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

**PRECIOUS BLOOD SCHOOL**  
**BUSINESS STUDIES**  
**THEORY**  
**Paper 1**  
**MARKING SCHEME**

**SCHOOLS NET KENYA**  
Osiligi House, Opposite KCB, Ground Floor  
Off Magadi Road, Ongata Rongai | Tel: 0711 88 22 27  
E-mail: [infosnkenya@gmail.com](mailto:infosnkenya@gmail.com) | Website: [www.schoolsnetkenya.com](http://www.schoolsnetkenya.com)

## MARKING SCHEME

1.
  - Age groups
  - Distribution patterns
  - Growth rate
  - Levels of education
  - Movement patterns. (any 4 points = 4 marks)
2.
  - Employees
  - Suppliers
  - Government
  - Community
  - General public.
  - Customers. (Any 4 points = 4 marks)
3.
  - production is carried out mainly on large scale
  - Goods and services produced are mainly for sale.
  - Modern technology is employed.
  - Surplus goods are produced.
  - It enhances division of labour and specialization.
  - Goods and services produced are of high quality.
  - Wide variety of goods and services are produced.
  - There is more interdependence among producers.
  - It is more pronounced in developed economics. (Any 4 points for 4 marks)
4.
  - Cost of construction should be affordable.
  - Size of staff to avoid overcrowding or unnecessary free space.
  - Maintenance and running costs should be within reach.
  - Nature of the organization's work to decide the most appropriate layout.
  - Effect of staff morale to avoid negative impact on performance.
  - Flexibility for ease of redesigning and reorganization.
  - Space available to determine if it is adequate.
  - Security for office and personal property.
  - Legal requirements. (any four points 4 marks)
5.
  - Tolerance - Respect other peoples opinions.
  - Adaptable – willing to accept change.
  - Humility – humble
  - Temperance – able to control his/her emotions.
  - Prudence – careful when making judgment or decisions
  - Diligence – keen and thorough in his /her work. (Any 4 for 4 marks)
6.
  - Assemble in market places on designated market days.
  - Display their wares on the ground and make shift structures.
  - Deal in a wide variety of items e.g. foodstuffs.
  - Traders selling particular items are found in particular parts of the market.
  - Traders normally visit different market days of the week. (Any four points 4 marks)
7.
  - opening balance on the account.
  - All the invoices issued for goods supplied.
  - All the receipts for payments made.
  - The debit notes issued.
  - The credit notes issued.
  - The closing balance. (Any 4 for 4 marks)
8.
  - All partners are equal.
  - Profits/losses to be shared equally.
  - No salaries is to be paid to any partner.
  - No interest on capital.

- No interest is to be charged on drawings.
  - Prescribed rate of interest is to be paid on loans by partners to the business.
  - All partners are presumed to be active.
  - (Any 4 points for 4 marks)
10. – Giving economic incentives e.g. low taxes, subsidies etc.
- Putting up and improving infrastructure.
  - Ensuring law and order.
  - Providing easy credit terms.
  - Developing social amenities e.g. hospitals, schools etc.
  - Enhancing favourable laws and reputations.
  - Facilitating use of appropriate technology.
  - Preservation and conservation of natural resources and environment.
  - Simplifying procedures in starting and running businesses.
  - Ensuring good governance and political stability. (Any four points for 4 marks)
- Sources /sender
  - Message
  - Medium
  - Receivers
  - Response /feedback. (Any 4 for 4 marks)
11. – Where it is a government policy.
- When there is need to spread risks insured by the company.
  - Where the value of the insured property is too high for the risk to be borne by only one insurer.
  - When the possibilities of the risk occurring are very high.
  - When the company covers so many different risks.
  - (Any 4 answers for 4 marks)
12. -Should not give false /misleading information about the products.
- Should not promote sales with genuine products but actually sell counterfeits.
  - Contents of the message should not be offensive to the public.
  - The message should not cast competitors in bad light.
  - (Any 4 answers for 4 marks)
13. Depletion of productive resources e.g. forest.
- Degradation of environment.
  - Air and water pollution.
  - Improper disposal of solid and plastic waste.
  - Crime and other anti – social activities.
  - Diverse effects on the ozone layer.
  - Diseases and poor health due to chemical handling in factories.
  - Psychological diseases e.g. stress, poor social human relations, noise of industrial life which may lead to hearing problems etc.
14. -Price mechanism.
- Haggling /bargaining.
  - The government
  - Recommending or price fixing by producer / seller. (Any 4 x 1 = 4 marks)
15. Natural resource endowment.
- Availability of capital or man made resources.
  - Human resources.
  - Social - cultural attitudes of the people.
  - Levels of technology.
  - Foreign investments.
  - Type of governance and political situation prevailing in the economy.
  - (Any 4 x1 =4 marks)

As at 31<sup>st</sup> Dec 2005

Fixed	Shs		Shs
Machines	150,000✓	Capital	292,000✓
Motor vehicle	200,000✓		
Furniture	7,000✓	<u>L.T.L</u>	
		Loan from KCB	100,000✓
<u>Current Assets</u>	40,000✓	<u>Current liab.</u>	<u>25,000✓</u>
Stock	<u>20,000✓</u>		<u>417,000</u>
Bank	<u>417,000</u>	Creditors	

8✓ @ ½ = 4 mks

17.

Dr	CAPITAL✓ A/ C	Cr
	Shs	Shs
		Bal. b/d
Drawings	32,000✓	50,000✓
Bal c/d	<u>162,000✓</u>	Additional investment
	<u>194,000✓</u>	80,000✓
		Net profit
		<u>64,000✓</u>
		<u>194,000</u>
		Bal b/d
		162,000✓

8✓ @ ½ = 4 mks

18 . – Cash sale receipt.

- credit note
- nvoice
- -Debit note
- Payment voucher. (4 x1 =4 marks)

19. – Equity

- Economy
- Certainty
- Convenience
- Flexibility
- Diversity
- Elasticity
- Simplicity (Any 4 x 1 =4 marks)

20. – Difficult to determine what to constitute the baskets.

- Varying prices of commodities in different places.
- Choosing the base year in which the prices should be stable.
- Difficult to ensure that correct weights are allocated to every item.
- Lack of adequate and accurate data on prices and consumer expenditure.
- Changing consumer tastes and preferences.

(Any 4 x 1 = 4 marks)

21.

Majengo Traders  
Trial Balance  
As at 30<sup>th</sup> June 2003

PARTICULARS	DR Shs.	CR Shs
Fixed Assets	250,000✓	
Purchases	80,000✓	
Sales		120,000✓
Creditors		45,000✓
Debtors	22,000✓	
Stock	60,000✓	
capital		247,000✓
	412,000✓	412,000

8✓ @ ½ = 4 marks

22. – Accepting deposits.  
 -Lending.  
 -Providing advice.  
 -Safe custody of valuable items.  
 -Acting as trustees.  
 -Acting as guarantors and referees.  
 -Issuing letters of credit. ( Any 4 x1 =4 marks)
23. -Voluntarily by shareholders  
 - If declared bankrupt /insolvent.  
 -As a result of a change in law rendering its activities illegal.  
 -Voluntary by creditors.  
 If it acts Ultra-vires.(Any 4 x 1=4 marks)
24. – Monopoly.  
 -Perfect competition  
 -Perfect competition  
 -Monopoly. (4 x 1 =4 marks)
25. -Widespread corruption / embezzlement of funds.  
 -Poor management.  
 -Lack of accountability.  
 -Political interference  
 -Stiff competition from the private sector.  
 -SPoor customer relationship/insensitivity to customers.( Any 4x1 =4 marks)