

KITUI COUNTY MOCK

END OF TERM II FORM FOUR EXAMINATION, 2017

Kenya Certificate of Secondary Education (K.C.S.E)

565/1

BUSINESS STUDIES

PAPER 1

MARKING SCHEME

1. Advantages of using modern technology in production (4 marks)

- It leads to increased output
- It leads to high quality products
- Products can be standardized
- Reduces the cost of production as less labour is required
- Saves time as production is done faster

4 x 1 = 4 marks

2. Types of companies that a consumer organization may receive form consumer

- Sale of poor quality goods and service
- Unfair pricing of goods
- Non-compliance to building regulations
- Poor hygiene conditions
- Sale of harmful goods
- Incorrect weight and measures

4 x 1 = 4 marks

3. Features of parastatals

- Formed by an act of parliament
- Initial capital is provided by the government
- They are set up to perform certain specific functions on behalf of the government
- They have limited liabilities
- They are managed by board of directors appointed by the government

4 x 1 = 4 marks

4. Reasons why ethical practice is necessary in product promotion

- To encourage selling of quality goods
- To ensure compliance with existing government legislation
- To safeguard cultural practices
- To encourage disclosure of information about the product
- To curb environment degradation
- To safeguard consumers against misleading advertisement

4 x 1 = 4 marks

5. Advantages of hire purchase to the buyer

- The buyer acquires possession and use of goods immediately after making a down payment
- Buyer is able to buy high value and expensive items easily
- Installments to be paid are pre-determined so that buyer can budget for the amount
- People with regular employment can make arrangement for monthly installment to be paid directly by employer through check off system

4 x 1 = 4 marks

6. - Nominal ledger

- Cashbook
- Sales ledger

- Purchases ledger

4 x 1 = 4 marks

7. Factors that may make a producer to by-pass a wholesaler when distributing goods

- When dealing with perishable goods
- When dealing with goods which are technical in nature
- When the firm is located near the market
- When there is need to keep price of goods low
- When the demand for the product is very high

4 x 1 = 4 marks

8. Factors that would lead to unfavourable terms of trade to a country

- If the prices of imports increase while those of export decline
- If the prices of imports remain constant while those of export increase
- If the prices of export remain constant while those of imports increase
- Both prices increase but the increase in price of imports is higher than those of imports
- Both prices decrease but the decrease in price of exports is higher than that of imports.

4 x 1 = 4 marks

- 9.**
- Credit note issued
 - Sales invoice
 - Credit note received
 - Cash sale receipt

4 x 1 = 4 marks

10. Reasons why flower exporters would transport their produce by air rather than by sea

- Air transport is faster
- Flowers perishable require a faster means
- Security of air transport is relatively high
- Flowers are light in weight
- Flowers are not bulky

4 x 1 = 4 marks

11. Circumstances that may necessitate re-insurance

- When the value of the property is very high
- When chances of the loss occurring through injured risk is very high
- When the insurance company has insured many similar risks which would make it difficult to compensate
- When the insurance company wishes to spread risks

4 x 1 = 4 marks

12. Net worth = Total asset – Total liabilities ✓¹

$$\begin{aligned}
 &= (300,000 + 123,000) \checkmark^1 - (125,000 + 84,500) \checkmark^1 \\
 &= 432,700 - 209,500 \\
 &= 214,200 \checkmark^1
 \end{aligned}$$

4 marks

13. Problems associated with development planning

- Lack of accurate or detailed data
- Lack of qualified personal
- Existence of large substance sector
- Transfer of inappropriate development plan
- Lack of political will
- Inflation
- Lack of funds to carry out projects

4 x 1 = 4 marks

14. Demerits of indirect tax

- May fuel inflation as it directly increase the prices of goods services
- Its less equitable
- Can be avoided by people who do not consume the taxed commodity
- Uncertainty in revenue yield
- Expensive to collect

4 x 1 = 4 marks

15. Factors that may limit entrepreneurs in an area

- Insecurity
- Poor infrastructure
- Unfavourable government policy political instability
- Stiff competition
- Political instability

4 x 1 = 4 marks

16. Challenges encountered when measuring national income using the output approach

- The problem of valuation due to non-availability or inaccuracy of the output figures especially in the private sector
- The problem of deciding on the goods and service to include
- The problem of valuing output in the subsistence sector
- The problem of changing prices
- The problems of differentiating primary inputs from intermediated inputs

4 x 1 = 4 marks

17. Factors resulting to an increase in demand

- Possibility of decrease in price
- Possibility of income being distributed fairly
- May be there was increase in population
- May be the tastes and preferences for the product was positive
- May be the incomes of households have increased

4 x 1 = 4 marks

18. Basic features of a market

- Availability of buyers
- Availability of sellers
- Availability of goods and services
- Availability of medium of exchange

4 x 1 = 4 marks

19. External factors that may negatively influence the operation of a business

- Low consumer income which leads to low demand
- Poor infrastructure
- Negative government policies
- Adverse climatic conditions
- Low population / poor market

4 x 1 = 4 marks

20. Negative effects of inflation

- Reduction in profit for business
- Wastage of time as people shop around for reasonable prices
- Conflicts between employers and employees as employees demand for raise in salaries and wages
- Decline in standard of living
- Less to creditors

- Adverse effect on balance of payment
4 x 1 = 4 marks

21. Benefits to a business that uses its own warehouse

- The owner has full control over its operations
- The owner may design it according to his / her own specification
- The owner does not incur cost of hiring space unlike with public warehouse
- The owner is not tied down by long procedures of issuing and receiving goods

4 x 1 = 4 marks

22.

**WEKESA TRADERS
TRAIL BALANCE
AS AT 31/12/2009**

Account	DR	CR
Capital		500,000
Cash in hand	20,000	
Building	200,000	
Furniture	25,000	
Motor vehicle	400,000	
Creditors		18,000
Debtors	36,000	
Bank	100,000	
Bank loan		263, 000
	<u>781,000</u>	<u>781,000</u>

8 x ½ = 4 marks

23. Reasons why hypermarkets are becoming increasing popular in Kenya

- Operates for longer hours
- Alternative and convenient for shop in
- Accept debit / credit cards
- Security is guaranteed
- Availability of auxiliary services
- Have extensive parking space

4 x 1 = 4 marks

24. Negative implication of the population distribution

- High dependency ratio
- High rate of unemployment
- Increased social evils
- Low labour supply
- Pressure on goods and services consumed by young population

4 x 1 = 4 marks

25. Measures that a manager can take to improve the working environment in an office

- Show respect to both colleagues and visitors
- Observe courtesy in dealing with people
- Be organized at work all times
- Be honest, trustful in performing duties
- Be punctual in offering services

4 x 1 = 4 marks