- ✓ Allows confidential messages to be send
- ✓ It is economical to send messages
- ✓ It reduces on the use of papers
- ✓ Can be used globally/internationally
- ✓ Service is available for 24hrs

12. Reasons why all motor vehicles are required to have a policy cover
- ✓ It is a legal requirement
  - ✓ Facilitates compensation to victims of an accident by an insurance company.
  - ✓ Enables the owner to have a replacement after occurrence of a risk.
  - ✓ Encourages people to invest in the transport sector.
13. To calculate
- i) Mark-up %
- $$\frac{\text{Mark up}}{\text{Sales}} \times 100 = 20\% \text{ or } 1/5$$
- Mark up
- $$\frac{\text{Sales} - \text{Cost}}{\text{Cost}} \times 100 = 25\% \text{ or } 1/4$$
- X= ksh 160000  
Therefore 800, 0000 - 160,000 = 640,000  
Therefore  $\frac{160000}{640,000} \times 100 = 25\% \text{ or } 1/4$
- ii) Net profit  
C.P + commission income – expenses  
160,000 + 40000 – 120,000 = sh. 80,000
14. Importance of computing national income statistics in a country.
- ✓ Measures the income per capital e.g. living standards of its citizens.
  - ✓ Measures economic growth
  - ✓ Planning purposes by the government
  - ✓ Basis of investment decisions
  - ✓ Means of inter-country comparisons
  - ✓ Basis for equitable distribution of income
15. Factors contributing to a drop in quantity demanded.
- ✓ Reduction/fall in consumer income
  - ✓ Fall in price of a close substitute
  - ✓ Increase in price levels
  - ✓ Government policies e.g. increase in tax levels, reduction in subsidies.
  - ✓ Future expectations of a fall in price lands
  - ✓ Changes in consumer taste preferences and fashions.
16. Reasons for delocalization of firms
- ✓ Increase production of goods or services
  - ✓ Reducing rural-urban migration
  - ✓ Promoting rural infrastructure development thus leading to balanced development of a country
  - ✓ Creating more employment opportunities
  - ✓ Creating wealth/reducing poverty levels
  - ✓ Encourage growth of auxiliary services e.g. banking, insurance, warehousing.

17. Purchases journal

Date	Retails	FOL	Amount Ksh
Oct 1	Helen	002	20,000
Oct 3	Dan	003	12,000
Oct 3	Tom	005	13,300
Totals posted to purchases A/ C (Dr)			<u>45,300</u>

Purchase returns journals.

Date	Retail	FOL	Amount Ksh
Oct 05	Tom	005	300
Totals posted to purchases returns (cr)			300

18. Benefits of a youthful population in a country.

- ✓ Provide a ready market for a wide range of products e.g. mobile phones, clothes
- ✓ Provides both skilled and unskilled labour
- ✓ Creativity and innovation leads to new products in the market.
- ✓ Developing young entrepreneurs in the country
- ✓ Promotes the use of modern technology
- ✓ Promotes the knowledge industry with increased demand for schools, colleges and universities.

19. Reasons for controlling imports in a country

- ✓ To correct an unfavorable balance of payment situation.
- ✓ To protect local firms from unfair competition.
- ✓ To generate revenue
- ✓ To discourage importation of certain products.
- ✓ To create employment opportunities.

20. Highlight characteristics of money

- ✓ Homogenous
- ✓ Scarcity in supply to maintain its value
- ✓ Is divisible
- ✓ Stable in value
- ✓ Acceptable
- ✓ Portable
- ✓ Recognisability

21. Challenges faced by Kenya in achieving its stated goal of vision 2030.

- ✓ Grandiose projects e.g. resort cities when locals are living in abject poverty
- ✓ Not involving many people in coming up with various projects known as flagships e.g. second port in Lamu.
- ✓ Reliance on donor support to finance many projects, this may come with strings attached.
- ✓ Kenya is limited in terms of skilled manpower, capital and use of technology thus awarding many contracts to outsiders e.g. the Chinese; with locals only providing casual labourers
- ✓ Many locals are being displaced to pave way for the projects e.g. expansion of the Airports, a second port in Lamu.
- ✓ Some projects have yet to take off
- ✓ Displacements of populations to pave way for the projects. E. Nairobi's J.K airport

22.

Type of Tax	State
a) Corporation tax	Direct tax
b) Value added tax	Indirect tax
c) Income tax	Direct tax
d) Customs duty	Indirect tax

23.

Recent trends adopted by firms in product promotion.

- ✓ Road shows
- ✓ Competitions with winners being awarded cash and assorted prizes.
- ✓ Rewarding customer loyalty e.g. safaricom's "bonga points"
- ✓ Firms coming up with customer care departments.
- ✓ Festival season promotion activities e.g. discounts.

24.

Classification of goods and services

- Free and economic goods
- Durable and perishable goods
- Material and immaterial goods
- Public and private goods
- Intermediate goods and finished goods.

25.

Challenges of operating a business without a plan

- Non-registration of a firm
- Non-continuity of a business
- Inability to obtain loans and other credit facilities.
- Lack of staff motivation.